



June 7, 2018

The Honorable Wilbur Ross
Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Ave NW
Washington, DC 20230

Dear Mr. Secretary:

On behalf of the Distilled Spirits Council and its members, we are extremely concerned about the increasing likelihood that the European Union (EU), Canada, Turkey and/or China will soon begin retaliating against U.S. distilled spirits products in response to the United States' decisions to impose tariffs on steel and aluminum imports and on certain products from China. Mexico has recently implemented tariffs on U.S. whiskeys in response to steel and aluminum tariffs.

In fact, 46 percent of global U.S. spirits exports and 65 percent of global U.S. whiskey exports are either currently facing, or are at risk of soon facing, retaliatory tariffs.

Specifically, U.S. spirits exports to these markets worth an estimated \$759 million a year are the target of retaliatory tariffs which, if imposed, would severely harm producers, U.S. farmers which supply the grains used in the production of these products, distribution and logistics providers, as well as other input providers such as glass and other packaging suppliers. The U.S. distilled spirits sector directly and indirectly employs approximately 1.5 million people.

Global exports of U.S. spirits, including Bourbon, Tennessee Whiskey, American Rye Whiskey, rum, gin, vodka, brandy and liqueurs have benefitted significantly from the United States' efforts to secure market opening trade agreements. Over the past two decades, U.S. spirits exports have increased from \$575 million in 1997 to \$1.64 billion in 2017, representing an increase of 185 percent. American Whiskeys, including Bourbon, Tennessee Whiskey and American Rye Whiskeys, are a key component of this export success, having increased from \$290 million in 1997 to \$1.13 billion in 2017. U.S. distilled spirits are exported from small, medium and large distillers located across 42 states.


However, the imposition of tariffs on these products by our major trading partners threatens to seriously impede the export progress that has benefitted our sector and created jobs across the country. Attached, please find a detailed list of the retaliatory tariffs that have either been implemented, or will likely soon be imposed, on U.S. distilled spirits exports.

The Distilled Spirits Council and its members have long been supporters of efforts to improve access for U.S. spirits exporters to overseas markets, and we very much appreciate your leadership in ensuring that the United States continues a robust and effective trade policy. Thus, while we enthusiastically welcome the Administration's intent to pursue new market opening

agreements and to modernize the North American Free Trade Agreement, we are extremely concerned about the impact that retaliatory tariffs will have on U.S. distilled spirits producers, as well as their agricultural and supply chain partners. We appreciate the opportunity to work with you and the Administration to find effective solutions to address U.S. trade policy concerns, without harming the U.S. distilled spirits sector in the process.

We respectfully request an opportunity to meet with you in person to discuss this matter further. Thank you for your consideration, and we look forward to hearing from you.

Sincerely,



Clarkson Hine
Interim President and CEO
Distilled Spirits Council

Attachment

cc: Ambassador Robert Lighthizer, United States Trade Representative
The Honorable Sonny Perdue, Secretary of Agriculture
Mr. Larry Kudlow, Director, White House National Economic Council
Mr. Peter Navarro, Director, White House National Trade Council
The Honorable Mitch McConnell, Majority Leader, United States Senate
The Honorable Paul Ryan, Speaker, United States House of Representatives
The Honorable Kevin Brady, Chairman, House Ways and Means Committee
The Honorable Orrin Hatch, Chairman, Senate Finance Committee

U.S. Distilled Spirits and Retaliation

European Union

The EU has proposed a retaliatory tariff of 25% on all U.S. whiskey imports in response to the steel and aluminum tariffs, which may be imposed as early as June 20, 2018. Total U.S. spirits exports to the EU in 2017 were valued at \$789 million; U.S. whiskey accounted for approximately 85 percent of that total, or \$667 million.

Canada

Canada has proposed a retaliatory tariff of 10% on all U.S. whiskey imports in response to the steel and aluminum tariffs, which may be imposed on July 1, 2018. In 2017, total U.S. whiskey exports to Canada were valued at \$48.7 million.

Mexico

Mexico has imposed a retaliatory tariff of 25% on U.S. whiskeys on June 5, 2018. In 2017, U.S. whiskey exports to Mexico were valued at \$13.4 million.

Turkey

Turkey has proposed a 40% tariff on all U.S. distilled spirits in response to the steel and aluminum tariffs, beginning on June 21, 2018. In 2017, Turkey imported \$21 million in spirits from the United States; of this \$20.2 million was whiskey.

China

China has proposed retaliatory tariffs of 25% on U.S. whiskeys in response to the proposed Section 301 actions. American spirits exports to China have grown by almost 1,200 percent, from \$959,000 in 2001 when China joined the World Trade Organization (WTO) to \$12.8 million in 2017; of this \$8.9 million was whiskey.