NATIONAL ASSOCIATION OF BEVERAGE IMPORTERS INC.

July 23, 2019

Section 301 Committee Hearing
Washington, DC

Re: Enforcement of United States World Trade Organization Rights in Large Civil Aircraft Dispute (**Docket No. USTR-2019-0003**, 84 Federal Register 32248 (July 5, 2019))

Dear Sir or Madam:

The National Association of Beverage Importers, Inc. (NABI) requests the opportunity to present the enclosed testimony on August 5, 2019, on the additional proposed tariff commodities of EU Whiskies, including Irish Whiskey and Scotch Whisky. NABI submitted this request on July 22, 2019, by email to the USTR website link stated in the Federal Register Notice. The planned testimony text is enclosed.

Please do not hesitate to contact me should you require further information. Your assistance in this matter is greatly appreciated.

Sincerely,

Robert M. Tobiassen

Robert M. Tobiassen
President

National Association of Beverage Importers, Inc.
529 14th Street, NW
Press Club Building, Suite 1183
Washington, DC 20045
(202) 393-6224
Nabipresident@bevimporters.org www.bevimporters.org

NATIONAL ASSOCIATION OF BEVERAGE IMPORTERS INC.
Press Club Building
529 14th Street, NW
Washington, DC 20045

Testimony of Robert M. Tobiassen, President, National Association of Beverage Importers, Inc. (NABI), Washington, DC Before the Section 301 Committee on August 5, 2019, on the Additional Products List on Enforcement of United States World Trade Organization Rights in Large Civil Aircraft Dispute (Docket No. USTR-2019-0003, 84 Federal Register 32248 (July 5, 2019))

Good morning,

Thank you for the opportunity to speak before you this morning about the proposed retaliation tariffs insofar as they apply to distilled spirits, wines, and beers/malt beverages in this enforcement proceeding and, more specifically, the additional proposed tariff list that includes EU Whiskies, such as Irish Whiskey and Scotch Whisky. I am Robert M. Tobiassen, President, National Association of Beverage Importers, Inc. (NABI). Prior to assuming the Presidency of NABI on October 1st of last year, I had a 34-year career with the United States Treasury Department in the area of alcohol and tobacco regulation, taxation, and global trade. For that reason, I am very sympathetic of the difficult and challenging task you have before you in this enforcement proceeding.

NABI is the leading trade association for importers of distilled spirits, wine, beer/malt beverages, and low and non-alcoholic beverages in the United States. More than 12,000 Federal importer basic permits have been issued by the Alcohol and Tobacco Tax and Trade Bureau (TTB), United States Department of the Treasury. Established in 1935, in the wake of the Repeal of Prohibition, NABI has aided its members for eight decades in importing the widest range of products for American consumers to enjoy in a responsible manner. NABI follows closely all tariff and trade matters on alcohol beverage products at both the Federal and State levels. Importer basic permit holders are providing solid, well-paying jobs in every State. Thee ae more than 12,000 Federal basic permits that license the importation of alcohol beverages. “Delivering a WORLD of taste to AMERICA” is the NABI motto and goal. Moreover, the consistently high quantity volume of imports of distilled spirits, wines, and beers/malt beverages confirms the demand and desire of American consumers for these fine imported products.

The Federal Register Notice from USTR asks for testimony on “whether increased duties on particular products on the additional list might have an adverse effect upon U.S. stakeholders, including small businesses and consumers." 84 Federal Register 32248 (July 5, 2019). Our response is an absolutely affirmative "yes."

NABI is in a unique position to reflect on this precise question. About 95 percent of NABI Members are small and medium sized companies. Just about all are family owned and have been for generations…and hope to be for future generations. Virtually none is a publicly traded company, though some have private equity investors in the United States. These companies range from having three employees to a high of around 250 employees here in the United States. They also indirectly support truckers, warehouse workers, store clerks, and other job positions in the distribution chain.

That 95 percent are not global alcohol companies but are United States based companies, some are regionally based within the United States and not of a nationwide marketing character. They do not have markets on multiple continents where they can generate a profit center to offset the losses that they will suffer here in the United States from lost sales due to the proposed retaliatory tariffs. Lost sales means lost market share that they may never be able to recover. They sell brand names of Irish Whiskey, Scotch Whisky, and other EU origin whiskies that are not household names and have taken years of promotional and dedicated brand ambassador time to build a consumer demand. Between 2014 and today, the Alcohol and Tobacco Tax and Trade Bureau (TTB) has issued 587 certificates of label approval (COLAs) for Irish Whiskey and 5281 COLAs for Scotch Whisky. Many of these are small volume brand names. Margins are tight on many of these brand names. Absorbing a 25 percent or 100 percent tariff is not possible either directly by them as the importer, or by their distillery supplier in Europe, or by some combination of the two. Most likely, more well-known brand names of the larger global companies will fill that gap in the long run and make it only more difficult if not impossible for the small importers to re-enter the market.

As you would expect, many of these small importers are purchasing from small producers in Europe of these second-tier brand names. These small producers do not have great influence in their capitals to convey concerns to the EU Commission, so we are conveying those concerns here to all of the trade negotiators working on this matter on both sides of the Atlantic Ocean.

In turn, as these market shares are lost, job at these importers would be curtailed or ended. Employees who support their families and their communities would be seriously hurt financially. You can look at the macro data on job loses in the United States from the comments of my peer trade associations. NABI is here to tell you the micro side—individuals will lose their jobs and livelihoods. Many of the jobs held by our small and medium sized importers are principle bread winner jobs for the families. When the retaliatory tariffs ends, these jobs do not come back quickly, if at all, for the reasons stated above on the difficulty of regaining a lost market share.

One of my smallest members told me that a 25 to 50 percent tariff would mean the loss of probably about 80 percent of its business; a 100 percent tariff would wipe it out. This would mean the loss of three jobs in the Mid-Atlantic region. How do you tell your kids you lost your job in the in the alcohol beverage industry in the U.S. because of some subsidy in Europe to Airbus? Is this the lesson that you want to teach kids about global trade? I say this both to you as U.S. trade officials and to our EU counterpart trade officials. This is not a game of inanimate chess pieces; real jobs held by real people are on the line here.

A better tariff solution is available against Airbus.

Our points are few, but important ones for many consumers, importer companies and employees, and the United States economy. Our points are guided by the simple principles that, if retaliatory tariffs are going to be imposed, then they should aim for mitigating the unjustifiable competitive harm resulting in the retaliatory tariffs and do the least damage to the interests of American consumers, industry, and United States economy. They should not damage importers of these alcohol beverage products when a reasonable alternative is clearly available.

Pointedly, these small and medium sized importers and their foreign source distillers did nothing create this trade dispute; they do not play key roles in influencing their home movement trade policies. Pure and simple, as we said on May 15th in our testimony, this is a dispute over civil aircraft and aeronautic equipment; it is not about alcohol beverages. Alcohol beverages have no linkage with planes other than being served to passengers. Small and medium sized importers of Irish Whiskey, Scotch Whiskey, and other EU whiskies should not be targeted, or damaged beyond repair in some cases, for improper subsidies that neither they, nor their foreign source distillers, contributed to or advocated for.

This is a trade fight over subsidies in the civil aviation arena and the responding tariffs must be focused on remedying that competitive harm. Airbus has a facility in the United States, as you know, and brings in aeronautic parts and equipment for that facility. It is on these products that the retaliatory tariffs should be imposed. This directly undercuts the financial value to Airbus of the competitive advantage that it improperly received.

Our reasonable and sensible bottom line is the WTO determined the EU gave artificial competitive advantage to Airbus through improper subsidies.   Any retaliatory tariffs should undercut the competitiveness of corresponding EU products and, therefore, should be applied only to those aeronautical goods and equipment listed in Section 1 of the original proposed retaliation tariffs list and not on any of the alcohol beverages on any of the proposed tariffs lists. Appropriate tariff percentages on these goods and equipment will generate a dollar amount equal to the WTO sanctioned amount. Importantly, USTR must work with the Foreign Trade Zone Board to ensure that the retaliatory tariffs, in fact, apply to these parts used in Foreign Trade Zones (and exported from such Zones) as a matter advancing the public interest under the Foreign Trade Zone Act of 1934, as amended.

Thank you for your time and consideration of our concerns. I would be pleased to respond to any questions you may have on my remarks.