



December 15, 2020

From Wine Origins Alliance
To Biden Transition Team
Subject Barriers to Trade in Wine

On behalf of the Wine Origins Alliance (WOA), a global coalition of 32 wine and grape-growing organizations dedicated to ending all barriers to trade in wine, we would like to offer our congratulations to President-elect Joe Biden and Vice President-elect Kamala Harris for their victory in the 2020 U.S. election. Together, WOA members represent nearly 90,000 wineries and grape growers that have generated nearly 1 million jobs and more than \$8 billion in global wine exports. Among our members are 12 American wine regions and two state wine trade associations, spanning California, Missouri, New York, Oregon, Texas and Washington.

As the Biden Administration enters office, the U.S. wine industry faces a dire situation. Extending or increasing tariffs on wine would only compound the catastrophic economic pain that winemakers and consumers are facing due to COVID-19, devastating wildfires and the tariffs currently in effect. Instead, we encourage the incoming administration to promote wine exports by removing trade barriers, which is crucial to driving industry growth and creating new industry jobs in this difficult time.

There are two areas that must be addressed. First, the use of tariffs on wine as countermeasures in trade disputes between the United States and other regions, especially the European Union and China. Second, the lack of effective protection of wine region names in the United States makes it exceedingly difficult and expensive for U.S. wine regions to protect their names abroad. We have provided more information on these issues below and appreciate your consideration of our position. We would be happy to meet with members of your staff to further discuss any questions or issues at the appropriate time.

Tariffs are Harmful to the Wine Industry

The United States has imposed tariffs on wine from the European Union in response to the World Trade Organization (WTO) dispute on aircraft subsidies and is scheduled to impose tariffs under Section 301 of the Trade Act of 1974 in response to France's Digital Services Tax (DST). The United States is also investigating numerous other EU countries for their DSTs under Section 301. In recent weeks, we have been heartened by efforts from both the U.S. and EU to ease trade tensions, and hope it continues.

The U.S. and EU are the two leading wine producers in the world with combined wine exports of more than \$28 billion in 2019. Tariffs on the wine trade between these markets impose significant harm on the farmers, vintners, wineries, wholesalers, importers, distributors, warehouses, logistics companies and retailers – many of them small businesses – that bring distinctive wines to the tables of consumers. Additionally, tariffs on wine are particularly harmful to the global industry given similar tariffs imposed by other countries, including the recent Chinese decision to impose a 212% tariff on Australian wines.

- *Aircraft Subsidies:* The U.S. retaliatory tariffs on European wines in the Airbus subsidies case have had severe consequences for the wine industry in the United States, which have been further compounded by the economic crisis that wineries, restaurants and bars are facing as a result of COVID-19. According to the U.S. Department of Labor, as of November 2020 the unemployment rate among those who work in food service and drinking establishments in the United States stands at 13.8 percent – more than double the national unemployment rate of 6.7 percent.

Additionally, the U.S. Department of Commerce reported that between February and April, restaurants lost \$27 billion in monthly sales, a decline of 50 percent. These industries also faced an additional tariff bill of more than \$524 million over this time period as a result of U.S. retaliatory measures, according to data from the U.S. Customs and Border Protection.

WOA understands the intent of these proposed tariffs and the importance of the dispute in which they are being considered. However, imposing tariffs on unrelated products such as wine will only lead to further harm to American businesses and consumers at an already difficult and uncertain time, including by increasing prices and risking shortages of products they wish to purchase. We urge the incoming administration to use this opportunity to limit the tariffs to products relevant to the matter at hand: aircraft and aircraft parts, which may lead to a swifter resolution of this dispute. We are also urging the European Commission and EU Member States to show maximum flexibility in resolving this dispute with the United States.

- *Digital Services Tax:* In July 2019, French President Emmanuel Macron signed into law a DST that seeks to collect a three percent tax from major U.S. technology companies that operate in France. France initially suspended the collection of the DST while the Organisation for Economic Co-operation and Development (OECD) negotiations sought a new international tax regime for the digital economy, but France has since indicated that it will begin collecting the tax due to a breakdown in the negotiations and has reportedly sent invoices to that end. Several other countries have also proposed or implemented similar DSTs, including Austria, Italy, Spain, Turkey, and the United Kingdom.

The United States initiated an investigation into France's DST under Section 301 on July 16, 2019 which resulted in a report and recommendation for retaliatory tariffs on French goods. The United States is currently scheduled to impose a 25 percent retaliatory tariff on \$1.3 billion of French goods on January 6, 2021. The United States originally considered imposing tariffs on wine products, but did not include these products in the final tariff list. On June 5, 2020, the United States also launched Section 301 investigations into DSTs that a variety of other countries and the EU are either currently imposing or considering. Those investigations are expected to result imminently in reports and recommendations for U.S. tariffs on products from the countries that are currently imposing DSTs, including EU countries Italy and Austria.

The Biden Administration will need to confront this issue soon after inauguration, including potentially deciding whether tariffs should be imposed, continued, or suspended, and on which countries and what products. WOA urges the Administration to work with France and other EU countries on a multilateral solution. While seeking such a resolution, we urge the Administration to avoid the imposition of tariffs on unrelated products like wine. Our wine producers are already struggling from the wine tariffs imposed in disputes that have nothing to do with their industry. As one New York-based wine merchant has said, a 25 percent DST retaliatory tariff would pose "the greatest threat to the wine industry since Prohibition."

- *Disputes with China:* The United States has also imposed tariffs on imports of goods from China as a result of two separate actions: first, following the completion of an investigation under Section 232 into the alleged national security threat of steel and aluminum imports from China; and, second, following the completion of USTR's Section 301 investigation into China's unfair trade practices. Over the course of these disputes, China retaliated each time the United States imposed its own additional tariffs, including increasing tariffs on U.S. wines three times. China first retaliated against U.S. wine exports in April 2018 with an additional tariff of 15 percent in response to U.S. tariffs on imports of steel and aluminum. China next retaliated against U.S. wine exports in September 2018 with an additional tariff of 10 percent on U.S. wine, among other products, after the U.S. imposed tariffs on a third list of products from China as part of the Section 301 investigation. Then, in June 2019, China mirrored a previous U.S. action by raising the retaliatory tariff rate on the list of products on which it imposed tariffs in September 2018, including wine. These retaliatory tariffs are of course imposed on the already high MFN tariff rate of 54 percent China imposes on its imports of U.S. wine. Following all of the retaliatory tariff actions, the tariff rate for American wine into China is now at 93 percent, a market-closing amount at a time when the Chinese market for U.S. wines was growing and domestic wine sales are depressed due to actions to contain the spread of COVID-19.

Lack of Effective Name Protection Limits Trade in Wine

The United States has well-established federal and state laws to protect appellations of origin for the wine industry inside its borders. The federal American Viticulture Area (AVA) system and supplemental state statutes provide wine producers with the ability to build a reputation based on the specific

characteristics of the wines produced in specific regions of the United States. Today, 252 U.S. wine regions are legally recognized as AVAs, a designation wineries use to promote and capture the value of the geographic origin of their wines and gain superior name protection worldwide.

The United States also protects the majority of non-U.S. wine region names, with the exception of 16 European wine region names. Most of these 16 wine region names are well-known and distinctive European wine-producing regions, including Champagne, Port, Sherry, Sauternes and Chablis. This exception allows certain U.S. wine producers to use these international wine place names on their labels even though their wines originated in the United States.

Despite the success of the AVA system domestically, the current U.S. position to allow the misuse of these European wine region names undermines the integrity of that system and raises doubts in the minds of consumers about truth in wine labeling. This jeopardizes the ability for the United States to increase exports and makes it more difficult for consumers to find U.S. wine in foreign countries. It also makes it difficult for consumers to truly know the wine they purchase is in fact from the region they know.

The American wine industry is strong today because it is built on distinctive regional names, and wine consumers around the world have come to expect truthful and accurate labels when it comes to the origin of our products. The Biden Administration can effectively support increased exports of U.S. wines from U.S. winegrowing regions by supporting the protection of winegrowing place names worldwide. Moreover, by protecting the names of these well-known and distinctive wine-producing regions, the Administration can repair and rebuild ties with democratic allies in the European Union, for whom wine place name protection in the United States is an important priority.

Conclusion

Thank you for your attention to these matters. We look forward to working with the Administration in the years to come, and we are happy to serve as a resource on any matters pertaining to trade in wine going forward.

Wine Origins Alliance Members



Barossa Grape & Wine Association (Australia)



Wine, Food, Beaches, Trails, Markets, Art

McLaren Vale Grape Wine & Tourism Association (Australia)



Wine Victoria (Australia)



Wine Industry Association of Western Australia



British Columbia Wine Institute (Canada)



Conseil Interprofessionnel du Vin de Bordeaux (France)



Bureau Interprofessionnel des Vins de Bourgogne (France)



Comité Interprofessionnel du Vin de Champagne (France)



Syndicat des vins Côte de Provence (France)



Inter-Rhône (France)



Council of Tokaj Wine Communities (Hungary)



Consorzio Vino Chianti Classico (Italy)

GI Yamanashi

Yamanashi Wineries Association (Japan)



Instituto dos Vinhos do Douro e Porto (Portugal)



Cape Wine Origins (South Africa)



Finger Lakes Wine Alliance, NY (USA)



Livermore Valley Winegrowers Association, CA (USA)



Long Island Wine Country, NY (USA)



Missouri Wine and Grape Board (USA)



Monterey County Vintners & Growers Association, CA (USA)



Napa Valley Vintners Association, CA (USA)



Oregon Winegrowers Association (USA)



Paso Robles Wine Country Alliance, CA (USA)



Santa Barbara Vintners, CA (USA)



Santa Barbara Vintners Association, NY (USA)



Sonoma County Vintners, CA (USA)



Texas Wine Growers (USA)



Walla Walla Valley Wine Alliance, WA (USA)



Washington State Wine Commission (USA)



Willamette Valley Wineries Association, OR USA



Consejo Regulador del Vino de Jerez (Spain)



Consejo Regulador de la Denominación de Origen Calificada Rioja (Spain)