

# WORLD TRADE ORGANIZATION

WT/DS8/17/Add.1  
WT/DS10/17/Add.1  
WT/DS11/15/Add.1  
12 January 1998  
(98-0148)

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Original: English

## JAPAN - TAXES ON ALCOHOLIC BEVERAGES

### Mutually Acceptable Solution on Modalities for Implementation

#### Addendum

The following communication, dated 14 January 1998, from the Permanent Mission of Japan and the Permanent Delegation of the European Commission, together with enclosures, is circulated to Members at the request of both delegations.

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As already notified to the Dispute Settlement Body ("DSB") on 15 July 1997 (WT/DS8/17, WT/DS10/17, WT/DS11/15), the European Community and Japan, by January 1997, reached a mutually acceptable solution regarding the modalities for the implementation by Japan of the conclusions and recommendations adopted by the DSB in the dispute "Japan - Taxes on Alcoholic Beverages". The solution stated that "the European Community will receive at least comparable tariff concessions to those which Japan may grant to the United States or Canada as a result of ongoing negotiations with these countries on compensation".

In view of the recently reached mutually satisfactory solution between Japan and Canada and that between Japan and the United States, the European Community and Japan hereby wish to notify the DSB that measures set out in the attached text of the exchange of letters of 19 and 24 December 1997, in addition to the solution mentioned above, resolved the issue on liquor tax between them. Accordingly, the European Community and Japan consider that Article 21.6 of the Understanding on Rules and Procedures Governing the Settlement of Disputes no longer requires that this item remain on the agenda of the DSB.

Enclosure 1: Letter from Ambassador Atsushi Tokinoya, Ambassador of Japan to Mr. Hans-Friedrich Beseler, Director-General, DGI, European Commission

With regard to the implementation by Japan of the findings and conclusions of the WTO Panel Report on "Japan - Taxes on Alcoholic Beverages" as modified by the report of the Appellate Body adopted by the Dispute Settlement Body on 1 November 1996, I would like to inform you that the consultations between the Government of Japan (GOJ) and the Government of the United States and those between the GOJ and the Government of Canada have now been completed. In accordance with the solution between the GOJ and the European Community (EC) in the form of an exchange of letters dated 31 January 1997, which stated that "the European Community will receive at least comparable tariff concessions to those which Japan may grant to the USA or Canada as a result of ongoing negotiations with these countries on compensation", the GOJ has now decided to implement the following measures, whose adoption will be in accordance with the necessary domestic legislative procedures.

1. The GOJ will revise the current liquor tax scheme as described in detail in Annex A to this letter, and will carry out tariff eliminations and reductions on applied rate basis as described in detail in Annex B to this letter. For this purpose, the GOJ will submit a draft law amending the Liquor Tax Law, the Customs Tariff Law and the Temporary Tariff Measures Law to the next ordinary session of the Diet to be convened in January 1998. The GOJ will not raise tariff rates above those specified in Annex B.

2. Furthermore, the GOJ will apply the rates listed in Annex B in full recognition that Japan's WTO bound rates are higher and intends to bind these tariff reductions in the WTO at the next possible opportunity to modify the Schedule of Japan following a multilateral, multi-sectoral negotiation.

I would appreciate your confirmation that as a result of the implementation of the above-mentioned tariff eliminations and reductions, the EC accepts that it will benefit from comparable tariff concessions to those which Japan will grant to the United States and Canada.

ANNEX A

(1 October 1997-30 April 1998)

Figures for the Tax Per Degree of Alcohol for Each Category  
of Alcohol at Different Alcoholic Strengths (at 1 Intervals)

(yen/kilolitre)

Alcoholic strengths	Whisky Brandy	Spirits	Liqueur	Shochu A	Shochu B
1	(110,200)	(79,392)	(79,392)	(64,608)	(48,224)
2	(55,100)	(39,696)	(39,696)	(32,304)	(24,112)
3	(36,733)	(26,464)	(26,464)	(21,536)	(16,074)
4	(27,550)	(19,848)	(19,848)	(16,152)	(12,056)
5	(22,040)	(15,878)	(15,878)	12,921)	(9,644)
6	(18,366)	(13,232)	(13,232)	(10,768)	(8,037)
7	(15,742)	(11,341)	(11,341)	(9,229)	(6,889)
8	13,775	9,924	9,924	8,076	6,028
9	13,775	9,924	9,924	8,076	6,028
10	13,775	9,924	9,924	8,076	6,028
11	13,775	9,924	9,924	8,076	6,028
12	13,775	9,924	9,924	8,076	6,028
13	(39,204)	(28,245)	9,924	(11,784)	(8,630)
14	(36,404)	(26,227)	9,924	(10,942)	(8,014)
15	(33,977)	(24,479)	9,924	(10,213)	(7,480)
16	(31,853)	(22,949)	9,924	(9,575)	(7,012)
17	(29,980)	(21,599)	9,924	(9,011)	(6,600)
18	(28,314)	(20,399)	9,924	(8,511)	(6,233)
19	(26,824)	(19,325)	9,924	(8,063)	(5,905)
20	(25,483)	(18,359)	9,924	7,660	5,610
21	(24,269)	(17,485)	9,924	7,759	5,709
22	(23,166)	(16,690)	9,924	7,849	5,800
23	(22,159)	(15,964)	9,924	7,931	5,882
24	(21,235)	(15,299)	9,924	8,006	5,958
25	(20,386)	(14,687)	9,924	8,076	6,028
26	(19,602)	(14,122)	9,924	8,140	6,092

Alcoholic strengths	Whisky Brandy	Spirits	Liqueur	Shochu A	Shochu B
27	(18,676)	(13,599)	9,924	8,199	6,151
28	(18,202)	(13,113)	9,924	8,254	6,207
29	(17,574)	(12,661)	9,924	8,305	6,258
30	(16,988)	(12,239)	9,924	8,353	6,306
31	(16,440)	(11,844)	9,924	8,666	6,530
32	(15,926)	(11,474)	9,924	8,960	6,740
33	(15,444)	(11,126)	9,924	9,235	6,937
34	(14,990)	(10,799)	9,924	9,495	7,123
35	(14,561)	(10,491)	9,924	9,740	7,298
36	(14,157)	(10,199)	9,924	-	7,463
37	13,774	9,924	9,924	-	7,620
38	13,774	9,924	9,924	-	7,768
39	13,774	9,924	9,924	-	7,908
40	13,775	9,924	9,924	-	8,042
41	13,775	9,924	9,924	-	8,169
42	13,775	9,924	9,924	-	8,290
43	13,775	9,924	9,924	-	8,405
44	13,775	9,924	9,924	-	8,515
45	13,775	9,924	9,924	-	8,621
46	13,775	9,924	9,924	-	-
47	13,775	9,924	9,924	-	-
48	13,775	9,924	9,924	-	-
49	13,775	9,924	9,924	-	-
50	13,776	9,924	9,924	-	-

(1 May 1998-30 September 1998)

Figures for the Tax Per Degree of Alcohol for Each Category  
of Alcohol at Different Alcoholic Strengths (at 1 Intervals)

(yen/kilolitre)

Alcoholic strengths	Whisky Brandy	Spirits	Liqueur	Shochu A	Shochu B
1	(81,800)	(79,392)	(79,392)	(79,392)	(48,224)
2	(40,900)	(39,696)	(39,696)	(39,696)	(24,112)
3	(27,266)	(26,464)	(26,464)	(26,464)	(16,074)
4	(20,450)	(19,848)	(19,848)	(19,848)	(12,056)
5	(16,360)	(15,878)	(15,878)	(15,878)	(9,644)
6	(13,633)	(13,232)	(13,232)	(13,232)	(8,037)
7	(11,685)	(11,341)	(11,341)	(11,341)	(6,889)
8	10,225	9,924	9,924	9,924	6,028
9	10,225	9,924	9,924	9,924	6,028
10	10,225	9,924	9,924	9,924	6,028
11	10,225	9,924	9,924	9,924	6,028
12	10,225	9,924	9,924	9,924	6,028
13	(29,101)	(28,245)	9,924	(15,267)	(8,630)
14	(27,023)	(26,227)	9,924	(14,177)	(8,014)
15	(25,221)	(24,479)	9,924	(13,232)	(7,480)
16	(23,645)	(22,949)	9,924	(12,405)	(7,012)
17	(22,254)	(21,599)	9,924	(11,675)	(6,600)
18	(21,018)	(20,399)	9,924	(11,026)	(6,233)
19	(19,911)	(19,325)	9,924	(10,446)	(5,905)
20	(18,916)	(18,359)	9,924	9,924	5,610
21	(18,015)	(17,485)	9,924	9,924	5,709
22	(17,196)	(16,690)	9,924	9,924	5,800
23	(16,448)	(15,964)	9,924	9,924	5,882
24	(15,763)	(15,299)	9,924	9,924	5,958
25	(15,133)	(14,687)	9,924	9,924	6,028
26	(14,550)	(14,122)	9,924	9,924	6,092

Alcoholic strengths	Whisky Brandy	Spirits	Liqueur	Shochu A	Shochu B
27	(14,012)	(13,599)	9,924	9,924	6,151
28	(13,511)	(13,113)	9,924	9,924	6,207
29	(13,045)	(12,661)	9,924	9,924	6,258
30	(12,610)	(12,239)	9,924	9,924	6,306
31	(12,204)	(11,844)	9,924	9,924	6,530
32	(15,822)	(11,474)	9,924	9,924	6,740
33	(11,464)	(11,126)	9,924	9,924	6,937
34	(11,127)	(10,799)	9,924	9,924	7,123
35	(10,809)	(10,491)	9,924	9,924	7,298
36	(10,509)	(10,199)	9,924	-	7,463
37	10,225	9,924	9,924	-	7,620
38	10,225	9,924	9,924	-	7,768
39	10,225	9,924	9,924	-	7,908
40	10,225	9,924	9,924	-	8,042
41	10,225	9,924	9,924	-	8,169
42	10,225	9,924	9,924	-	8,290
43	10,225	9,924	9,924	-	8,405
44	10,225	9,924	9,924	-	8,515
45	10,225	9,924	9,924	-	8,621
46	10,225	9,924	9,924	-	-
47	10,225	9,924	9,924	-	-
48	10,225	9,924	9,924	-	-
49	10,225	9,924	9,924	-	-
50	10,225	9,924	9,924	-	-

(1 October 1998-30 September 2000)

Figures for the Tax Per Degree of Alcohol for Each Category  
of Alcohol at Different Alcoholic Strengths (at 1 Intervals)

(yen/kilolitre)

Alcoholic strengths	Whisky Brandy	Spirits	Liqueur	Shochu A	Shochu B
1	(81,800)	(79,392)	(79,392)	(79,392)	(63,808)
2	(40,900)	(39,696)	(39,696)	(39,696)	(31,904)
3	(27,266)	(26,464)	(26,464)	(26,464)	(21,269)
4	(20,450)	(19,848)	(19,848)	(19,848)	(15,952)
5	(16,360)	(15,878)	(15,878)	(15,878)	(12,761)
6	(13,633)	(13,232)	(13,232)	(13,232)	(10,634)
7	(11,685)	(11,341)	(11,341)	(11,341)	(9,115)
8	10,225	9,924	9,924	9,924	7,976
9	10,225	9,924	9,924	9,924	7,796
10	10,225	9,924	9,924	9,924	7,796
11	10,225	9,924	9,924	9,924	7,976
12	10,225	9,924	9,924	9,924	7,976
13	(29,101)	(28,245)	9,924	(15,267)	(11,946)
14	(27,023)	(26,227)	9,924	(14,177)	(11,092)
15	(25,221)	(24,479)	9,924	(13,232)	(10,353)
16	(23,645)	(22,949)	9,924	(12,405)	(9,706)
17	(22,254)	(21,599)	9,924	(11,675)	(9,135)
18	(21,018)	(20,399)	9,924	(11,026)	(8,627)
19	(19,911)	(19,325)	9,924	(10,446)	(8,173)
20	(18,916)	(18,359)	9,924	9,924	7,765
21	(18,015)	(17,485)	9,924	9,924	7,815
22	(17,196)	(16,690)	9,924	9,924	7,860
23	(16,448)	(15,964)	9,924	9,924	7,902
24	(15,763)	(15,299)	9,924	9,924	7,940
25	(15,133)	(14,687)	9,924	9,924	7,976
26	(14,550)	(14,122)	9,924	9,924	8,008

Alcoholic strengths	Whisky Brandy	Spirits	Liqueur	Shochu A	Shochu B
27	(14,012)	(13,599)	9,924	9,924	8,038
28	(13,511)	(13,113)	9,924	9,924	8,066
29	(13,045)	(12,661)	9,924	9,924	8,092
30	(12,610)	(12,239)	9,924	9,924	8,116
31	(12,204)	(11,844)	9,924	9,924	8,228
32	(15,822)	(11,474)	9,924	9,924	8,333
33	(11,464)	(11,126)	9,924	9,924	8,431
34	(11,127)	(10,799)	9,924	9,924	8,524
35	(10,809)	(10,491)	9,924	9,924	8,611
36	(10,509)	(10,199)	9,924	-	8,693
37	10,225	9,924	9,924	-	8,771
38	10,225	9,924	9,924	-	8,845
39	10,225	9,924	9,924	-	8,915
40	10,225	9,924	9,924	-	8,982
41	10,225	9,924	9,924	-	9,045
42	10,225	9,924	9,924	-	9,106
43	10,225	9,924	9,924	-	9,163
44	10,225	9,924	9,924	-	9,218
45	10,225	9,924	9,924	-	9,271
46	10,225	9,924	9,924	-	-
47	10,225	9,924	9,924	-	-
48	10,225	9,924	9,924	-	-
49	10,225	9,924	9,924	-	-
50	10,225	9,924	9,924	-	-



(1 October 2000-)

Figures for the Tax Per Degree of Alcohol for Each Category  
of Alcohol at Different Alcoholic Strengths (at 1 Intervals)

(yen/kilolitre)

Alcoholic strengths	Whisky Brandy	Spirits	Liqueur	Shochu A	Shochu B
1	(81,800)	(79,392)	(79,392)	(79,392)	(79,392)
2	(40,900)	(39,696)	(39,696)	(39,696)	(39,696)
3	(27,266)	(26,464)	(26,464)	(26,464)	(26,464)
4	(20,450)	(19,848)	(19,848)	(19,848)	(19,848)
5	(16,360)	(15,878)	(15,878)	(15,878)	(15,878)
6	(13,633)	(13,232)	(13,232)	(13,232)	(13,232)
7	(11,685)	(11,341)	(11,341)	(11,341)	(11,341)
8	10,225	9,924	9,924	9,924	9,924
9	10,225	9,924	9,924	9,924	9,924
10	10,225	9,924	9,924	9,924	9,924
11	10,225	9,924	9,924	9,924	9,924
12	10,225	9,924	9,924	9,924	9,924
13	(29,101)	(28,245)	9,924	(15,267)	(15,267)
14	(27,023)	(26,227)	9,924	(14,177)	(14,177)
15	(25,221)	(24,479)	9,924	(13,232)	(13,232)
16	(23,645)	(22,949)	9,924	(12,405)	(12,405)
17	(22,254)	(21,599)	9,924	(11,675)	(11,675)
18	(21,018)	(20,399)	9,924	(11,026)	(11,026)
19	(19,911)	(19,325)	9,924	(10,446)	(10,446)
20	(18,916)	(18,359)	9,924	9,924	9,924
21	(18,015)	(17,485)	9,924	9,924	9,924
22	(17,196)	(16,690)	9,924	9,924	9,924
23	(16,448)	(15,964)	9,924	9,924	9,924
24	(15,763)	(15,299)	9,924	9,924	9,924
25	(15,133)	(14,687)	9,924	9,924	9,924
26	(14,550)	(14,122)	9,924	9,924	9,924

Alcoholic strengths	Whisky Brandy	Spirits	Liqueur	Shochu A	Shochu B
27	(14,012)	(13,599)	9,924	9,924	9,924
28	(13,511)	(13,113)	9,924	9,924	9,924
29	(13,045)	(12,661)	9,924	9,924	9,924
30	(12,610)	(12,239)	9,924	9,924	9,924
31	(12,204)	(11,844)	9,924	9,924	9,924
32	(11,822)	(11,474)	9,924	9,924	9,924
33	(11,464)	(11,126)	9,924	9,924	9,924
34	(11,127)	(10,799)	9,924	9,924	9,924
35	(11,809)	(10,799)	9,924	9,924	9,924
36	(10,509)	(10,199)	9,924	-	9,924
37	10,225	9,924	9,924	-	9,924
38	10,225	9,924	9,924	-	9,924
39	10,225	9,924	9,924	-	9,924
40	10,225	9,924	9,924	-	9,924
41	10,225	9,924	9,924	-	9,924
42	10,225	9,924	9,924	-	9,924
43	10,225	9,924	9,924	-	9,924
44	10,225	9,924	9,924	-	9,924
45	10,225	9,924	9,924	-	9,924
46	10,225	9,924	9,924	-	-
47	10,225	9,924	9,924	-	-
48	10,225	9,924	9,924	-	-
49	10,225	9,924	9,924	-	-
50	10,225	9,924	9,924	-	-

# ANNEX B

## The Tariff Rates

Categories	1 April 1998	1 April 1999	1 April 2000	1 April 2001	1 April 2002	1 April 2003	1 April 2004
HS 2208.20-100 Brandy	yen/litre 175.79	yen/litre 170.56	yen/litre 131.98	yen/litre 93.56	0	-	-
HS 2208.90-111 Fruit brandy (See Note 1)							
HS 2208.20-200 Brandy	yen/litre 207.80	yen/litre 201.60	yen/litre 156.00	yen/litre 110.60	0	-	-
HS 2208.90-119 Fruit brandy (See Note 2)							
HS 2208.30-011							
HS 2208.30-019	10.3%	7.9%	5.4%	3.0%	0	-	-
Bourbon whisky							
HS 2208.30-021							
HS 2208.30-029	13.4%	10.6%	7.8%	5.0%	0	-	-
Rye whisky							
HS 2208.30-031 Whisky (other) (See Note 1)	yen/litre 183.62	yen/litre 175.32	yen/litre 133.81	yen/litre 92.68	0	-	-
HS 2208.30-032 Whisky (other) (See Note 2)	yen/litre 152.40	yen/litre 145.60	yen/litre 111.20	yen/litre 77.00	0	-	-
HS 2208.40-000 Rum and tafia	18.0%	13.5%	9.0%	4.5%	0	-	-
HS 2208.50-000 Gin and Geneva (See Note 3)	77.00 yen/litre 17.5%	55.75 yen/litre 13.1%	38.50 yen/litre 8.8%	19.25 yen/litre 4.4%	0	-	-
HS 2208.60-020 Vodka	16.0%	12.0%	8.0%	4.0%	0	-	-
HS 2208.70-000							
Liqueurs and cordials	yen/litre 126.00	yen/litre 94.50	yen/litre 63.00	yen/litre 31.50	0	-	-

Note 1 Of an alcoholic strength by volume of 50 per cent vol or higher, excluding those in containers holding less than 2 l.

Note 2 Other than Note 1

Note 3 *Ad valorem* duty or specific duty, whichever lower, is applied for Gin and Geneva.

Enclosure 2: Letter from Mr. Hans-Friedrich Beseler, Director-General, DGI, European Commission to Ambassador Atsushi Tokinoya, Ambassador of Japan

Thank you for your letter of 19 December 1997 informing me of the results of the negotiations that Japan has conducted with the US and Canada in respect of implementing the findings and conclusions of the WTO Panel report on "Japan - Taxes on Alcoholic Beverages" as modified by the report of the Appellate Body adopted by the Dispute Settlement Body on 1 November 1996. In your letter you also set out proposals for the new liquor tax schedule which will apply to Shochu A, Shochu B and brown spirits as well as the reduced tariffs which will apply to those liquors itemised in the annex to your letter.

In accordance with the provisions of the letter sent by Sir Leon Brittan to Minister Ikeda of 31 January 1997, the contents of which were confirmed in a letter from Minister Ikeda to Sir Leon Brittan of the same day, the European Community and Japan have engaged in further negotiations with a view to ensuring that the European Community will receive at least comparable tariff concessions to those granted to the US and Canada as a result of Japan's negotiations with these countries. I confirm that the implementation of the tariff eliminations and reductions set out in your letter of 19 December 1997 constitutes such comparable tariff concessions.

On the basis of the integral application of the additional elements and measures set out in your letter of 19 December 1997 in addition to those stipulated in Sir Leon Brittan's letter to Minister Ikeda of 31 January, I confirm that the package of Japanese proposals resolves the dispute on liquor tax between the European Community and Japan.

You will understand that if the proposals are not implemented fully, the European Community reserves its rights to resort to dispute settlement under the WTO agreements.

I should like to thank you for your cooperation in this matter.

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