

F A C S I M I L E M E S S A G E

DATE: 15 May 2002

TO: The Hon Margaret Ng
Chairperson
Bills Committee
Legislative Council

FAX NO: 2801 7134

CC: The Hon Mrs Selina Chow
Legislative Councillor
Legislative Council

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FROM: Frank Wilson
Consul-General

PAGE 1 OF: 2

SUBJ: DUTY RATE ON WINE IMPORTS

Dear Margaret,

I am writing to you in relation to the proposal by the Financial Secretary, in his 2002-03 Budget, to increase the duty rate on wine from 60% to 80%. I understand the Bills Committee will tomorrow be considering an amendment to the Dutiable Commodities Ordinance to implement this proposed increase. While it is of course entirely within the purview of the government of the Hong Kong SAR to introduce budget measures as it considers fit, I did want to draw to your attention the negative impact that an increase in duty on wine will likely have on trade between New Zealand and Hong Kong, the wine industry in New Zealand and companies selling New Zealand wine in Hong Kong. I hope the views expressed in this letter may be taken into account by the Bills Committee.

3783

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Exports of New Zealand wine to Hong Kong have been growing steadily over the past few years (in 2001 Hong Kong imports of New Zealand wine totalled 151,920 litres, an increase of 34% over 2000) and, while the total value of New Zealand wine exports to Hong Kong still remains modest, I believe the trade is of benefit to the Hong Kong consumer, Hong Kong companies and the New Zealand producer. I am aware from analyses done by the Hong Kong Wine Industry Coalition that it is anticipated that an increase in duty to 80% will result in a fall in consumption, because of the price sensitivity of wine consumers. I consider, therefore, that an increase in the duty on wine may result in a decline in the export of New Zealand wine to Hong Kong, particularly bearing in mind that most New Zealand wine is of a high quality and sells at the higher end of the market. Such a decline would impact on the companies in Hong Kong handling the transport, distribution, wholesaling and retailing of wine imports - not only the New Zealand producers.

Apart from the impact on wine sales, I believe an increase in the duty on wine would also negatively affect Hong Kong's status as a world city and its reputation as a duty-free port and shopping centre. Hong Kong has a well deserved image as a vibrant, sophisticated and cosmopolitan tourist destination. I feel that an increase the duty on wine imports risks detracting from this image.

Furthermore, it seems to be that an increase in the duty on wine runs counter to the global trend (and one pioneered by Hong Kong) towards a general decrease in tariff and duties. New Zealand has been working closely with Hong Kong in the WTO, APEC and bilaterally to encourage the liberalisation of trade in goods and services as a well-proven means to secure economic growth and increase the welfare of our citizens. Moves to increase duties would seem to negate this more general policy setting.

For these reasons, I hope the government of the Hong Kong SAR may reconsider the proposal to increase the duty on wine and I am writing to the Financial Secretary to put this view forward. In the meantime, it is my hope that it may be, possible for you and your colleagues in the Legislative Council to take the views expressed in this letter into account, as you consider amending the Dutiable Commodities Ordinance.

Yours sincerely

Frank Wilson
Consul-General