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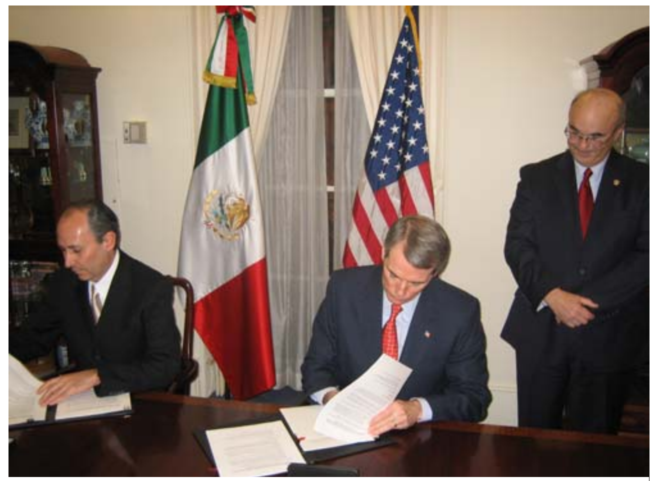
United States and Mexico Reach Agreement on Tequila

WASHINGTON - Today, U.S. Trade Representative Rob Portman announced the conclusion of an agreement with Mexico on tequila trade. Under the agreement, exports from Mexico to the United States will continue without interruption. Ambassador Portman and Mexican Secretary of Economy Sergio García de Alba signed the agreement in Washington, D.C.



TTB Administrator Manfreda watches as USTR Portman and Mexican Secretary of the Economy García de Alba sign the US – Mexico Tequila Agreement.

"We have resolved this important trade challenge in a way that ensures U.S. bottlers will have continued access to bulk tequila," said Ambassador Portman. "I'm very pleased we were able to negotiate a resolution."

"Mexico's initial position, which would have required that all Mexican-made tequila be bottled in Mexico, threatened the huge investments by U.S. companies in building bottling plants and developing brands in the United States. USTR's prompt action and the cooperation of Mexican officials allowed tequila bottling in the United States to continue uninterrupted for two years during the negotiations and guarantees that these operations will continue," Portman added. "I also want to thank the Alcohol and Tobacco Tax and Trade Bureau of the Department of the Treasury, as well as the Departments of State and Commerce, for their invaluable assistance in these negotiations."

Key elements of the agreement include:

- A prohibition on restrictions of bulk tequila exports to the United States;
- A prohibition on Mexican regulation of tequila labeling or marketing, as well as the labeling, formulation, and marketing of distilled spirits specialty products, outside of Mexico;
- Creation of a "tequila bottlers registry" that identifies approved bottlers of tequila;
- Continuation of current practice with respect to addressing Mexican concerns regarding the manufacturing of tequila in the United States; and
- Establishment of a working group to monitor the implementation of the agreement.

Background:

The United States is Mexico's largest export market for tequila and accounts for 50 percent of Mexican production. In 2004, the United States imported over $400 million of Mexican tequila. Approximately 73 percent of the total volume was tequila in bulk form. In 2003, Mexico considered amending the Official Mexican Standard for Tequila to require that tequila be bottled in Mexico. Such an amendment would have created a *de facto* ban on exports of bulk tequila. The United States and Mexico entered into discussions with a view to reaching a negotiated solution, resulting in today's agreement. On January 6, 2006, Mexico published the new Official Mexican Standard for Tequila, which contains prohibitive requirements related to the inspection of bottling facilities, labeling of tequila and products containing tequila, and formulation of products that contain tequila. As a result of today's agreement, these provisions do not apply to the United States.

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