Tariffs on Imported Wine from the EU: USTR-2019-0003 / USTR-2019-0009

Inefficient, Ineffective, & Highly Damaging to U.S. Industry

- **Tariffs on wine are highly inefficient**, as most of the damage inflicted hits U.S. companies, rather than EU companies. **For every $100 of EU wine sold in the U.S., $85 goes to American businesses.**

- Unlike most other goods and services sold in the U.S., wine is highly regulated, requiring essentially 2 of the 3 companies that sell any single bottle of French or European wine to be American. **Regulations require many American wine businesses to sell only wine and spirits, giving them no ability to spread losses from tariffs to other revenue streams.**

- There are more than 47,000 retail wine and spirits stores, and more than 6500+ importers and distributors, mostly small businesses. Together they have roughly 400,000 employees.

- **The damage to U.S. businesses from the proposed tariffs will approach $10 Billion.** They would make wine prices unworkable for U.S. businesses, causing sales and revenue would drop drastically.

- The current 25% tariffs on will result in 12,000 American jobs be lost. **Tariffs of 100% would result in an estimated 78,000 American jobs lost.**

- Because of the high capital expense and long time-frame needed to develop new vineyards**, U.S. domestic wine producers could not make up for these losses.** It would take a minimum of 10 years to develop the increased production.

- **Tariffs on wine from the EU are also ineffective.** Supply cannot be increased, and there are fast-growing markets overseas that would provide alternative markets to the U.S.

- **China's demand for imported wine has grown 88% in 4 years**. Only 2% of the population drinks wine, giving tremendous room to increase demand 12 fold over the coming two decades.

- Brazil historically has a huge demand for wine. There are 32 million wine drinkers in Brazil, roughly as many as in China. Currently they have a large tariff on imported wine. **A looming Brazlian free trade agreement with the EU will send Brazil's wine imports from the EU skyrocketing.**

- The U.S. is currently the leading global trader of wine in the world. The tariffs would destroy the relationships that enable this, toppling the U.S. position, causing China, to quickly overtake the U.S. as the leader of the industry.

- Lastly, the tariffs would cause unintended harm to domestic U.S. producers. As several U.S. producers have pointed out in their letters to the U.S.T.R., **the tariffs would do severe damage to critical distribution outlets relied upon by some 80% of U.S. wine producers.** American wine's own export ability would also be hurt severely. The tariffs would see the Europeans strengthen their already strong market position in China, the most important market for export growth.

- Tariffs on Airbus and French digital services and technology companies would ensure the tariff's damages were targeted at French businesses. This would more effectively pressure the EU to change its behavior, while preventing the long-term damage tariffs on wine would cause to an important part of the U.S. economy that is anchored by small U.S. businesses.

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