July 24, 2020

Mr. Joseph L. Barloon
General Counsel
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Submitted electronically via https://comments.ustr.gov/s/

Re: Review of Action: Enforcement of U.S. WTO Rights in Large Civil Aircraft Dispute (USTR–2020–00023)

Dear Mr. Barloon:

Wine Institute submits the following comments on behalf of the California wine industry urging the removal of all wine from the proposed list of products under consideration by the Office of the United States Trade Representative (USTR) for new or additional tariffs in connection with the World Trade Organization (WTO) dispute in *EC and Certain member States – Measures Affecting Trade in Large Civil Aircraft* (DS316). Further, we urge USTR to remove the current 25% tariff on table wine (HTS 2204.21.50) from France, Spain, Germany and the United Kingdom which has been in place since October 18, 2019. We welcome the opportunity to provide these updated views on this matter in addition to our previously submitted comments.

Wine Institute is the premier organization representing California wineries in the U.S. and around the world. With more than 1,000 winery and affiliated business members, we initiate and advocate public policy that enhances the ability to responsibly produce and export wine. California produces more than 80 percent of total U.S. wine production and 95 percent of U.S. wine exports. The California wine and winegrape sector and allied businesses have a national economic impact of $114.1 billion annually and support 786,000 jobs across the nation. In 2019 an estimated 1,000 U.S wineries from 36 states exported $1.36 billion of wine to more than 140 countries.

U.S. Wine Sector Facing Significant Economic Hardship

Even prior to the outbreak of the COVID-19 pandemic, the U.S. wine sector was facing numerous challenges in the area of trade. In 2019, total U.S. wine exports fell by 6.5% in value due to a combination of retaliarory tariffs, currency fluctuations and uncertainty in key markets caused by the threat of additional tariffs. In China, one of the fastest growing wine markets in the world, U.S. wines face a 54% tariff due to retaliation in response to U.S. actions relating to Section 232 and Section 301. With respect to the European Union (EU), U.S. wine exports have declined 22.8% in value from 2017-2019 due in large part to the challenges mentioned above.

In the last four months, marketplace disruptions caused by the coronavirus have created additional economic hardships for wineries of all sizes as the closure of restaurants, bars and tasting rooms has severely impacted their domestic market access. According to a recent report from Sonoma State University, the broader negative economic impact as it relates to the wine industry will be $9.6 billion in the state of California alone.[1] As the entire U.S. wine sector – producers, importers, distributors, and retailers - struggles to cope with the pandemic, the continuation or expansion of retaliatory tariffs on wine will only increase the existing economic hardship by encouraging the EU to impose retaliatory tariffs on US wine.

<u>U.S. Government Should Adhere to "Wine for Wine" Principle</u>

The EU is the largest export market for U.S. wine, totaling $427 million in 2019. Trade with the EU is challenging and restricted by several measures including the EU confiscation of common wine terms, unjustifiably strict limits on important plant protection substances that essentially prohibit the use of those substances, and high taxes in key markets.

Despite these market access concerns, Wine Institute opposes the targeting of EU wines with tariffs in this dispute. For many years we, along with other wine industry organizations around the world, have been vocal proponents of the principle that wine should not be targeted for retaliation in trade disputes involving products other than wine. In 2001, Wine Institute joined all the members of the World Wine Trade Group Industry Section in a statement urging all governments to adhere to this principle.[2] This position has not changed, and Wine Institute believes it should apply to all markets.

<u>EU Will Retaliate Against US Wine</u>

If USTR does not remove the existing tariffs on EU wine and refrain from expanding the tariffs, it will only increase the already high likelihood that the EU will retaliate against US wine when it is given the opportunity to do so later this year. In fact, last year the EU stated publicly that it intends to target U.S. wine in response to this dispute.[3] Any targeting of US wine with tariffs will have an immediate negative impact on US wine producers at a time when we are already facing significant head winds in this key market. Consequently, we believe that the targeting of EU wines with new tariffs will

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[1] Sonoma State University Wine Business Institute. "Economic Impact Report: COVID-19, Wine and the CA Economy." June 30, 2020. https://sbe.sonoma.edu/research/wine-business-institute-economic-impact-report-covid-19-wine-and-california-economy

[2] World Wine Trade Group Industry Section. "Wine for Wine." https://tinyurl.com/y6k344bp 11 April 2001.

[3] European Commission. "WTO Boeing dispute: EU issues preliminary list of U.S. products considered for countermeasures." http://europa.eu/rapid/press-release_IP-19-2162_en.htm 17 April 2019.

ultimately harm U.S. wine producers and have long-term negative consequences for future export opportunities in our largest export market.

Wine Institute urges USTR to focus its efforts on working with EU officials to reach a negotiated settlement to this dispute which removes the existing tariffs and avoids the implementation of any further tariffs. Thank you for your consideration of these comments.

Sincerely,

Robert P. "Bobby" Koch
President and CEO