

Fourth Meeting of the Tequila Working Group
August 12, 2011

DRAFT MINUTES

I. Welcome and Adoption of the Agenda

The Mexican delegation welcomed the delegation from the U.S. The working group approved the draft agenda (Appendix 1).

II. Enforcement

The U.S. delegation informed Mexico that the Alcohol and Tobacco Tax and Trade Bureau (TTB) receives about 130,000 applications for alcohol beverage label approval per year. Approximately 20% of those applications are rejected. The U.S. also informed Mexico that they conduct random inspections of products that are in the market under the Alcohol Beverage Sampling Program.

In 2010, under the Alcohol Beverage Sampling Program, approximately 180 distilled spirits samples were taken from the U.S. marketplace, and approximately 13% of the beverages sampled were Tequila. In most of the cases that were found to be non-compliant, the problem was failure to meet the alcohol content labeling requirements.

The U.S. also advised that label approvals for tequila and tequila-containing products are periodically reviewed by TTB's International Trade Division. TTB takes its responsibilities seriously.

A. Presentation by TTB on Pending Cases

Officials from TTB reported on the cases submitted by Mexico.

TTB reported that in the Skinny Girl Margarita and Shark Attack cases, the companies modified the labels to comply with U.S. regulations. With respect to the Hopquila case, TTB thanked Mexico for the information provided and informed Mexico that it sent a warning letter to the producer, advising them to avoid references to Tequila in their advertising materials, since it could potentially mislead consumers as to the origin of the product. TTB invited the Consejo Regulador del Tequila (CRT) to present more cases like this.

CRT requested information regarding Puerto Vallarta and Durango cases, allegedly adulterated products found in the US, which were reported to the TTB in March 2009. In this regard, TTB requested that the information be resubmitted.

CRT presented Juárez Tequila Gold and Juárez Gold (made with Tequila and liqueur) cases, which have been found in the US market. The CRT alleged that such brands are sold as tequila in Seattle and presented samples of the products that it believed were misleading to the consumer. CRT agreed to send the report to the TTB, so that TTB could analyze the case. TTB offered to study the case, since it may be a case in Washington State; after the analysis, the TTB will contact the CRT. On this issue, the TTB offered to refer the matter to local authorities in Washington State for further action.

The Rancho Escondido case involved a product labeled as an Agave Liqueur that purportedly contains Tequila. The CRT noted that this product is neither certified nor does the bottler have an agreement with the industry. CRT agreed to provide the information to the TTB.

With respect to the Mojito, Hombre Tequila, Sonora, El Hombre Solo and Solid Rock From Mexico cases, CRT said that no action from TTB is needed.

Regarding the labeling cases from Baystreet, American Pride and Private Labels: Burka's, Pauls, Mac Arthur, CRT informed that it contacted the bottlers, requesting they make the proper modifications to their labels.

TTB agreed to send the list of requirements that bottlers must comply with regarding the labeling of exported products to the CRT.

CRT also agreed to present a list of U.S. bottlers purportedly linked with adulterated products and/or the importation of agave distilled products or other un-regulated agave products.

B. Discussion of Data to be Submitted in Support of Inquiries

Both Parties agreed on the list of data that would be helpful to receive when Mexico requested TTB to initiate an investigation.

C. Issues Related to Third-Country Cases

As a long-standing issue, the Parties agreed that the TTB has only limited authority regarding the labels of exported products. The CRT will provide the TTB with a list of U.S. bottlers that have been involved in third country cases and in alcohol importation as well, agreeing it would be easier to follow up on a small number of tequila bottlers. The Parties agreed to continue to an exchange of lists.

III. Operation of the Tequila Bottlers Registry

DGN informed that no modifications, changes or new requirements have been implemented to the Tequila Bottlers Registry (TBR).

IV. Follow-up on Operational Issues

A. Possibility to ask for the Certificate of Authenticity for bulk tequila imports by U.S. Customs and Border Protection

Regarding the Mexican request that the U.S. require a copy of the Mexican Certificate of Authenticity for bulk tequila at the point of importation into its territory, the U.S. shared information on how to submit a petition to TTB requesting a change to U.S. regulations.

Mexico will present the formal request, and the USTR will ensure that the petition is received by the appropriate U.S. Government officials.

B. HTSUS tariff numbers and U.S. Exports of Tequila

Regarding the Mexican request that the U.S. create new 10-digit statistical breakouts in order to track U.S. exports of tequila and tequila-containing products, the U.S. shared contact information.

Mexico will present the formal request, and the USTR will ensure that the appropriate U.S. Government officials receive the request.

C. Exchange of Statistics

The delegations exchanged statistics.

D. Industry Reports to the CRT

CRT noted new information that they proposed to require from U.S. bottlers in the quarterly reports they submit to the CRT (batch number, number and copy of the analysis of the product and the information of the destination country when bottled for exportation).

TTB informed Mexico that U.S. bottlers are not required to include lot or batch information on labels or bottles; as a result, such a request may be difficult for industry to comply with. TTB requested more information regarding the analysis of the product needed and whether not complying with all the information requested could result in the cancellation of a bottler's Certificate of Approval for Export (CAE). CRT informed TTB that the lack of information would not necessarily result in such a cancellation.

CRT informed the group about the American Tequila Initiative, and agreed to share the documents regarding said initiative.

V. Regulatory Update: Official Mexican Standard for Tequila

Mexico reported that the Draft Tequila NOM would be published in early 2012.

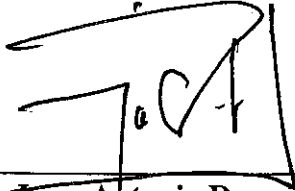
The Parties shared information regarding consultations with the Russian Federation. Mexico presented the concerns presented to Russia regarding Tequila and Mezcal definitions contained in the Russian technical regulation. The U.S. informed Mexico of a meeting in following weeks with the Russian authorities, and expressed the intention of cooperating with Mexico in this effort. The Parties agreed to coordinate on this issue.

VI. Briefing for Industry Representatives.

Following the meeting, the Tequila Working Group met with representatives of the Tequila Industry National Chamber to brief them on the results of the meeting.

The Parties invited the industries to present proposals in order to be more involved within the tasks of the Working Group.

From Mexico

A stylized handwritten signature in black ink, consisting of a large 'J' followed by 'A' and 'S'.

Juan Antonio Dorantes Sánchez

General Director of International Trade Rules
Undersecretariat for International Trade
Negotiations
Ministry of the Economy

From US

A handwritten signature in black ink, appearing to read 'Kent C Shigetomi'.

Kent Shigetomi

Director of Mexico and NAFTA Affairs
United States Trade Representative (USTR)

Appendix 1:

Fourth Meeting of the Tequila Working Group August 11th - 12th, 2011 Guadalajara, Mexico

AGENDA

August 11th, 2011

Visit to Tequila facilities and Agave plantations.

- 8:30 Private breakfast of the Mexican industry with government representatives (Hilton Hotel Restaurant).
- 9:30 Trip from Guadalajara to Agave plantations.
- 10:30 Visit to a distillery to experience CRT work on the premises.
- 12:00 Visit to a bottler to experience bottling controls (CAE, reports, samples).
- 13:30 Lunch with CRT personnel for Q&A of verification process.
- 16:00 Trip back to Guadalajara.
- 20:00 Dinner (place TBD).

August 12th, 2011

9:00 – 10:30 Visit to CRT laboratories and presentation.

10:30 – 10:45 Coffee Break.

10:45 – 11:00 Welcome and Adoption of the Agenda.

11:00 – 12:30 Enforcement.

- A. Presentation by TTB on Pending Cases.
- B. Discussion of Data to be Submitted in Support of Inquiries.
- C. Issues Related to Third-Country Cases.

12:30 – 13:30 Operation of the Tequila Bottlers Registry (Analysis of Cancellation of Certificate of Approval to Bottlers).

13:30 – 14:30 Lunch

14:30 – 16:00 Follow-up on Operational Issues.

- A. Possibility to ask for the Certificate of Authenticity for bulk tequila imports to the U.S. by U.S. Customs and Border Protection.

- B. HTSUS tariff numbers and U.S. Exports of Tequila.
- C. Exchange of Statistics.
- D. Industry Reports to the CRT.

16:00 – 16:30 Regulatory Update: Official Mexican Standard for Tequila.

16:30 – 17:00 Briefing for Industry Representatives.

20:00 Dinner proposed by CRT (place TBD)

Mexican Government Delegation:

Juan Antonio Dorantes Sánchez, Director General for International Trade Analysis.

Ana Cecilia Cordero, Direction General for Standardization (DGN), Ministry of the Economy.

Gilda González Carmona, Deputy Director General, Mexican Institute of Industrial Property (IMPI).

Theodore Schultz Hoeflich, Occident Regional Office, IMPI.

Tequila Regulatory Council (CRT) members:

Ramón Gonzalez Figueroa, Director General.

Ana Paula Ramirez Ramirez, International Affairs Coordinator.

Daniela Solis Palomera, CRT Representative for the USA and Canada.

Floriberto Miguel Cruz, Technical Commissioner.

Ismael Vicente, Head of the Certification Body.

Angelica Valle Virgen, Head of the Laboratory of Tests.

US Delegation:

Kent Shigetomi, Director for Mexico, NAFTA, and the Caribbean, United States Trade Representative (USTR).

Gail Davis, Alcohol and Tobacco Tax and Trade Bureau, International Trade Division.

Saul Cruz, Alcohol and Tobacco Tax and Trade Bureau, International Trade Division.

Emily Barragan, Desk Officer, Office of North and Central America and the Caribbean.

Melissa San Miguel, Economic and Commercial Officer, Bureau of Economy, Energy and Business Affairs.

April Cohen, Trade Policy Officer, U.S. Embassy in Mexico City.