

**U.S. - KOREA  
(KORUS) FREE TRADE AGREEMENT:  
BENEFITS TO THE U.S. SPIRITS INDUSTRY  
(October 2011)**

The Distilled Spirits Council of the United States, Inc. is a national trade association representing U.S. producers, marketers and exporters of distilled spirits products. Its member companies export spirits products to more than 130 countries worldwide, including South Korea. In 2010, U.S. spirits exports to Korea were valued at over \$10 million; up 46% over the same period in 2009. The Distilled Spirits Council and its member companies enthusiastically support the swift entry-into-force of the U.S. – Korea (KORUS) Free Trade Agreement (FTA), which will bring about significant and measurable benefits for U.S. spirits exporters to Korea.

***Korea will eliminate immediately its tariffs on the leading U.S. spirits exports.***

- Under the FTA, Korea will eliminate its import duty (currently 20 percent *ad valorem*) on Bourbon and Tennessee Whiskey immediately upon the Agreement's entry-into-force. In 2010, Bourbon and Tennessee Whiskey accounted for the vast majority (68% in value terms) of U.S. spirits exports to Korea.
- Korea's tariffs on all other categories of U.S. spirits, such as vodka, gin, rum, etc., (currently 20 percent *ad valorem* for all categories except grape brandy, which is 15 percent *ad valorem*) will be phased out over five years.

***The FTA provides essential protections for Bourbon and Tennessee Whiskey.***

- Korea has agreed to recognize Bourbon and Tennessee Whiskey (the largest U.S. spirits export category worldwide) as distinctive products of the United States.
- This recognition provides the industry with an important anti-counterfeiting tool because it ensures that only spirits produced in the United States, in accordance with the laws and regulations of the United States, may be sold in Korea as Bourbon and Tennessee Whiskey.

***The FTA will enable U.S. spirits exports to break into Korea's vast spirits market.***

- Korea is the 10<sup>th</sup> largest spirits market worldwide, with retail sales valued at over \$10 billion in 2010. Sales are dominated by whiskey and the domestically-produced spirit, soju. The whiskey category accounts for 39% (in value terms) of all spirits sales in Korea and only 2% of all spirits sales in volume terms. Thus, the whiskey category is comprised almost entirely of higher-priced premium and super premium imported brands. Nonetheless, sales of U.S. whiskeys remain relatively small, accounting for only 2% of total whiskey sales. U.S. exports of Bourbon and Tennessee Whiskey totaled almost \$7 million (FAS value) in 2010.
- If the FTA is implemented without further delay, Bourbon and Tennessee Whiskey exporters will be able to enjoy a competitive advantage in Korea, which should pave the way for increased exports. The Distilled Spirits Council estimates that the tariff elimination for Bourbon and Tennessee Whiskey, combined with continued economic growth in Korea, could lead to U.S. exports to Korea of these products totaling approximately \$17.6 million annually by 2015.
- However, the July 1, 2011 implementation of the EU-Korea FTA reduced Korea's tariff on imports of Scotch and Irish whiskeys to 15% *ad valorem*, placing U.S. whiskeys at a competitive disadvantage vis-à-vis our European competitors. Thus, prompt Congressional approval of the U.S.-Korea FTA is essential in order to ensure that U.S. spirits will be able to compete with EU-origin spirits, which currently account for the vast majority of whiskey sales in Korea.



