

*>> Duties have different functions
in each country. <<*

EDITORIAL

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Although duties have different functions in each market, the bottom line is always the same. Governments need money, so they impose taxes. As it irks few voters, and plays well to protectionist sentiments, politicians prefer taxing foreign products rather than domestic goods. However, as the European Union forbids import duties on products from other member states, the excise tax is now used to the same effect. As it raises little revenue, though, it makes no sense to impose duties on pink elephants. It would be sheer folly to tax sake in Scotland. A high rate of duty works only if the powers at be are trying to prevent imports for political reasons - or eyeing financial gain.

In that context, it is interesting to ask why Great Britain and Hong Kong have gone in such opposite directions with their duties on wine. Alistair Darling claimed that his budget had stability as its cornerstone. There was no mention of countering binge drinking or pandering to the health lobby; this was a tax grab to bolster ailing public finances. For this, though, sin taxes are always a tempting target.

Nonetheless, it is odd that as the economy slows, prices rise and families pinched, the government should make their pleasures more expensive. Franco kept Spain calm by keeping alcohol and tobacco cheap. Britain now imposes the highest wine taxes in the Union. Taxation on alcohol, though, is a blunt instrument that raises prices for people who drink responsibly and does little to deter others. Interestingly, the countries with the highest taxes on alcohol also have the greatest incidence of alcoholism.

Now, there is even talk in Great Britain of setting a minimum price on a unit of alcohol, which would be the final straw for £3.99 (€4.99). What then do we make of Germany, where 23% of all wine is sold for below €1 per bottle retail, but little public talk on binge drinking is heard?

Duties are culturally dependent. The reactionary French lobbyists are not trying to raise taxes or ban wine, but merely to make its consumption less attractive. Producing countries generally have no duties on wine in order to pander to a large group of producers, who are also voters. Imposing a duty on wine in France, Italy or Spain would create political problems, probably even riotous nightmares, in the same way that imposing a duty on lamb in New Zealand might. Similarly, no American administration would dare levy a heavy tax on petrol.

Against this backdrop, what does the elimination of all taxes on wine in Hong Kong signify? John Tsang, Hong Kong's financial secretary, obviously sees seduction where others see sin, and hopes his country will profit in other ways. In doing, he has made wine considerably more attractive to discerning drinkers in Asia.

The real question now is, will China follow suit?

