



**DISTILLED SPIRITS COUNCIL**  
OF THE UNITED STATES

**USTR-2019-009: Notice of Hearing and Request for Public Comments: Enforcement of U.S.  
WTO Rights in Large Civil Aircraft Dispute**

**Monday, August 5, 2019**

**Testimony of Chris R. Swonger**

**on behalf of**

**The Distilled Spirits Council of the United States**



My name is Chris Swonger and I am the President and CEO of the Distilled Spirits Council of the United States (DISCUS) which is the leading voice and advocate for the U.S. distilled spirits industry. The Distilled Spirits Council represents over 60 percent of all spirits sold in the U.S. and approximately 75 percent of total U.S. spirits exports. Nearly 1.6 million people are employed in the United States in the production, distribution and sale of distilled spirits.

I am here today to reiterate our industry's long-standing opposition to tariffs on distilled spirits.

The Distilled Spirits Council has consistently supported the U.S.' efforts to open overseas markets and ensure that our trading partners adhere to the rules-based trading system. The U.S. spirits industry is unique because we have enjoyed the benefits of tariff-free trade with the European Union (EU) for more than two decades. As a result, the EU is the largest export market for U.S. spirits and accounts for 46 percent of global U.S. spirits exports. In 2018, American Whiskey exports to the EU reached \$704 million, accounting for nearly 60% of total American Whiskey exports.

It is important to note that the EU and U.S. spirits industries are deeply interconnected, with many companies owning a range of distinctive U.S. and EU spirits, such as Bourbon, Cognac, Irish Whiskey, Scotch Whisky, and Tennessee Whiskey in order to satisfy consumer demand. While tariffs imposed on EU spirits may appear to only harm EU companies, this is simply not the case. The same is true for EU tariffs on American spirits. Thus, imposing tariffs would compound the negative impact on companies that are already suffering the damaging impact of the EU's current retaliatory tariff on American Whiskeys.

Our EU counterparts share our strong opposition to the application of any tariffs on distilled spirits. They are strongly urging the Commission to remove the EU's retaliatory tariff on American Whiskey as soon as possible. In addition, they are working hard to ensure that the EU is aware of the interconnectedness of our sector and to urge that the EU does not include U.S. spirits on its final list of products for tariffs in its parallel case.

We are concerned that if the U.S. places tariffs on EU origin spirits, including liqueurs and cordials, brandies, and whiskeys, it will lead to numerous negative unintended consequences for the U.S. beverage alcohol sector and, therefore, the U.S. economy.

The beverage alcohol sector creates good paying jobs in every state, from the production, import, and wholesale, as well as jobs throughout the hospitality industry. Our suppliers include farmers that provide the grains to packaging producers that produce the bottles, caps, labels, etc. Depending on the level of tariffs imposed on EU spirits and wine, we estimate that it would negatively impact U.S. businesses, leading to a loss of between 11,200 and 78,600 jobs across the U.S.



The EU has been imposing a 25% retaliatory tariff on American Whiskey since June 2018. We believe that imposing tariffs on imports of EU distilled spirits, will result in more U.S. spirits facing retaliatory tariffs in the EU. We note that the EU already responded to the U.S. preliminary list by proposing to target U.S. vodkas, rums and brandies for tariffs in connection with the EU's parallel dispute against the U.S. Therefore, more U.S. spirits producers could be negatively impacted.

The EU's 25% tariff has caused a decline in American Whiskey exports of 19% through May 2019, after many years of positive export growth. In fact, due to the combination of retaliatory tariffs by the EU, China and Turkey, total American spirits exports have decreased 7% and total American whiskey exports have decreased 13% between June 2018 and May 2019.

Specifically, many small U.S. distillers have reported that their EU export orders have been cancelled or reduced. In addition, several companies have been forced to put expansion plans on hold, hold off on new hires, cut back on production and local grain purchases. For many, it has taken years of work and hundreds of thousands of dollars to build up demand in overseas markets. In 2018, total U.S. distilled spirits were exported from 45 states. American Whiskeys were exported from 42 states.

In sum, our industry has been fortunate to have enjoyed free and fair trade with the EU over the past 25 years. Unfortunately, American Whiskeys have become collateral damage in an unrelated trade dispute. We urge the U.S. to avoid the implementation of tariffs on distilled spirits and to re-engage with the EU to secure the elimination of tariffs on American Whiskeys.

Thank you for this opportunity to testify today. Separately, we are providing a written submission on behalf of our beverage alcohol coalition to the Section 301 Committee today. We are happy to answer any of the Committee's questions.