modern Distillery Age

JANUARY 15, 2021 | MODERN DISTILLERY AGE VOLUME 12 | NUMBER 2

U.S., E.U. & U.K. Beverage Alcohol Associations Call for Immediate Suspension of Tariffs on Spirits & Wine

A coalition of 21 trade associations representing U.S., E.U. and U.K. wine, distilled spirits and related sectors have expressed disappointment in new U.S. tariffs going into effect on certain Cognac, other grape brandies and non-sparkling wine from France and Germany.

"We are extremely disappointed with the imposition of additional excessive tariffs on certain Cognacs, other brandies and wines from France and Germany. These tariffs will just compound the harm caused by existing tariffs. The added pressure resulting from these tariffs will force more businesses to close their doors and more workers to be laid off in sectors already negatively impacted by the global pandemic," said the coalition.

Since June 2018, there has been a steady escalation in the number of tariffs on distilled spirits and wines on both sides of the Atlantic as part of unrelated trade disputes. These tariffs are having a damaging ripple effect throughout the entire industry. The widespread harm impacts distillery and winery workers, importers, exporters, distributors, retail and restaurant workers, farmers, packaging companies that provide the containers, caps and lids and truckers, freight forwarders and logistic providers that get these products through customs.

"The spirits and wine industries have been suffering since the imposition of retaliatory tariffs in 2018 related to disputes wholly unrelated to the drinks business. It is beyond time for these unwarranted and excessive tariffs to be suspended. We are strongly urging the U.S., E.U. and U.K. to return to the negotiating table without delay and reach an agreement to immediately suspend these tariffs," the coalition added.

The coalition is made up of the Distilled Spirits Council of the United States, SpiritsEUROPE, Comité Européen Des Entreprises Vins, Wine Institute, Scotch Whisky Association, American Beverage Licensees, WineAmerica, Wine & Spirits Wholesalers of America, National Retail Federation, American Craft Spirits Association, American Distilled Spirits Alliance, U.S. Wine Trade Alliance, National Council of Chain Restaurants, Kentucky Distillers' Association, National Restaurant Association, National Association of Beverage Importers, National Association of Wine Retailers, The Wine & Spirit Trade Association, North American Shippers Association, Napa Valley Vintners, and Wine & Spirits Shippers Association.

Background

On December 30, 2020, USTR announced new 25% tariffs on certain Cognac, other grape brandies and non-sparkling wine from France and Germany. These tariffs apply to Cognac and other grape brandies valued at $38 per proof liter and above ($22.80 for a 750-ml bottle at 40% ABV) and non-sparkling wines that are entered for consumption, or withdrawn from a warehouse for consumption, on or after 12:01 a.m. Eastern Standard Time on Tuesday, January 12, 2021.

WSWA Statement on Biden Administration Trade Policies

"WSWA is optimistic that the Biden Administration will swiftly return to a trade policy that prioritizes diplomacy over tariffs and repair our relationship with European partners that has been needlessly damaged by the Trump Administration. Moving away from the tit-for-tat approach on this long-running dispute is good for U.S. economic growth, rebuilding the transatlantic relationship and delivering relief to an industry reeling from the Covid-19 pandemic.

"WSWA is disappointed the Trump Administration, and by extension the USTR, took action without public notice prior to the Biden Administration transition, further escalating this dispute that has absolutely nothing to do with U.S. or E.U. alcohol industries. This lack of consideration and decision is costing American businesses jobs and increasing retail prices for importers and distributors that is passed onto consumers at a time when everyone is suffering significant health and economic challenges related to the pandemic.

"As of September 2020, the estimated lost sales due to these tariffs are nearly 18.0 million gallons in the case of wine, about 18.2 million gallons of whisky and nearly 6.5 million gallons of cordials. Overall, the estimated reduction of sales of these imported products in the U.S. is about $1.75 billion. Over 970 alcohol distributor jobs could be lost because of higher prices and lost sales resulting from U.S. tariffs. Including all firms in the wine and spirits industry, those that supply the industry and those who depend on re-spending by direct and supplier firm employees, this would lead to a total of nearly 35,100 lost jobs on top of the American economy could be nearly $4 billion in economic activity.

"The E.U. has shown a willingness and openness to cooperate with the incoming Biden Administration, and so the industry is eager to reboot negotiations that will result in no immediate retaliatory tariffs from the E.U."