March 26, 2020

Honorable Robert Lighthizer
United States Trade Representative
600 17th Street
Washington, DC 20508

**RE: Immediate Support and Response Requested in Opposition to USTR #2019-0038-2518, U.S. Tariffs on Wine from European Union Countries**

Dear Honorable Ambassador Lighthizer,

My name is Sariya Jarasviroj Brown. I appreciate and welcome the opportunity to maintain my support of your understanding of how the current United States Trade Representative (USTR) tariffs on wine from the European Union continue to threaten the survival of my business, Three Ring Productions LLC dba Circo Vino, as an importer of wines from European Union countries and a national marketing representative of United States domestic wineries.

As an original member of the non-profit US Wine Trade Alliance, registered voter, and concerned United States citizen, I write to you in request that the United States Trade Representative suspend tariffs on imported wine and request you seek authorization for refunding tariffs in recompense for the financial loss and harm suffered by American wine businesses. As of February 14, 2020, my business and those of my partners in the interwoven, lawfully regulated, three-tier system, were already experiencing diminishing sales and a loss of supply sources to refuel our businesses. As an importer, my company occupies the top tier of the three-tier system governing sales of alcohol. I am a business to business enterprise and rely on sales to licensed wine distributors who then rely on sales to licensed restaurants and retailers. Our realities and incomes are intricately connected. Many of my distributor customers, simply, have not been able to pay their bills due to the added financial burden of tariffs combined with the cascading consequences of the uncertainty associated with the threat of expanded and higher tariffs. As a result, my business is experiencing severe stress. In today's reality of the COVID-19 pandemic that is striking down the wine industry at all levels, the existing losses from the tariff affected months of 2019 and 2020 combined with the current and ever evolving, yet necessary, steps to pause business is a death knell for my company, hundreds of companies like mine, and the Wine Industry that employs close to a half a million people nationwide. Currently, 50% of my ancillary customers, namely restaurateurs, are closed by government mandate. If you are standing in my shoes, suspending wine tariffs and refunding tariff monies seems like but a drop in the bucket compared to the deep well of financial losses the wine trade has already suffered and will continue to suffer, due to wine tariffs, as we weather the COVID-19 pandemic.

As a business owner, alarmed by what I could foresee as the consequences of the USTR's wine tariffs, I contacted your office early on by US Post and also through the public comment portal at www.regualtions.gov. In my state of Arizona, I have served as an organizer and liaison for businesses from each tier of the wine trade by collecting facts and sharing data in order to understand the impact of the USTR's wine tariffs on our particular state and, in my case, on my national business. I organized and led meetings for Arizona wine trade stakeholders with Senator Martha McSally's staff (January 29, 2020) and Senator Sinema's staff (February 27, 2020) in order to bring focus to the harm wine tariffs have caused and are causing to the wine trade. The consistent message that I send is that wine tariffs are destroying small businesses in America, the effect of which are dismantling a legacy of business that has taken this country almost a century to build, one that we may never regain. I appeal to the United States Trade Representative to come out on the right side of this issue: continued tariffs pose unnecessary, continued risk to the wine trade; please suspend tariffs on imported wine and seek authorization to refund businesses monies spent on tariffs.

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<u>If the USTR adopts these positive measures, providing much needed capital to the wine industry, many jobs could be saved.</u>

Circo Vino is a family owned and operated business started and maintained by family investment. It is one of the rare, women-owned, enterprises in the wine trade. In the interest of bringing a human face to this discussion, I am a naturalized citizen of this country, an ethnic minority, a step-mother and biological mother, a wife, someone who donates at least 50 volunteer hours a year to local organizations in arts and education, and contributes my private funds to charity. I am educated. I pay my taxes. I vote. I have children in elementary school, high school and college. I am the face of the American Dream. I have worked hard and I do not want to fail. It does not make sense to me for the USTR to penalize a family business like mine for what amounts to a small amount of pressure on the European Union. <u>Please ask yourself: does it make sense to devastate small businesses in order to put a small amount of pressure on the European Union, especially during a pandemic?</u>

As an example of how the USTR wine tariffs on imported wine have affected my business, I offer the following:

- Since December 2019 my company eliminated one job position and indefinitely laid-off one person.
- After the USTR imposed the October, 2019 tariffs associated with USTR #2019-0003-2518, my company's sales in the fourth quarter of 2019 and the first two months of 2020 were down by more than 35% and have not recovered, actually worsening as we moved into addressing COVID-19.
- In January 2020, in order to prepare or "get-ahead" of a possible expansion and increase of tariffs, I was, essentially, forced to overbuy product or possibly suffer bankruptcy inducing tariff charges. We simply did not and do not have the liquidity to bear a large tariff charge. My company invested in extra volumes of product that was prepared and shipped under duress. This led to unplanned and extra expenses, increasing my first and second quarter expenditures by 25% over budget. Currently, we are sitting on an excess of product that is not moving due to the COVID-19 pandemic and lack of pull through business at all levels of the supply chain.
- My hard costs associated to warehousing and shipping have increased due to increased storage fees, increased charges from warehousing, trucking, and shipping facilities.
- <u>My company functions as an import company that is bound, by law, to sell only to distributors, We are part of the top tier of the three-tier system. As a business to businesses company, we are at the mercy of our distributor partners and the health of their businesses. Since January, our distribution network has diminished, losing distributors in two major markets, and with several other distribution companies working very conservatively due to shrinking cashflow from tariffs. At least two distributors partners report being on the verge of going out of business. Our customers are slow to pay or are not paying at all. This was happening before the advent of the Covid-19 pandemic, now, there is even more uncertainty about how we will recuperate funds should businesses fail or remain unable to pay. Distributors rely on the hospitality industry and retail wine industry as their direct customers. With the current, necessary, government mandate that 50% or more of their direct customers be closed for business, a company like mine is essentially cut off at the knees because the entire supply chain below my tier is in severe financial distress or not generating an income at all.</u>
- Due to Covid-19, sales have all but ground to a halt with distributors relying on their current stock from all suppliers (not just our company) to shore-up their income and cashflow. This leaves our company without a future income path in sight.
- My company has lost access to important allocations of EU wine due to winery partners seeking sales from other countries because of the current and threatened USTR tariffs. This amounts to at least a 20% drop in future revenue – maybe more as we have not been able to return to a regular international shipping schedule due to a decreased cashflow to address tariff payments and shipping

expenses coupled with how the COVID-19 pandemic is halting international trade in some areas of the world.

- Regardless of the amount of business my company does in the 20 states where we sell wine, I still must maintain all licenses and registrations for these markets which amounts to several thousands of dollars in fees.
- I and my company have spent, on average, 5 to 10 extra hours a week addressing issues related to wine tariffs since November 2019.
- My only income is derived from my company and this is also the reality for my longtime employees.

Aside from the individual toll on my business, wine is not a suitable product to tariff. As a product associated with one of the most highly regulated industries in America, by law, two-thirds to three-quarters of the companies buying and selling wine must be an American company. My company's federal importing license is limited only to wine, beer, and spirits. In several markets where we do business, we are limited by state licensing to selling only wine. My customers in several states are also limited by licensing to sell only wine and spirits. Unlike other agricultural products, those in the wine business are prevented by government regulation from developing other revenue streams. With so much investment in the infrastructure of selling wine from states' compliance matters to the logistics of storing and transporting wine, it is virtually impossible for my business to pivot in another direction with another product. In a structure like this, tariffs cause long-term damage to solve a short term dispute.

While I am personally in favor of the United States being compensated for unfair trade acts detrimental to our economy, no matter how I look at the data, I cannot see how U.S. tariffs on imported wine are effective. I work with winegrowers both in the USA and in the European Union. Wine from historic regions anywhere in the world is tied to the successfulness of a single growing season and, largely, supply cannot be commercially increased. As well, wine is largely a place-centered product, not interchangeable even between vineyard sites. This created a two-fold problem when U.S. wine tariffs on imported wines were introduced. Importers, like me, saw their irreplaceable allocations redirected to countries in the EU and Asia. The American wineries I work with, however, are not able to step into the lost sales from their European counterparts because the wines themselves are not comparable or interchangeable. For the domestic producers, most of whom rely on small to medium sized distributors for their nationwide distribution, the negative impact on small businesses due to wine tariffs is shrinking the footprint of their business, not providing the sales opportunities that might be expected with other products. Ironically, the companies best suited to represent independent domestic wineries are usually the same as those who carry a robust portfolio of imported wines. For both domestic and foreign winegrowers, the investment to increase production is tremendously expensive and takes several years to actualize. In the case of wine tariffs, domestic wineries find themselves prey to the same dangers as are suffered by importers and distributors who work with imported wines.

As much as I am able to step back and see the mechanisms of trade and industry, it is difficult not to take this personally on behalf of my company and my industry. Much like any expert invests their 10,000 hours to hone their craft, I am an expert in my field, and it has taken my entire adult life to carve out the niche of my business and plant my flag. What makes the continuation of wine tariffs untenable for me is not, solely, that they so drastically strangle my company but that I find no data or provable argument in favor of wine tariffs. In fact, the current, daily, evidence of lost jobs, failing or diminishing businesses, and widespread industry uncertainty leading to an industry recession has been the kind of "on-the-job" data that confirms the negative effects of wine tariffs being reported by national economists. This was already happening before the onset of COVID-19; it seems important to point this out. A national stimulus plan that address hardships suffered by COVID-19 will not address the loss and harm already caused by wine tariffs. The United States Trade Representative should not conflate the two issues.

Thank you for your time and attention in reading my letter and considering my concerns. As we navigate the uncertainty of the future together, as a country, I appeal to you to suspend U.S. tariffs on imported wine and find the means to compensate wine businesses for monies already lost on paying tariffs that are not purposefully effective and, in fact, are harmful to American small businesses.

Respectfully,

Sariya Jarasviroj Brown
Owner of Circo Vino and Member of the US Wine Trade Alliance

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