The Honorable Robert Lighthizer
U.S. Trade Representative
Executive Office of the President
600 17th Street, NW Washington, DC 20006

RE: Opposition to Tariffs

June 8, 2020

Ambassador Lighthizer:

I am writing today to express my strongest possible opposition to the existing tariffs related to the Large Civil Aircraft dispute and well as any new or expanded tariffs concerning the same dispute.

I am a Partner in a small import and distribution business specializing in the wines of Europe who has already been dramatically affected by this tariff. While the first round of tariffs has hurt enough, any possible expansion or additional tariff would surely put us out of business, resulting in the loss of jobs for our ten Sales Representatives in New York, New Jersey, Pennsylvania, and Washington, DC plus our office Administrator in New York, as well as the potential loss of jobs for those associated with our business: logistics providers, warehouse workers, delivery drivers, restaurants, retailers, wholesalers we sell to in Maine, Rhode Island, Oregon, Arizona, and Washington, and other domestic wineries that rely on us for distribution. In all, it is estimated that these tariffs will cost nearly 79,000[1] American jobs if allowed to go into effect, with potentially even worse, wider-ranging, long-term effects on associated business.

There are several reasons that these tariffs are extremely shortsighted and would have the opposite intended effect. First, wine is simply not a commodity with easy-to-find alternatives. Unlike steel or natural gas or any other commodity, wine, along with several other goods potentially subject to tariff such as olive oil or cheese, has long been recognized as a regionally distinctive product. The appellation system recognized throughout the United States as well as Europe (and beyond) confirms this. Quite simply, a Pinot Noir from Oregon is not a reasonable alternative to a red wine from Burgundy. Assuming that American consumers will simply switch and start “buying American” is shortsighted at best and flat out wrong at worst.

Second, even if consumers were willing to switch to American alternatives even though they are not exact replacements, there simply is not enough supply to account for an inevitable shortage caused by the increases in price from the tariffs. It takes 3-4 years for new vineyard plantings to bear fruit usable for wine, and then the winemaking process takes another year minimum from there. This lack of supply over the five years will cause a shortage further driving up prices. The net effect there is the imported wine option is priced out of reach and the domestic wine option goes up in price significantly, meaning the American consumer loses.

Next, even if American wineries were able to at least partially fill the void in demand during the period where tariffs are in effect, these wineries rely on distribution networks like ours to be able to sell their products to the complex and complicated market in each state. While domestic wineries make up a significant portion of our sales, if we were forced to stop working with wineries in Europe due to these tariffs, our revenues and cash flows would be severely hampered. While we might be able to sustain our company for a short period, we would immediately have to lay off staff, dramatically reducing our ability to sell our full portfolio of wines, which includes our domestic portfolio. The suggestion that importers and distributors would find wines made elsewhere to help offset this loss in sales is not grounded in reality.

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[1] https://www.distilledspirits.org/wp-content/uploads/2019/08/Joint-Beverage-Alcohol-Second-Submission-USTR- Docket-USTR20190003.pdf

The cost (in both time and money) of building a new, non-European portfolio would be far greater than most importers could afford and we would be out of business imminently, further hurting the domestic wineries we work with.

Finally, these tariffs would surely instigate a retaliation from the EU, which would be extremely damaging as domestic producers look to export their products once their US sales begin to slow and their distribution networks disappear.

Given all the excluded categories, the first round of 25% tariffs announced in October 2019 will come nowhere near recouping the $7.5 billion authorized as retaliatory tariffs in the Large Civil Aircraft dispute. Further tariffs on European wines would accomplish even less, as imports would essentially disappear and companies go out of business. This process would take less than a year for countless small-to- medium-size US companies to be forced out of business, laying off tens of thousands of people directly related to the industry and potentially hundreds of thousands when considering ancillary businesses.

If these tariffs are allowed to remain in effect or worse, if any new tariffs are added, irreplaceable damage will be done to a vast range of US companies and their employees as well as US consumers. It is unfair to sacrifice wines (both imported and domestic) — and the lives of the people who bring them to our tables — as a bargaining chip in disputes having nothing to do with them. If tariffs are needed, they should be put on the products and services in dispute.

Sincerely,

Jason Malumed
Partner
MFW Wine Co. New York, NY