Economic Environment

EU concerns mount as Trump targets French wine for tariff hikes

2019-06-17

There are growing concerns within the French wine industry that the US plans to increase tariffs on its exports, after President Trump said that EU levies were too high.

He believes that EU levies of 11-29 cents per bottle are punitive, relative to the import taxes the US imposes of 5 cents per 750 millilitres.

"France charges us a lot for the wine and yet we charge them very little for French wine," Trump told CNBC last week. A situation which is "not fair", he added.

The U.S. is the biggest client for EU wine producers, absorbing almost a third of the bloc's exports in 2017, the most recent year for which data is available, according to the EU’s statistical office. By contrast, the U.S. accounts for only 16% of the EU's wine imports, well behind Chile and also trailing Australia, Eurostat said.

The US administration already has its sights set on bumping up import taxes on European cars, which could risk the start of a full blown trade war between Brussels and Washington, with analysts at Redburn predicting a "nasty turn" in trade relations between the EU and US. Germany’s car industry is a vital component of its exports, and proceeding with these import tariffs could wipe 14.5bn Euros (£12.9bn) from eurozone GDP, economists warn.

Trump's beef with French wine points to a wider problem he sees in trade fairness: the imbalance in the goods the US sells overseas, versus the goods it buys from abroad. In 2017, America imported $4.5bn of European wines but only sold $553m to Europe. However, upping the cost of EU goods for US consumers will not result in shoppers in Italy suddenly snapping up American cars or wine, points out Sam Lowe of the Centre for European Reform. If anything it might harden their resolve against the exports. And that's before one considers any retaliatory measures from Brussels which might result in a tit for tat set of levies on US imports to the bloc.

"I think there's an ongoing concern about what he will do and when because he's fairly unpredictable," Lowe said, speaking to the Daily Telegraph. "The overarching problem can't be resolved by the European Commission. You can't easily solve the habits that mean Europeans don't really like buying US products be it cars or wine.

"Trump wants the Italians, the French to buy massive American cars despite the fact their cities aren't really designed for them. There are reasons why people drink French wines over
others, be it snobbery, or something else," he added. Whether or not they prove to be an effective bargaining tool, the tariffs are going to hit the world economy "in the absence of a miracle".

Any potential U.S. measures against French wine would have to target the entire EU, as the bloc is a common trade area. The EU exported 11.3 billion euros of wine in 2017 to third countries, 32% of which was to the U.S. On the other hand, EU member states imported a total of 12.9 billion euros of wine in 2017, but only 20% of these imports came from outside the EU. And out of this small share, only 16% was American wine.

Source: MarketIQ/Vinex

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### Major Wine Producing Countries

**New Zealand declares ‘small but stunning’ vintage**

The trade body said “a wonderfully” warm summer had contributed to a “superb vintage” for New Zealand’s wine regions, with 413,000 tonnes of grapes harvested during the 2019 vintage. Although smaller than anticipated, the quality of the harvest is being touted as “exceptional from top of the North to bottom of the South Island”, it added. The high-quality harvest was “good news for the industry” as export growth continues, with an increase of 4% to $1.78bn over the last year”, said chief executive Philip Gregan.

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### Natural / Physical Resources

**Climate change at the tipping point**

Even the most passionate of advocates can fail to sway opinion because “for those who disagree, it’s quite easy to filter out the activists. The message can just become noise. We are very good at denial and confirmation bias.”

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### Nuusbrokkies / News Snippets

**Ethical consumerism bringing changes to wine category**

Wine Intelligence has released a new report which has highlighted a change in consumer habits which is driving awareness in sustainable, organic and lower alcohol wines (SOLA), which is creating new opportunities in many markets around the world, including Australia.

With the rise of ethical consumerism from niche to mainstream, consumers are now increasingly paying attention to the impact of their purchasing habits on their own health, and that of the environment generally.

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