May 28, 2019

Joseph L. Barloon
General Counsel
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Submitted electronically via http://www.regulations.gov

Re: Notice of Hearing and Request for Public Comments: Enforcement of U.S. WTO Rights in Large Civil Aircraft Dispute (USTR–2019–0003)

Dear Mr., Barloon:

On behalf of the Distilled Spirits Council of the United States, Kentucky Distiller's Association, Wine Institute, American Craft Spirits Association, WineAmerica, Wine & Spirits Wholesalers of America, the National Association of Beverage Importers, American Beverage Licensees, and the American Distilled Spirits Association, we are writing to express our strong objection to the inclusion of distilled spirits, wine, and non-alcoholic beer on the proposed list of products under consideration by the Office of the United States Trade Representative (USTR) for tariffs in connection with the World Trade Organization (WTO) dispute by the United States against the European Union (EU) and certain EU members states in *EC and Certain member States – Measures Affecting Trade in Large Civil Aircraft* (DS316).

Beverage alcohol companies are responsible for hundreds of thousands of American jobs across the entire sector in the United States and, therefore, have a direct and significant interest in this matter. We appreciate the opportunity to provide you with our comments and concerns regarding the preliminary list of products, as detailed below.

Overview

Our associations have long supported the United States' efforts to open overseas markets for our exports and ensure that our trading partners adhere to the rules-based trading system so that our products can compete freely and fairly in those markets. We have also long supported commitments by the United States to open its market to imported products and to treat imported products like domestically produced products. Our small, medium and large companies, their employees and their suppliers -- from farmers that provide the grains to the packaging producers that provide the bottles, cans, caps, and labels -- to all the other jobs throughout the distribution chain, have benefitted from the United States' successful efforts to open markets for U.S. beverage alcohol exports. Total U.S. distilled spirits exports, for example, have grown from $496 million in 1998 to $1.8 billion in 2018, representing an increase of 261 percent. In 2018, total U.S. distilled spirits were exported from 45 states across the United States. Exports of U.S. craft distilled spirits, in particular, reached 598,000 cases in 2017, adding more than 7.7 percent of the additional volume to U.S. craft distillers' total sales. Exports of craft U.S. distilled spirits in 2017 grew by 5.7 percent versus the previous year.[1]

U.S. wine exports have grown 174 percent by value from $531 million in 1998 to $1.5 billion in 2018. In 2018, 6,009,978 barrels of beer were exported worldwide from the United States.

As noted above, the vast majority of our sector strongly opposes the inclusion of beverage alcohol products in the proposed retaliation list. If such tariffs are imposed, it will lead to numerous negative unintended consequences for the U.S. beverage alcohol sector and, therefore, the U.S. economy. According to our analysis, the imposition of tariffs on the proposed list of spirits and wine products imported from the EU could lead to a loss of approximately 6,600 to 45,800 U.S. jobs.

In addition, many U.S. companies are already being negatively impacted by the imposition of retaliatory tariffs by our key trading partners on certain U.S.-origin distilled spirits and wines due to the Section 232 steel and aluminum tariffs and by China in response to the various Section 301 actions. In fact, many of these companies will certainly face <u>more</u> retaliatory tariffs if the U.S. adopts this proposed list as currently drafted. Soon after the U.S. list was issued, the EU promptly indicated its intent to impose additional tariffs on several categories of U.S.-origin spirits and wine in connection with its WTO dispute concerning civil aircraft against the United States. In addition, beverage alcohol companies that are not currently <u>subject</u> to retaliatory tariffs, but who produce products on the EU's proposed list, are currently facing the threat of retaliatory tariffs on their EU exports. Thus, if beverage alcohol products remain on the final U.S. list, the EU would certainly respond by keeping U.S. beverage alcohol products on its list, thus inflicting more damage on U.S. companies who export to this critically important market.

As the United States has long supported free and fair trade, we are pleased that U.S. and EU leaders have publicly expressed their strong desire to reach a negotiated settlement in this long standing WTO dispute and therefore avoid the tit-for-tat imposition of tariffs. At a minimum, we urge USTR to ensure that its final list of EU-origin products that might be subject to additional tariffs, when issued, is focused on the sector that is the subject of this dispute and removes distilled spirits, wine, and non-alcoholic beer. Our detailed analysis is below.

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[1] Data source is provided by the Craft Spirits Data Project (c) American Craft Spirits Association, Park Street, IWSR (2018).

I. Imposing Tariffs on EU Beverage Alcohol Products Will Cause a Loss of U.S. Jobs

Our sectors create good paying jobs in every state, from the production, import and wholesale tiers all the way through to the retail tier. Of course, as high value-added agricultural products, the raw materials for beverage alcohol products includes grapes, fruits, corn, wheat, hops, barley, rye, rice, sorghum and others, which are sourced from farmers across the United States. Jobs in the hospitality industry include those at restaurants, bars, taverns, nightclubs, etc. Jobs are also tied to our industry at off-premise establishments such as specialty liquor stores, small, local package stores, small, medium and large grocery stores. In addition, jobs related to the import and export of beverage alcohol include those in fields such as transportation/logistics, wholesale, bottling, retail, marketing, finance, and legal/compliance.

Tariffs are taxes that often must be passed along to consumers in the form higher retail prices. Alternatively, if producers do not pass it along, profitability is negatively impacted, resulting in a reduction in investment and lost job creation. As prices rise, consumers typically purchase less or sometimes trade down to less expensive products, and U.S. jobs are negatively impacted. As overall sales levels decline, jobs across the entire three-tier chain (i.e., at the producer, importer, wholesaler, and retailer levels) are negatively impacted.

The proposed retaliatory tariffs would impact nearly $1.4 billion in brandy imports from the EU. Almost all brandy imported from the EU is Cognac, which has been officially recognized by the United States as a distinctive product of France since 1971. Accordingly, products labeled as Cognac for sale in the U.S. must be produced in compliance with the laws and regulations of France. The proposed retaliatory tariff on liqueurs and cordials would impact nearly $800 million in imports from the EU. Imports from Ireland, such as Irish Cream Liqueurs, account for nearly 34 percent of the total value and volume liqueur and cordial imports from the EU, while imports from Germany account for nearly 20 percent of the total volume and 15 percent of the total value. The proposed retaliatory tariffs on wine imported from the EU would impact nearly $4.7 billion in wine imports. (*see* Tables 1 & 2).

The *Federal Register* notice indicates that it may impose additional *ad valorem* duties of up to 100 percent on products drawn from the preliminary list. Below is an analysis demonstrating the significant harm and damage *ad valorem* tariffs of 10 percent, 25 percent, and 100 percent on the specified EU wine and distilled spirits products could have on U.S. jobs.

A. *10 Percent Tariff Would Result in The Loss of Over 6,600 U.S. Jobs*

The imposition of a 10 percent tariff would increase the retail price of Cognac by nearly 6.3 percent. Cordial prices would go up by almost 5.5 percent and imported wine prices by 7.2 percent. As consumers curb their buying in response to higher prices, total retail sales of all three products are projected to fall by over $1.0 billion. The decline in sales **would result in estimated lost jobs for over 6,600 workers**[2] (*see* Table 3).

B. 25 Percent Tariff Would Result in the Loss of Nearly 15,400 U.S. Jobs

The imposition of a 25 percent tariff would increase the retail price of Cognac by an estimated 15.7 percent, the price of the impacted cordials by nearly 13.7 percent and the impacted wines by 18.0 percent. As a result, retail sales would be reduced by nearly $2.4 billion and around **15,400 workers would lose their jobs** (*see* Table 4).

C. 100 Percent Tariff Would Result in the Loss of Nearly 45,800 U.S. Jobs

The imposition of a 100 percent *ad valorem* tariff on EU brandy, liqueurs and cordials, and wine would increase the retail price of Cognac by an estimated 63 percent, the price of the impacted liqueurs and cordials by nearly 55 percent and the impacted wines by 72 percent. As a result, retail sales would be reduced by nearly $7 billion and around **45,800 workers would lose their jobs** (*see* Table 5).

II. Imposing Tariffs on EU Beverage Alcohol Products Will Further Reduce U.S. Wine and Spirits Exports to the United States' Most Important Export Market.

Imposing tariffs on imports of EU distilled spirits, and additional tariffs on EU wine, and non-alcoholic beer will result in more U.S. beverage alcohol products facing retaliatory tariffs in the EU. In fact, the EU responded to the U.S. proposed list by issuing its preliminary list of products which included U.S. wines and distilled spirits upon which it may apply additional duties as part of its dispute with the U.S. at the WTO concerning civil aviation subsidies. This potential escalation is particularly troubling since American spirits and wines are already being negatively impacted by retaliatory tariffs imposed by several countries resulting from other trade disputes that are unrelated to the U.S. beverage alcohol industry.

A. Retaliatory Tariffs are Currently Being Imposed on U.S. Wine and Spirits Exports

Wine: The EU is the largest export market for U.S. wine, totaling $469 million in 2018. Taking a closer look within the EU-28, U.S. wines are the largest U.S. agricultural product exported to the United Kingdom by value, reaching $223.5 million in the same year. The U.S. wine industry believes that the targeting of EU wines with new tariffs will ultimately harm U.S. wine producers and have negative consequences for future export opportunities for a high value-added agricultural product. The U.S. wine industry already faces an increasing retaliatory

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[2] Analysis by the Distilled Spirits Council Office of Economic and Strategic Analysis. To calculate lost jobs, we first estimated the impact of tariffs on retail prices by each category. We then used the price elasticity of demand to estimate the reduction in consumption as a result of price increases. We then estimated the decline in employment stemming from the lost consumption in the effected industries; namely, importers, wholesalers and retailers. After calculating the direct impact of job losses, we used direct-effect employment multipliers to estimate the total number of job losses.

tariff in China which will reach 54 percent on June 1, 2019, in response to U.S. actions on steel and aluminum and consumer goods. Trade with China is down 67 percent since the beginning of 2019.

Distilled Spirits: Currently, certain U.S. distilled spirits exports face retaliatory tariffs in the EU, China and Turkey ranging from 25-140 percent *ad valorem*. With the exception of China, previously U.S. distilled spirits exports were subject to zero MFN tariffs in these markets. With regard to China, U.S. spirits previously faced either 5 or 10 percent *ad valorem* tariffs. Since the imposition of tariffs last summer through March 2019, U.S. spirits exports valued at $610.7 million have faced retaliatory tariffs.

In 2018, American Whiskey exports to the **EU** reached $704 million, accounting for 59 percent of global American Whiskey exports. Since June 22, 2018, the EU has imposed a retaliatory tariff of 25 percent on all U.S. whiskeys in response to the U.S. imposition of steel and aluminum tariffs. The tariffs on American Whiskeys are already having an impact on the industry. Since the imposition the tariff last summer, American Whiskey exports to the EU declined 15 percent between July 2018 through March 2019 as compared to July 2017 through March 2018.

In addition, **Turkey** is imposing a 140 percent tariff on all U.S. distilled spirits imports in response to the steel and aluminum tariffs, which resulted in a 54 percent decline between July 2018 through March 2019 as compared to July 2017 through March 2018.

The impact of retaliatory tariffs is being felt across the U.S. throughout the entire supply chain, from farmers, to suppliers and to retailers. For example, several small U.S. distillers and wineries have reported that their export orders have been cancelled or reduced. For many, it has taken years of work and hundreds of thousands of dollars to build up demand for their products in overseas markets. In fact, many of these small companies have utilized U.S. government-funded export promotion programs, such as USDA's Market Access Program (MAP) to help identify and develop export markets. However, as a result of the tariffs, several small companies have had to put expansion plans on hold, are holding off new hires, and in the case of spirits, are cutting back on local grain purchases. (*See* enclosed press articles.)

B. The EU will Respond by Imposing Additional Tariffs on American Wines and Spirits

On April 17, 2019, the EU issued its notice seeking input on its preliminary list of certain U.S. products which it may apply additional duties as part of its dispute with the U.S. at the WTO concerning civil aviation subsidies (*United States – Measures Affecting Trade in Large Civil Aircraft (Second complaint) – Recourse to Article 21.5 of the DSU by the European Union*). The EU's proposed list includes brandy, rum, vodka, undenatured alcohol for beverage purposes, and several categories of wine.

Specifically, EU's proposed list includes the following categories of American **wines:**

- Sparkling and still wines shipped in bulk or in containers (EU Combined Nomenclature): 2204.10.93, 2204.10.94, 2204.10.96, 2204.10.98, 2204.21.06, 2204.21.07, 2204.21.08, 2204.21.09, 2204.21.93, 2204.21.94, 2204.21.95, 2204.21.96, 2204.21.97, 2204.21.98, 2204.22.94, 2204.22.95, 2204.22.96, 2204.22.97, 2204.22.98, 2204.29.93, 2204.29.94, 2204.29.95, 2204.29.97, 2204.29.98).

The EU's proposed list also includes the following **distilled spirits** categories:

- grape brandy (EU Combined Nomenclature 2208.20.29, 2208.20.40, 2208.20.89)
- rum (EU Combined Nomenclature 2208.40.11, 2208.40.31, 2208.40.39, 2208.40.51, 2208.40.91, 2208.40.99)
- vodka (EU Combined Nomenclature 2208.60.11, 2208.60.19, 2208.60.91, 2208.60.99)
- other spirits (EU Combined Nomenclature 2208.90.91, 2208.90.99)
- undenatured alcohol for beverage purposes (EU Combined Nomenclature 2207.10.00)

In 2018, U.S. exports to the EU of the U.S. wine and spirits on the EU's preliminary retaliatory tariff list reached approximately $497 million. (*see* Tables 6 and 7)

It is certainly assured that if the U.S. keeps EU-origin beverage alcohol products on its final list, that the EU will respond in kind. We are gravely concerned that this escalation would compound the negative impact of the tariffs on sectors that are already feeling the damaging impact resulting from unrelated trade disputes.

C. Imposing Tariffs on EU Beverage Alcohol Products Will Harm U.S. Consumers and U.S. Businesses

Over the past several decades, international trade in beverage alcohol products has boomed as tariffs and non-tariff barriers to trade have been reduced. This has resulted in a wide range of products becoming available to adult consumers, evolving consumer tastes and increasing expectations and demand. To meet this consumer demand, beverage alcohol companies diversified their portfolios with products from around the world. The sectors' ability to offer a product for every taste, budget and occasion has driven growth and also created a myriad of job opportunities for U.S. workers.

For example, in the distilled spirits sector, the U.S. has agreed through mutual recognition agreements with various trading partners to officially recognize certain products from a handful of key spirits-producing countries. Thus, "Tequila" can only be made in Mexico, "Scotch Whisky" can only be made in Scotland, "Cognac" can only be made in France, etc. In return, the EU, Canada, Mexico and others have officially recognized "Bourbon" and

"Tennessee Whiskey" as distinctive products of the United States. Such mutual recognition has helped U.S. companies to distinguish their brands from other whiskey products, creating a cache for these products and contributing to the huge increase in American Whiskey exports over the past two decades. U.S. distilled spirits consumers, for example, have come to understand that products such as "Tequila" and "Scotch Whisky" have characteristics unique to the regions in which they are produced and that these products cannot be made in the United States.

As stated previously, the EU is the most valuable export destination for U.S. wine exports, and the same for EU producers importing into the United States. The EU and the United States have benefited from a wine agreement since 2006, which provides for recognition of winemaking standards and acknowledgement of American Viticultural Areas in the EU market.

As a result, the U.S. and EU beverage alcohol sectors are integrated. Trade is critical on both sides of the Atlantic. Many companies have made considerable investments in both the U.S. and the EU to successfully create complimentary product portfolios with brands from both the U.S. and EU to satisfy consumer demands.

Since retaliatory tariffs on imports are, in effect, taxes, imposing tariffs on EU beverage alcohol imports will have the unintended consequence of also harming U.S. consumers of these products.

D. Any Retaliatory Tariffs Should be Limited to Civil Aviation Products

As indicated under Article 22.3 of the WTO's Dispute Settlement Understanding (DSU), retaliatory tariffs should be imposed in the **same sector** as that in which the underlying violation, nullification, or impairment was found:

> *"3. In considering what concessions or other obligations to suspend, the complaining party shall apply the following principles and procedures:*
>
> (a) *the general principle is that the complaining party should first seek to suspend concessions or other obligations with respect to the same sector(s) as that in which the panel or Appellate Body has found a violation or other nullification or impairment;"*

While WTO rules do permit a party to seek to suspend concessions for other sectors, it may only do so if it is determined that seeking to limit the retaliation to the sector that was the subject of the dispute is "not practicable or effective" (*see* DSU Article 22.3 (b)). In our view, in this case it is certainly appropriate to limit the application of any additional tariffs on civil aviation products and not spill over into unrelated sectors, such as distilled spirits and wine.

Conclusion

The beverage alcohol industry in the United States supports hundreds of thousands of jobs across the United States in an array of related industries. U.S. Beverage alcohol producers have benefitted from the U.S. efforts to open up markets for our exports, which has been a tremendous success. The vast majority of our sector strongly opposes the inclusion of beverage alcohol in the U.S. draft list because we believe doing so, as detailed above, will lead to negative unintended consequences for U.S. consumers, will cause a further decline in U.S. beverage alcohol exports and will result in a significant loss of U.S. jobs.

We strongly urge the U.S. and EU to reach a negotiated settlement in this dispute and avoid the implementation of new tariffs. At a minimum, in order to avoid the unintended negative consequences for the U.S. economy detailed above, USTR should remove distilled spirits, wine, and non-alcoholic beer from the final list of EU-origin products that may be subject to additional tariffs in this dispute.

Thank you for this opportunity to provide you with our views. Please do not hesitate to contact us should you need any additional information.

Sincerely,

Chris R. Swonger
President & CEO
Distilled Spirits Council of the U.S.

Michelle L. Korsmo
President & CEO
Wine & Spirits Wholesalers of America

Robert. P. "Bobby" Koch
President & CEO
Wine Institute

Jim Trezise
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Matt Dogali
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American Distilled Spirits Association

Robert M. Tobiassen
President
National Association of Beverage Importers

Margie A.S. Lehrman
Executive Director
American Craft Spirits Association

Eric Gregory
President
Kentucky Distillers' Association

Table 1

Impacted Spirits Imports from European Union

Product	Value	Proof Liters	Est. 9_liter Cases	Est. Average Case Price
BRANDY	$1,379,560,185	49,624,849	6,892,340	$200.16
2208.20.2000	$481,276	32,821	4,558	$105.58
2208.20.3000	$609,921	217,264	30,176	$20.21
2208.20.4000	$1,371,710,333	47,734,702	6,629,820	$206.90
2208.20.5000	$1,036,501	737,716	102,461	$10.12
2208.20.6000	$5,722,154	902,346	125,326	$45.66
CORDIALS	$792,023,062	37,233,343	8,274,076	$95.72
2208.70.0030	$789,405,243	36,627,345	8,139,410	$96.99
2208.70.0060	$2,617,819	605,998	134,666	$19.44

Note: In converting cases, abv content is assumed to be 40% for brandy and 25% for cordials.

Source: International Trade Commission

Source: Distilled Spirits Council Office of Economic and Strategic Analysis

Table 2

Impacted Wine Imports from European Union				
Product	Value	Liters	Est. 9_liter Cases	Est. Average Case Price
WINE	$4,678,969,428	619,546,054	68,838,450	$67.97
2204.10.0030	$286,053	228,503	25,389	$11.27
2204.10.0065	$14,502,412	1,405,131	156,126	$92.89
2204.10.0075	$1,244,720,514	129,732,904	14,414,767	$86.35
2204.21.2000	$2,231,603	660,805	73,423	$30.39
2204.21.3000	$510,695	21,853	2,428	$210.33
2204.21.5005	$361,833	547,137	60,793	$5.95
2204.21.5015	$327,300	402,692	44,744	$7.32
2204.21.5025	$72,450	94,266	10,474	$6.92
2204.21.5028	$207,806	25,833	2,870	$72.40
2204.21.5035	$12,799,530	2,127,122	236,347	$54.16
2204.21.5040	$1,497,591,026	190,099,106	21,122,123	$70.90
2204.21.5050	$11,066,401	2,352,665	261,407	$42.33
2204.21.5055	$1,148,152,025	193,944,506	21,549,390	$53.28
2204.21.5060	$339,146,328	52,044,667	5,782,741	$58.65
2204.21.6000	$4,457,339	1,097,587	121,954	$36.55
2204.21.8030	$9,034,420	1,242,270	138,030	$65.45
2204.21.8060	$344,715,331	23,096,370	2,566,263	$134.33
2204.22.2005	$68,594	80,078	8,898	$7.71
2204.22.2015	$79,866	94,148	10,461	$7.63
2204.22.2025	$80,901	90,901	10,100	$8.01
2204.22.2030	$10,330,525	3,612,594	401,399	$25.74
2204.22.2045	$2,877,915	1,152,516	128,057	$22.47
2204.22.2060	$2,059,874	569,464	63,274	$32.55
2204.22.4000	$1,375,506	279,483	31,054	$44.29
2204.22.6000	$4,209,655	993,717	110,413	$38.13
2204.22.8000	$567,289	8,482	942	$601.93
2204.29.6100	$25,754,995	12,868,414	1,429,824	$18.01
2204.29.8100	$1,289,932	609,536	67,726	$19.05
2204.30.0000	$91,310	63,304	7,034	$12.98
Source: International Trade Commission				

Source: Distilled Spirits Council Office of Economic and Strategic Analysis

Table 3

Impact of 10% tariff

	Cognac	Cordials	Wine	Total
Old Average Price	$41.95	$23.04	$12.45	
New Average Price	$44.59	$24.30	$13.35	
Price change ($)	$2.64	$1.26	$0.90	
Price change (%)	6.29%	5.49%	7.21%	
Volume change (gallons)	-771,489	-812,605	-6,150,538	
9L Case Gain/(Loss)	-324,489	-341,783	-2,586,925	
Volume change (%)	-4.71%	-4.13%	-3.76%	
Jobs Gained/(Lost)	-1,779	-1,863	-2,986	-6,628
		Millions		
Off_premise Sales	($129)	($75)	$ (316)	($520)
On_premise Sales	($181)	($105)	$ (212)	($498)
Retail Sales	($311)	($180)	$ (528)	($1,018)

Source: Distilled Spirits Council Office of Economic and Strategic Analysis

Table 4

Impact of 25% tariff

	Cognac	Cordials	Wine	Total
Old Average Price	$41.95	$23.04	$12.45	
New Average Price	$48.55	$26.20	$14.69	
Price change ($)	$6.60	$3.16	$2.24	
Price change (%)	15.74%	13.71%	18.03%	
Volume change (gallons)	-1,786,784	-1,899,038	-14,262,961	
9L Case Gain/(Loss)	-751,524	-798,738	-5,999,021	
Volume change (%)	-10.90%	-9.65%	-8.71%	
Jobs Gained/(Lost)	-4,120	-4,353	-6,925	-15,398
		Millions		
Off_premise Sales	($300)	($175)	$ (732)	($1,207)
On_premise Sales	($420)	($245)	$ (492)	($1,157)
Retail Sales	($720)	($420)	$ (1,224)	($2,364)

Source: Distilled Spirits Council Office of Economic and Strategic Analysis

Table 5

Impact of 100% tariff				
	Cognac	**Cordials**	**Wine**	**Total**
Old Average Price	$41.95	$23.04	$12.45	
New Average Price	$68.36	$35.68	$21.43	
Price change ($)	$26.41	$12.64	$8.98	
Price change (%)	62.94%	54.85%	72.13%	
Volume change (gallons)	-5,244,329	-5,746,269	-42,259,412	
9L Case Gain/(Loss)	-2,205,772	-2,416,889	-17,774,367	
Volume change (%)	-32.00%	-29.21%	-25.82%	
Jobs Gained/(Lost)	-12,093	-13,171	-20,519	**-45,782**
(In Millions)				
Off_premise Sales	-$879	-$529	-$2,170	-$3,578
On_premise Sales	-$1,232	-$742	-$1,458	-$3,432
Retail Sales	-$2,112	-$1,271	-$3,627	-$7,010

Source: Distilled Spirits Council Office of Economic and Strategic Analysis

Table 6

	Wine Exports to European Union				
		Value	Liters	Est. 9_liter Cases	Average Case Price
2204.10	SPARKLING WINE OF FRESH GRAPES	$2,833,583	335,373	37,264	$76.04
2204.21	WINE OF FRESH GRAPES, IN CONTAINERS HOLDING 2 LITERS OR LESS	$239,262,947	30,903,321	3,433,702	$69.68
2204.22	WINE OF FRESH GRAPES, IN CONTAINERS HOLDING OVER 2 LITERS BUT NO MORE THAN 10 LITERS	$913,485	52,186	5,798	$157.54
2204.29	WINE OF FRESH GRAPES, IN CONTAINERS HOLDING OVER 10 LITERS	$202,960,190	165,014,988	18,334,999	$11.07

Source: Distilled Spirits Council Office of Economic and Strategic Analysis and U.S. International Trade Commission Dataweb

Table 7

	Spirits Exports to European Union				
		Value	Proof Liters	Est. 9_liter Cases	Average Case Price
2207.10	ETHYL ALCOHOL, UNDENATURED FOR BEVERAGE PURPOSES	$4,966,004	6,163,705	856,070	$5.80
2208.20.	GRAPE BRANDY	$4,976,913	689,195	95,722	$51.99
2208.60	VODKA	$32,830,485	8,946,018	1,242,503	$26.42
2028.90	OTHER SPIRITS	$8,125,004	899,775	124,969	$65.02

Note: In converting to cases, abv content is assumed to be 40%.

Source: Distilled Spirits Council Office of Economic and Strategic Analysis and U.S. International Trade Commission Dataweb

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5 INTERNATIONAL
Berlin and Washington put their increasingly strained relations aside to reach an accord on energy imports.

4 COMMERCIAL REAL ESTATE
Inspired by the success of the High Line in New York, three U.S. cities are striking gold in their rusting infrastructure.

10 SPORTS
King, a wire fox terrier, becomes the 15th member of his breed to be named best in show at Westminster.

Business

The New York Times

Trade Talks Are Starting. Better Have a Drink.

Stung by retaliatory tariffs, producers of American spirits urge Trump to back down.

By ALAN RAPPEPORT

$250B

$763M

A big challenge for U.S. negotiators: Trying to ensure that China keeps its promises.

By KEITH BRADSHER

Washington Post Swept Up in a Tabloid Tale

By EDMUND LEE

Jeff Bezos says owning The Washington Post is a "complexifier" for him. The newspaper could say the same about him.

The paper has flourished under Mr. Bezos' ownership. Since he bought the newspaper in 2013 for $250 million, The Post has added over 200 people to its newsroom, which now numbers 900 journalists, and won plaudits and awards for its coverage of, among other subjects, the Trump administration. The paper has more than 1.5 million digital subscribers, and the business has been profitable for the past three years.

Yet the newsroom entered tricky editorial terrain last week ... Mr. Bezos, while also having to independently cover the events ... of its owner.

The drama featured a litany of classic tabloid elements that would challenge any newsroom — a marriage-ending affair documented by The National Enquirer, Hollywood agents with links to political figures, secret rendezvous at high-end hotels and sexting — let alone one whose owner sits at the center of the controversy.

It was also a stark reminder that Mr. Bezos is a very public figure of great wealth and influence. He is the world's richest person by dint of his command of Amazon, a company that is reaching farther and further into the lives of everyday people, whether through its e-commerce business, its entertainment properties or its numerous warehouses around the country that employ hundreds of thousands.

His personal project, Blue Origin ... "building a road to space so our children can build the future."

With Mr. Bezos' post detailing his extortion allegations last week, Mr. Bezos has now also become a ... commentator on the

A newsroom chasing a drama unfolding around its owner.

First Amendment. He said he was fighting back against alleged ... that have no business in journalism, while The Enquirer claims he is ... trying to muzzle a publication because its coverage ...

The editorial page of The Post ... Friday, the day after Mr. Bezos published his blog post, the paper published an editorial praising him for exposing an ... model of intimidation and ... masquerading as journalism."

"The overall situation will test both Marty Baron and Jeff Bezos," Kyle Pope, the editor and publisher of The Columbia Journalism Review, said in an email, referring to The Post's executive editor. "Mr. Bezos gets good marks so far," Mr. Pope said, but "the truth is that the rules of journalism are not baked into his bones, it's something he's going to have to learn, at a very ... and trying time."

Mr. Bezos did not respond to a request for comment.

The Washington Post declined to make Mr. Bezos available for an interview but the paper did provide a statement from him.

CONTINUED ON PAGE B5

T-Mobile and Sprint Merger Faces a Democratic Gantlet

By CECILIA KANG

WASHINGTON — When T-Mobile announced its intention to buy Sprint last April, the prospects for the $26 billion deal winning regulatory approval appeared strong. Although a similar deal had been effectively blocked a few years earlier, Trump administration officials voiced far less concern.

But the merger has faced harsher scrutiny in recent weeks, as Democratic lawmakers, empowered by their House majority, have amplified their criticism of the deal.

The Democrats, as well as consumer advocates, say that combining the two companies would probably lead to higher prices and job cuts. The deal would reshape the wireless industry, combining the country's third- and fourth-largest wireless providers, with over 100 million subscribers, just as a new generation of cellular technology comes to market.

The lawmakers have also raised concerns about the companies' lobbying blitz over the last 10 months, focusing on dozens of stays by executives at the Trump International Hotel in Washington. Some lawmakers have suggested that the companies were trying to buy favor with the Trump administration.

The lawmakers' concerns will take center stage at two congressional hearings this week, when John Legere, T-Mobile's chief executive, and Marcelo Claure, Sprint's executive chairman, are

CONTINUED ON PAGE B4

U.S. Spirits Industry Tells Trump to Ease Up on Tariffs

FROM FIRST BUSINESS PAGE

On Tuesday, the American spirits industry joined the growing chorus of businesses and trade groups trying to get Mr. Trump to remove tariffs on Chinese goods and foreign metals by showcasing the economic pain that the trade war has inflicted.

Since the Trump administration initiated tariffs last year on foreign steel and aluminum, $763 million worth of American spirits exports have been subject to retaliatory tariffs, according to data released by the Distilled Spirits Council, an industry group. The most draconian duties have come from Europe, where the rate on American whiskey is 25 percent.

"The market is on the edge of its seat," Chris R. Swonger, the chief executive of the industry group, said in an interview on Tuesday. "We hope that the Trump administration can land the plane on these major trade agreements."

Mr. Trump's tariffs have exacted a toll on a range of American businesses by raising costs for imported goods and creating new trade barriers as Europe, China, Canada and Mexico retaliate with tariffs and reduced market access. Financial markets have been gyrating on signs of optimism or pessimism about the trade disputes, and economists have blamed the tariff policies for contributing to weaker economic growth and diminished business confidence.

The spirits industry data shows the trade war is stalling exports at a moment when thirst for products such as American whiskey is surging around the globe. After Canada imposed a 10 percent tariff on American whiskey on July 1, exports from distillers in the United States went from a 12.4 percent growth rate in the first half of the year to an 8.3 percent decline after the tariffs were in place.

Global exports of American whiskey during the first half of 2018 rose 28 percent from the same period in 2017. Shortly after Mr. Trump's tariffs went into effect, those sales slumped, declining 8.2 percent between July and November compared with the same period in the prior year.

Mr. Swonger said the targeting of spirits like whiskey is no accident. Besides being a classic American product, bourbon has a manufacturing hub in Kentucky, a politically important state that supports Mr. Trump and is home

The Catoctin Creek distillery in Virginia froze plans to expand because of retaliatory tariffs in Europe, where the rate on American whiskey is 25 percent.

to Senator Mitch McConnell, the Republican majority leader.

The retaliatory tariffs have affected the industry in different ways. Big spirit makers such as Beam Suntory got ahead of the tariffs by quickly exporting large quantities of their whiskey, delaying some lost sales and price increases. But smaller craft distillers that lacked the capacity to produce enough whiskey to do that have had to dramatically slow their expansion plans.

Scott Harris, the founder of the Catoctin Creek distillery in Virginia, said on Tuesday that he had projected one-fourth of his company's revenue to come from Europe last year. Because of the tariffs, sales there were scant and plans to expand were frozen. Now he fears that European customers will develop a taste for other spirits, such as German whiskey.

"Once that market is gone, it's hard to get back into it," Mr. Harris said. "We presently are treading water."

The alcohol industry has been hurt by retaliatory tariffs China imposed after the United States levied duties on $250 billion worth of Chinese goods. It has also suffered from retaliatory tariffs Canada and Mexico put in place in response to Mr. Trump's tariffs on steel and aluminum imports. The tariffs have made American spirits more expensive relative to domestic alternatives in those countries, causing demand to drop.

The tariffs have also hurt companies that supply the alcohol industry. Mr. Harris said that when his business gets a contract, it boosts other businesses, such as the farms that supply the ingredients needed to produce whiskey, rye and gin.

The United States has been trying to reach an agreement with China to resolve its trade fight before March 2, when tariffs on $200 billion worth of Chinese goods are set to increase to 25 percent from 10 percent. Mr. Trump suggested on Tuesday that he might be willing to extend the deadline to finalize a trade pact if the negotiations were going well. A delegation of senior administration officials is in Beijing this week trying to hash out remaining differences.

The fate of the metal tariffs is less clear. The United States did not lift those levies as part of its new trade deal with Canada and Mexico, but several lawmakers, including Republican senators, are saying they will not pass the agreement unless the administration removes the tariffs on those trading partners.

"We're caught in the middle of trade disputes which have to do with the steel industry, which have nothing to do with us," said Christine LoCascio, the Distilled Spirits Council's senior vice president for international trade.

The administration also faces a deadline this month to deliver a report to Mr. Trump outlining whether imports of foreign cars pose a threat to national security. The Commerce Department is expected to submit a report within the week outlining options for protecting the American auto industry, including tariffs or quotas to limit the influx of foreign cars.

While the spirits industry may not be directly affected by car tariffs, the imposition of additional trade barriers by Mr. Trump would undoubtedly provoke backlash and more retaliation against American products.

The Trump administration has offered subsidies to farmers hit by tariffs, but has not extended aid more broadly to other industries. And even those offered have been limited and delayed by the month-long government shutdown.

Economists at the nonpartisan Congressional Budget Office estimated that the administration's trade policies would shave an average of 0.1 percentage point per year off economic growth over the next decade.

Trade has become the biggest issue facing the spirits industry, and Mr. Swonger has been canvassing Washington to plead his case to officials from the Treasury Department, Commerce Department and Office of the United States Trade Representative. He said that members of the administration appeared sympathetic to concerns about the long-term consequences of the tariffs, but that it was not clear that Mr. Trump was ready to stand down.

Trump administration officials have argued that despite the outcries over trade, most of the country has been unscathed and businesses are still benefiting from lower taxes and strong economic growth.

For spirits, slower exports did not stop the industry from having a booming year, thanks largely to the strong American economy. Revenue across the sector was up 5.1 percent to a record $27.5 billion in 2018, with sales of the most expensive liquors growing the fastest.

This year, the Distilled Spirits Council hosted its annual economic briefing in a gleaming Manhattan skyscraper overlooking the East River. Bloody Marys with top-shelf vodka were on tap.

"Consumers are drinking up and drinking better," Mr. Swonger said.

Trade Talks Are Starting. Better Have a Drink.

FROM FIRST BUSINESS PAGE

for two days of talks to end a trade war between the United States and China. They face a March 2 deadline, after which President Trump has threatened to increase by more than double the tariffs the administration imposed last autumn on $200 billion a year on Chinese imports.

A top priority for Mr. Lighthizer and Mr. Mnuchin, according to several people with detailed knowledge of the negotiations, is to ensure that any deal they strike has teeth if Beijing does not live up to its obligations.

American negotiators want to create a mechanism that would automatically raise tariffs on Chinese goods if its exports to the United States keep rising, said three of the people, who spoke on the condition of anonymity because the talks are not public.

Even a temporary deal that simply papers over the two countries' differences could benefit both the Chinese government, which is contending with slowing economic growth, and Mr. Trump, who wants to be able to declare a victory after a string of political defeats. But the talks face big obstacles, including how to enforce China's earlier promises and whether Chinese officials will make further pledges on issues like protecting intellectual property, halting forced transfers of American technology and limiting government subsidies to exporters.

"At this point, a full-scale accord seems unlikely," said Mark Wu, a Harvard Law School professor and former United States trade official.

Mr. Trump said Tuesday that he would consider delaying the March 2 deadline if he felt the negotiations were going well.

"If we're close to a deal where we think we can make a real deal, I could see myself letting them slide for a little while," the president said during remarks at the Oval Office. Mr. Trump added that he wanted any agreement "to be a real deal, not just a deal that looks cosmetically good for a year."

But he appeared to acknowledge that not all of the outstanding issues were likely to be resolved by negotiators and that he and President Xi Jinping of China might need to be involved before a final agreement is reached.

"At some point, I expect to meet with Xi," Mr. Trump said, noting that the two leaders could potentially "make the parts of the deal that the group is unable to make."

The American negotiators will probably get a frosty greeting in Beijing.

Already, a stopgap deal reached by Mr. Trump and Mr. Xi on Dec. 1 in Buenos Aires has proved to be unpopular within the Chinese government, people with detailed knowledge of Chinese economic policy deliberations said. The agreement essentially allowed Mr. Trump to maintain tariffs he had ordered on Chinese goods while China stepped back from many of its retaliatory moves.

The internal displeasure in Beijing may be contributing to the lack of progress in trade talks.

Even a temporary deal could benefit both sides.

Since then, United States trade officials noted at a White House briefing on Jan. 31 that negotiators had not produced a draft framework of what a final agreement might look like.

Still, given the Chinese government's track record for failing to keep its trade promises, American negotiators feel that any deal must have some sort of mechanism that will swiftly inflict higher tariffs on China if it does not comply.

The mechanism they have in mind is one Beijing has fought vociferously in the past.

When China joined the World Trade Organization in 2001, the international body approved a rule that allowed member countries to raise tariffs if increases in Chinese exports disrupted their domestic markets. Many countries were loath to use it, given China's growing economic might.

President George W. Bush turned down four chances to invoke the rule, because his advisers feared doing so might set off a full-blown trade war.

President Barack Obama used it once, in 2009, to impose tariffs on Chinese-made tires. China answered by placing tariffs on American cars, keeping the duties in place until 2013, and poultry imports, which Beijing lifted only last year. The W.T.O. sided with the United States, although the Obama administration was criticized at home over the added cost to consumers.

The tariff landscape has changed since then. The right to employ such provisions against China under W.T.O. rules expired in 2013, theoretically making any retaliatory moves by China now more defensible on the world stage.

The Trump administration's negotiators want to be able to use the maneuver anyway, according to the people familiar with the talks. That would include easing the current legal requirement, under Section 421 of the 1974 Trade Act, that the government prove other countries' exports are hurting American industries before the president can impose tariffs.

Raising the prospect of such tariffs is a gamble for the Trump administration. Despite China's previous opposition, American officials hope the country's current economic weakness will outweigh those concerns at the negotiating table.

Many American companies used to be critical of the trade law. Business leaders are more divided on the subject these days, with some sympathetic to the administration's view that China does too much to help its exporters and to discourage imports.

United States trade officials are motivated by what they see as a litany of failures by Beijing to live up to its trade promises.

China is still in the regulatory process for allowing foreign credit card companies like Visa and Mastercard into its market. China agreed to let in foreign electronic-payment services when it joined the W.T.O., and then lost a case at the trade body in 2012 for not having done so.

China also agreed in 2001 to let in foreign banks, but then set regulations so stringent that foreign banks found it hard to meet them. Foreign banks now represent less than 2 percent of banking assets in China.

China also agreed in 2001 to allow some foreign telecommunications services into the country. But Beijing has defined such access narrowly and has blocked internet services like Google and Facebook and overseas cloud computing services like Amazon's.

China banned American beef during a mad cow disease scare in 2003. Despite numerous agreements since then to fully reopen the market, shipments of American beef for human or pet consumption continue to encounter obstacles.

Chinese officials insist that they have consistently delivered on their promises, but that acting on them has sometimes taken longer than expected. There is little evidence that the foot-dragging stems from a single government policy. The reform-minded Chinese officials who negotiated the country's entry into the W.T.O. hoped it would force China to become more market oriented and shake up the sluggish state-controlled part of the economy. But powerful bureaucrats and state-run companies fought to protect their turf, slowing progress in many areas.

American interest in revisiting a W.T.O.-style rule to increase tariffs is not the only obstacle to reaching even the outlines of a deal this week. American officials also want the Chinese government to stop subsidizing exporters and to take other steps to relax the government's hold on the economy.

But Trump administration officials have consistently declined to provide a detailed text spelling out how they think China should amend its laws and policies, contending that only those changes that are drafted by Beijing officials are likely to be put in place.

Despite the seemingly wide gulf between the countries, some experts contend that a lot of progress could be made if the two sides agree on how to enforce a deal.

"This could very well be the best opportunity to confront China's predatory and protectionist policies," said Michael Wessel, a member of the United States-China Economic and Security Review Commission, an advisory body created by Congress.

Deborah Solomon contributed reporting from Washington.

The Washington Post

Business

Whiskey sour: U.S. craft distillers say Trump trade war with Europe is killing export plans

By Jeanne Whalen
January 2

PURCELLVILLE, VA — The Catoctin Creek Distilling Co., maker of rye whiskey, gin and the occasional fruit brandy, had big dreams of conquering Europe in 2018.

Scott and Becky Harris, founders of the small-town distillery in the foothills of the Blue Ridge Mountains, even had handshake agreements with the cocktail shakers of London's finest hotels.

But weeks after the Harrises' triumphant European tour, the White House unleashed a trade war with the European Union by slapping tariffs on steel and aluminum imports. The E.U. retaliated with tariffs that made some American goods, including bourbon and rye whiskey, more expensive to import.

Catoctin Creek's orders from Europe dried up, and a potential British distributor lost interest. He "ghosted us like a bad girlfriend," Scott Harris said from the distillery's red-brick tasting room as a pair of shiny stills chugged away behind a plate-glass window. "He just stopped answering the phone."

Washington's trade dispute with Europe may have faded from the headlines in recent months, eclipsed by grander tensions with China, but the fallout continues for many companies around the country that have long targeted Europe as an achievable export market.

Barriers to Europe are especially vexing for small businesses, which often turn to the E.U. as their first export destination. The reliability of the legal system, the prevalence of English speakers and the high level of consumer income make it an easier market for small U.S. firms to navigate, entrepreneurs say.

The E.U.'s 25 percent tariffs have crimped the sales growth of a variety of U.S. exporters, including apparel companies, boat builders and peanut butter makers. Lee Zalben, founder of Peanut Butter & Co., a 15-person firm in Manhattan, said European buyers are canceling or trimming orders, or asking for discounts.

Exports to the European Union make up less than 2 percent of the firm's revenue, but the company had been targeting Europe for sales growth, "so we're having to find that growth in other areas," Zalben said.

Catoctin Creek had been aiming to boost European exports from about 10 percent of its sales in early 2018 to as much as 25 percent to take advantage of the hip profile American whiskey has developed overseas. Instead, exports have fallen to close to zero.

Later, the mixture will be pumped into a pair of German-made stills that will boil it and turn the alcohol into vapor, which will revert to liquid as it cools.

Catoctin Creek did well in the U.S. market, but as competition grew, it found U.S. distributors weren't as interested in new products, Harris said.

About five years ago, the distillery decided it wanted to crack Europe. It started investing in new bottles and labels that met E.U. standards, hired a European consultant, and began attending an annual trade show in Berlin.

Catoctin Creek eventually found distributors in Germany and Italy, which helped get the company's whiskey into some high-end cocktail bars, Harris said.

All told, the company has spent about $100,000 on the effort, he said.

Early last year, the Harrises traveled to Britain to meet with a potential distributor and to market their whiskey to top hotel bars. They poured samples for buyers at London's famous Savoy and Claridge's hotels and struck a tentative agreement with a distributor in Manchester, Harris said.

Two weeks after they returned to the United States, the White House announced plans to levy tariffs on steel and aluminum imports from the E.U. and elsewhere, calling the imports a threat to domestic production.

The E.U. soon threatened, and then enacted, retaliatory tariffs on a host of U.S. goods. Europe pointedly included products made in the home states of congressional Republican leaders Paul D. Ryan (Wis.) and Mitch McConnell (Ky.), including motorcycles and whiskey, but the tariffs applied to producers nationwide.

In July, President Trump and European Commission President Jean-Claude Juncker declared a truce in the trade war, promising to delay additional tariffs and to start negotiations toward a new trade deal. But they didn't roll back the tariffs levied earlier.

"We would very much like to lift our rebalancing tariffs but obviously will only be in position to do so as and when the U.S. is in a position to do the same" with its steel and aluminum tariffs, David O'Sullivan, the E.U. ambassador to the United States, said in a phone interview.

Jeanne Whalen

Jeanne Whalen is a reporter covering business around the world. She previously reported for the Wall Street Journal from New York, London and Moscow. Follow

FREE TRADE

Tariffs Left His Distillery on the Rocks. Now He Wants To Know: What's Trump's Trade Endgame?

Is Trump using tariffs as a negotiating tactic? That's the most generous reading of his trade policy, but it's unsupported by the facts.

ERIC BOEHM | 5.7.2019 9:50 AM

(Michael Interisano/Newscom)

Last year, President Donald Trump's trade war left Tom Lix's distillery shut out of European markets.

Now, as Trump threatens to escalate the trade war with another round of tariffs on Chinese-made goods, possibly before the end of the week, Lix says he doesn't understand where the president is going with all this.

"My morning coffee is from South America. I drive a Honda that's partially Japanese but was built here in the States," Lix, founder and CEO of Cleveland Whiskey, said Monday afternoon, as he spoke at an event organized by several groups opposed to tariffs and hosted at his downtown Cleveland distillery. "For me, I happen to make bourbon, and bourbon is something that's in demand around the world. We should be encouraging those types of trades. I just don't get it. I'm flabbergasted by it."

Prior to Trump's decision to slap tariffs on steel and aluminum imports last year, Lix says, about 15 percent of his sales were to Europe. When the tariffs took effect on June 1, the European Union responded by hitting American-made goods like blue jeans, motorcycles, and, yes, whiskey with retaliatory tariffs. From that point on, Lix says his distillery didn't sell a single bottle to the far side of the Atlantic.

At the time, the assumption was that both sides would quickly reach an agreement to roll back those tariffs and open up trade again. But months have passed, the Trump administration's attention has turned to China, and no trade deal has emerged with Europe. The tariffs remain in place—and, if anything, Trump seems more likely to hit European auto imports with a new set of tariffs than remove the ones already in place.

The most generous reading of Trump's trade strategy is that he's using tariffs as leverage to bring other countries to the table to sign trade deals that will, in the long run, allow for freer trade. That's certainly a more favorable argument than the nonsensical claim made Monday by Steve Bannon, former Trump advisor, who told Fox News' Lou Dobbs that the tariffs were necessary for the "self-empowerment" of the working class. Try imagining how Dobbs or Bannon would react to a Democrat saying higher taxes would be empowering.

Still, the evidence doesn't really back up the claim that Trump is using tariffs to get to freer trade. The only trade deal that's been completed under Trump's watch—a rewrite of the North American Free Trade Agreement (NAFTA)—is more protectionist than the old version. And the Trump administration apparently wants to keep the current tariffs on Canadian and Mexican steel and aluminum imports in place, even after the deal is finalized. It doesn't look like the administration is using tariffs to extract concessions, but rather that Trump wants them to be a permanent part of trade relationship among the three North American neighbors.

On other fronts, trade deals have not emerged as a result of the administration's bellicose strategy. Cleveland Whiskey—like many other businesses—is still waiting for European markets to open up again. Meanwhile, Chinese trade officials are heading to Washington this week to continue hammering out a potential deal—but Trump may have damaged the chances of finalizing an agreement this week after tweeting a threat to hike tariffs on Chinese imports.

"That just made my head spin. I think it's still spinning a bit," is how Ed Brzytwa, director of international trade for the American Chemistry Council, an industry group, described his reaction to seeing Trump's Sunday afternoon tweet. Speaking at the same event Monday afternoon, Brzytwa said any deal with China has to include the elimination of the tit-for-tat tariffs both countries have levied on one another's goods since last year.

"I think for the average business in the United States, they're probably having a hard time understanding what the endgame is here," he said. "Is it just a negotiating threat, or is this real? And it's really hard to plan around that."

Even if it all is nothing more than a complex negotiating tactic, is the pain worth the potential gain? A paper published in March by economists from the Federal Reserve Bank of New York, Princeton University, and Columbia University found that Trump's tariffs were costing American consumers and businesses about $1.4 billion each month. The costs of the tariffs "were almost completely passed through into U.S. domestic prices, so that the entire incidence of the tariffs fell on domestic consumers and importers," they found.

Trump continues to claim that China is paying for the tariffs, but even the president's own Council of Economic Advisors admitted in its year-end report that the estimated $14.4 billion in tariff revenue sent to the U.S. Treasury during 2018 was due to "costs paid by consumers in the form of higher prices."

If Trump follows through with his threat to slap more tariffs on Chinese-made goods, it could jeopardize as many as 2 million American jobs, according to The Trade Partnership, a pro-trade think tank. And, if implemented, they would make the United States far more protectionist than the rest of the world's top economies, according to CNBC economics reporter Steve Liesman.

There are other costs that can't be counted. On Monday, Lix highlighted the fact that his distillery was in negotiations to export their products to China before the trade war started. "The discussions we were having—which were taking years to get agreements in place—they all shut down because people said 'let's just wait until this is over. There's too much uncertainty,'" he said Monday.

That uncertainty created by the trade war rattled stock markets in both the U.S. and China on Monday. If Trump is truly using tariffs as nothing more than leverage against China, he might want to take a closer look at what that leverage is costing Americans.

"The idea that we would manipulate this and use this as, I believe, a political tool is just absurd," Lix says, "and it hurts a whole lot of people."

FREE TRADE TARIFFS TRUMP ADMINISTRATION

ERIC BOEHM is a reporter at *Reason*.

- **Associated Press** – Tariffs take toll on whiskey exports in last half of 2018 Picked up by 278+ outlets

Tariffs take toll on whiskey exports in last half of 2018

By BRUCE SCHREINER February 12, 2019

LOUISVILLE, Ky. (AP) — Retaliatory tariffs caused a sharp downturn in American whiskey exports in the last half of 2018 as distillers started feeling the pain from global trade disputes, an industry trade group said Tuesday.

Exports to some key overseas markets gyrated wildly last year for producers of bourbon, Tennessee whiskey and rye whiskey. Overall, U.S. spirits exports in 2018 stayed on another record-setting trajectory, due in part to surging whiskey sales in the months leading up to the tariffs as larger distillers stockpiled supplies, the Distilled Spirits Council said. Other categories including vodka, brandy and rum also had strong overseas sales.

But exports would have been much higher without the trade war, it said.

"For the first time, data can demonstrate the negative impact of retaliatory tariffs on what had been a booming export growth story," said Christine LoCascio, the council's senior vice president for international affairs.

"The tariffs are making it more difficult to be competitive in key markets," she added.

About 11 percent of its overall 2017 revenues came from Europe. The distillery hoped its European business would increase to one-fourth of total revenues in 2018, but "that part just never materialized," Harris said in an interview.

"If we were able to get the tariffs removed, I think we'd be in good shape to really just take off," he said.

For now, Catoctin Creek is absorbing the costs of tariffs for the scaled-back European sales it's able to make in hopes of maintaining relationships with distributors and staying competitive, Harris said.

"For European sales, it means we're losing money on every bottle," he said.

Asked how long his distillery can afford to do that, he replied: "I don't even want to think about it. We might do it for another half of year and see. Honestly, it's hard to be optimistic at this point."

While exports were a glaring concern, domestic sales of distilled spirits were strong in 2018.

The council reported another year of record spirits sales and volumes in the U.S., resulting in continued market share growth. Supplier sales were up over 5.1 percent, rising $1.3 billion to a total of $27.5 billion, while volumes rose 2.2 percent to 231 million cases, it said.

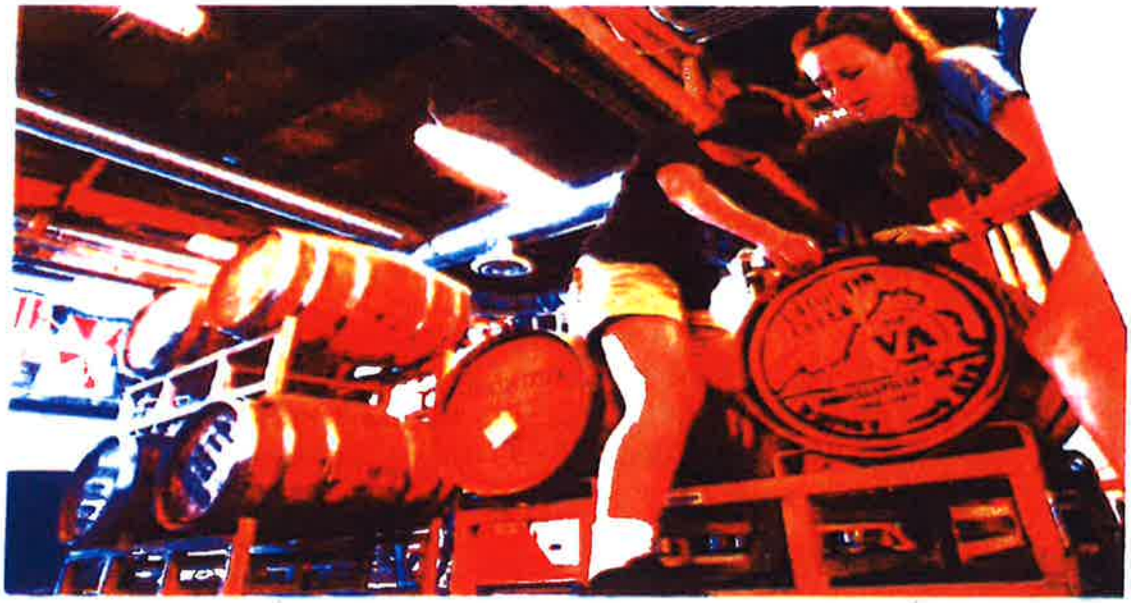
"These robust results show adult consumers are continuing to favor spirits over beer and wine, particularly among millennials," council President and CEO Chris Swonger said.

Combined U.S. revenues for bourbon, Tennessee whiskey and rye whiskey rose 6.6 percent, or $224 million, to $3.6 billion in 2018, council said. Domestic volumes rose 5.9 percent to 24.5 million cases.

Associated Press

Tariffs stir unrest among American whiskey producers

By **BRUCE SCHREINER**, June 21, 2018



LOUISVILLE, Ky. (AP) — Much of the rye whiskey aging in hundreds of barrels at Catoctin Creek Distillery in Virginia could end up being consumed in Europe, a market the 9-year-old distilling company has cultivated at considerable cost.

But an escalating trade dispute has the distillery's co-founder and general manager, Scott Harris, worried those European sales could evaporate as tariffs drive up the price of his whiskey in markets where consumers have plenty of spirits to choose from.

"If Europe dried up, then we're sitting on inventory we didn't need," Harris said by phone. "And that's a really tough position to be in."

What American whiskey makers have dreaded is becoming reality. The European Union will start taxing a range of U.S. imports on Friday, including Harley-Davidson bikes, cranberries, peanut butter, playing cards and whiskey.

The union is responding to President Donald Trump's decision to slap tariffs on European steel and aluminum.

Some of his inventory could be sold in the U.S. if European sales decline, Harris said. But expanding market share in the ultracompetitive U.S. market is tough for a small distiller.

Industry giant Brown-Forman Corp., whose brands include Jack Daniel's Tennessee Whiskey and Woodford Reserve, tried to hedge against tariff-related price increases by stockpiling inventories overseas. About one-fourth of its revenues are generated in Europe.

Beam Suntory, whose brands include Jim Beam and Maker's Mark, has "contingency plans in place," company spokeswoman Emily York.

But small and mid-sized distilleries often don't have the luxury to stockpile supplies.

"That's just not an option. We don't have that kind of capital," said Amir Peay, owner of the Lexington, Kentucky-based James E. Pepper Distillery, whose signature bourbon and rye brand is James E. Pepper 1776.

Peay had projected the European share of his business — now about 10 percent of overall sales — would more than double by next year. His distillery spent hundreds of thousands of dollars in the past year expanding its European presence. Now, the tariffs come as "a punch to the gut," he said.

Meanwhile, at the distillery he founded with his wife, Becky, in Purcellville, Virginia, Harris is bracing for a drawn-out trade battle.

He worries his overseas distributors might drop his spirits if the dispute drags on, and consumers will quench their thirst elsewhere. Already, rye whiskeys are coming out of Ireland and Scotland, he said, and with a bit of internet digging, "I could probably come up with a German distiller who's making a corn spirit that could, for all practical purposes, be very similar to bourbon."

The industry is known for its patience, since whiskey takes years to mature. Harris wants to take the long view. But he sees little reason for optimism on the trade front.

"I think we're digging in deeper with China, we're digging in deeper with Europe," he said. "Unless something miraculous happens, I don't have a lot of hope right now."

NORTHWEST ARKANSAS
Democrat Gazette
Sunday, June 24, 2018 nwadg.com $2.00

BUSINESS & FARM

Distillers seeing glass half-empty

U.S. whiskey makers fear tariffs to cut sales in EU

BRUCE SCHREINER
THE ASSOCIATED PRESS

LOUISVILLE, Ky. — Much of the rye whiskey aging in hundreds of barrels at Catoctin Creek Distillery in Virginia could end up being consumed in Europe, a market the 9-year-old distilling company has cultivated at considerable cost.

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AP/STEVE HELBER

Catoctin Creek worker Desmond Whelan steam-washes a pot still. "If Europe dried up, then we're sitting on inventory we didn't need," the distillery's manager said last week.

What American whiskey makers have dreaded is becoming reality. The European Union started taxing a range of U.S. imports on Friday, including Harley-Davidson motorcycles, cranberries, peanut butter, playing cards and whiskey. The bloc is responding to President Donald Trump's decision to slap tariffs on European steel and aluminum.

American distilleries large and small have watched warily as the threat of tariffs from Europe ratcheted up in recent weeks. And while larger, corporate-owned facilities tend to do the most business overseas, small and midsize companies could be especially vulner-

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The Detroit News
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U.S. whiskey distillers fear trade war

BY GREG TROTTER
Chicago Tribune

Makers of American whiskey worry the increasing likelihood of retaliatory tariffs, particularly from the European Union and China, could hurt business after years of booming growth abroad.

The Trump administration announced Friday that it was moving forward with 25 percent tariffs on $50 billion worth of Chinese goods, most of which will go into effect July 6. China responded later in the day by announcing its retaliation of similar value. Whiskey is one of the American goods that would be subject to the Chinese tariffs, according to the Distilled Spirits Council of the United States.

The European Union, meanwhile, is preparing to implement more than $3 billion in tariffs on American goods in response to Trump's tariffs on steel and aluminum exports to the U.S. Mexico has already imposed 25 percent tariffs on American goods, including bourbon; Canada and Turkey could soon follow suit.

None of this is good news for the American spirits industry. From 2008 to last year, exports of American whiskey grew almost 43 percent – from about $791 million to about $1.1 billion, according to data provided by the Distilled Spirits Council. Whiskey exports year to date are up more than 20 percent from last year.

"Whiskey is a great American export story and we don't want to see that disrupted," said Clarkson Hine, interim president and CEO for the Distilled Spirits Council.

The European Union, in particular, has been a strong export market for American whiskey, in part because it's been mutually duty-free since 1997. U.S. bourbon that's sold in France is taxed the same as spirits that are distilled locally there. Chicago-area companies large and small, from Beam Suntory to smaller craft distilleries like Few Spirits and Koval Distillery, have invested in Europe because of that open trade relationship and the growing demand for bourbon.

Total U.S. spirits exports to the EU last year were valued at $789 million, 35 percent of that was American whiskey, according to the Distilled Spirits Council. By comparison, American spirit exports to China have grown from less than $1 million in 2001 – when that nation joined the World Trade Organization – to $12.5 million last year.

Hine, who is also senior vice president of corporate communications and public affairs at Beam Suntory, declined to give any specifics on how the tariffs will affect the privately held company, a division of the Japanese firm Suntory Holdings, saying only that contingency plans were in place.

Executives at rival Brown-

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Forman, maker of Jack Daniel's and Woodford Reserve, among other brands, are also keeping close tabs on the potential tariffs. About one quarter of Kentucky-based Brown-Forman's sales are generated in Europe and another quarter is from other global markets; the rest comes from sales within the U.S.

"(While) it's premature to comment on the potential impact on our business, we are on top of the situation and have undertaken measures over the last few months to mitigate risk, such as increasing our inventory levels in non-U.S. markets where we own our own distribution," Brown-Forman Chief Financial Officer Jane Morreau said on an earnings call earlier this month, according to a transcript of the call.

That's not an option for smaller spirits companies that don't own their own distribution in non-U.S. markets. Paul Hletko, founder of Evanston-based Few Spirits, said he's lost sales "in the six figures" in just the past two months from distributors in Europe and China cutting back on orders out of concern that tariffs could lead to higher prices for consumers, and therefore less demand.

"That's just the market responding to all the verbal jabs, not even actual tariffs," Hletko said.

Exports make up about 10 to 15 percent of total revenue for Few Spirits, said Hletko, who declined to disclose sales for the privately held company. Few's top export markets are the U.K., France, Finland and China, he said. It has taken years of work to build demand in those markets.

Likewise, Koval Distillery, based in the Ravenswood neighborhood on Chicago's North Side, has grown its business in recent years in both Asia and Europe. Exports make up about 25 percent of the company's approximately $6 million in annual revenue, said Sonat Birnecker Hart, Koval president. Its largest export markets are Austria, Germany and Italy.

Chris Sweda / TNS

"That's just the market responding to all the verbal jabs, not even actual tariffs."

Paul Hletko, founder of Evanston, Ill.-based Few Spirits, on losing sales "in the six figures" in just the past two months

"We don't know the extent of the damage this is going to cause, but it's definitely going to be painful," Hart said.

Last week, the Distilled Spirits Council sent a letter to Commerce Secretary Wilbur Ross, outlining the industry's concerns about the tariffs and calling on the administration to "find effective solutions to address U.S. trade policy concerns, without harming the U.S. distilled spirits sector in the process."

On Friday, the Commerce Department responded and the two sides expect to meet soon. Despite the looming threat of tariffs, the spirits trade group says it is optimistic that the situation can still be deescalated in a way that's not bad for the booze business.

"We're the unfortunate collateral damage of someone else's dispute," said Frank Coleman, spokesman for the spirits group. "We want to get everyone back at the table and talking again."

TULSA WORLD

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SUNDAY, JUNE 24, 2018 tulsaworld.com TULSA WORLD

Tariffs worry American whiskey makers

American distilleries have watched warily as the threat of tariffs from Europe ramped up

By Bruce Schreiner
Associated Press

LOUISVILLE, Ky. — Much of the rye whiskey aging in hundreds of barrels at Catoctin Creek Distillery in Virginia could end up being consumed in Europe, a market the 9-year-old distilling company has cultivated at considerable cost.

But an escalating trade dispute has the distillery's co-founder and general manager, Scott Harris, worried those European sales could evaporate as tariffs drive up the price of his whiskey in markets where consumers have plenty of spirits to choose from.

"If Europe dried up, then we're sitting on inventory we didn't need," Harris said by phone. "And that's a really tough position to be in."

What American whiskey makers have dreaded is becoming reality. The European Union started taxing a range of U.S. imports on Friday, including Harley-Davidson bikes, cranberries, peanut butter, playing cards and whiskey. The union is responding to President Donald Trump's decision to slap tariffs on European steel and aluminum.

American distilleries large and small have watched warily as the threat of tariffs from Europe ratcheted up in recent weeks. And while larger, corporate-owned facilities tend to do the most business overseas, small and mid-sized companies could be especially vulnerable, since they lack the ability to stockpile reserves and take other protective steps.

Catoctin Creek Distillery co-founder Scott Harris pours whiskey Wednesday in his tasting room in Purcellville, Virginia. An escalating trade dispute has Harris worried his European foothold could evaporate as a result of tariffs that will drive up the price of his whiskey in European markets. STEVE HELBER/Associated Press

Foreign markets have become lucrative for American whiskey makers. Export revenues for bourbon, Tennessee whiskey and rye whiskey products topped $1 billion in 2017, continuing a strong trend in recent years, according to the Distilled Spirits Council.

Four of the five top growth markets by dollar value for American distilled spirits were in Europe — the United Kingdom, Germany, France and Spain. Total U.S. spirits exported to the EU in 2017 were valued at $789 million, the distilled spirits trade group said.

American whiskey has also been targeted by other countries embroiled in trade tensions with the U.S., including China, Canada and Mexico.

In Germany, some whiskey retailers predict consumers will probably refrain from buying expensive American whiskey and go for cheaper alternatives. Volker Rickmann, from the Tabac & Whisky Center in Berlin, predicted his customers would buy Canadian and Irish whiskeys as U.S. spirits prices rise. At the Staendige Vertretung bar, supervisor Rowena Strehlow showed a near-empty bottle of imported Wild Turkey Bourbon.

"Germans only order expensive drinks for special occasions," she said. "Once the prices rise, they will simply drink something else."

In a recent letter to U.S. Commerce Secretary Wilbur Ross, the Distilled Spirits Council said: "The imposition of tariffs on these products by our major trading partners threatens to seriously impede the export progress that has benefited our sector and created jobs across the country."

European markets — led by Germany, Italy and the U.K. — represent about 25 percent of Catoctin Creek's overall business, Harris said. The distiller, which makes rye, gin and other spirits, has invested close to $100,000 in recent years to build its European business, he said. It developed special bottles and labels, built distribution networks and promoted its products.

"We're continuing on right now, hoping that it will blow over," Harris said. "But I am not a big fan of these trade tariffs. I think they are ill-thought through. I've had certain people say, 'Well, this would be our patriotic duty to take it on the chin so that we can normalize the playing field out there.' But I come from a free-trade background. Let us compete freely, fairly in these markets and our products ... will do well."

Some of the inventory could be sold in the U.S. if European sales decline, Harris said. But expanding market share in the ultracompetitive U.S. market is tough for a small distiller.

Industry giant Brown-Forman Corp., whose brands include Jack Daniel's Tennessee Whiskey and Woodford Reserve, tried to hedge against tariff-related price increases by stockpiling inventories overseas. About one-fourth of its revenues are generated in Europe.

But small and mid-sized distilleries often don't have the luxury to stockpile supplies.

"That's just not an option. We don't have that kind of capital," said Amir Peay, owner of the Lexington, Kentucky-based James E. Pepper Distillery, whose signature bourbon and rye brand is James E. Pepper 1776.

Peay had projected the European share of his business — now about 10 percent of overall sales — would more than double by next year. Now, the tariffs come as "a punch to the gut," he said.

Meanwhile, at the distillery he founded with his wife, Becky, in Purcellville, Virginia, Harris is bracing for a drawn-out trade battle.

He worries his overseas distributors might drop his spirits if the dispute drags on, and consumers will quench their thirst elsewhere.

Harris wants to take the long view. But he sees little reason for optimism on the trade front.

"I think we're digging in deeper with China, we're digging in deeper with Europe," he said. "Unless something miraculous happens, I don't have a lot of hope right now."

Tennessean

EU joins tariff battle aimed at Tennessee whiskey, other US exports

Sandy Mazza, June 22, 2018

Tennessee's thriving distilled spirits industry is bracing for a big hit during the usually lucrative summer season as the European Union joins nations across the globe in slapping heavy taxes on whiskey and bourbon in the first week of July.

A 25 percent tariff will be imposed on distilled spirits, motorcycles, peanuts, cranberries and other U.S. exports worth $3.4 billion. Tennessee is expected to be hardest-hit by the whiskey price increases.

European leaders are acting in retaliation for the Trump administration's tariffs on imported steel and aluminum in May. They join Mexico, China, Turkey and Canada.

The hike would add about 10 percent to the cost of Lynchburg-distilled Jack Daniel's in European countries.

"It's a very frustrating situation, mainly because American whiskey — led by Jack Daniel's — is doing so well in so many markets around the world," said Phil Lynch, spokesman for Brown-Forman, which owns Jack Daniel's. "We're hoping saner heads might prevail and stop the trade war before we start shipping products" that would be affected by the higher taxes.

The company sent extra supplies to its distribution hubs in France, Germany and Spain in anticipation of the hit, and doesn't expect consumers to be affected for several months.

Boutique Whiskey Makers Fret Over How Hard EU Tariffs Will Bite

Family-owned distilleries without Jack Daniel's name recognition can't raise prices to counteract Europe's retaliatory levies.

By
Janine Wolf
July 2, 2018, 5:29 PM EDT *Updated on July 3, 2018, 9:40 AM EDT*

Catoctin Creek Distillery in Purcellville, Virginia.
Source: Kristen Dill via Catoctin Creek

In tiny Purcellville, Virginia—the state some consider the birthplace of American whiskey—Becky and Scott Harris just spent $100,000 to build up their business in Europe.

Now the owners of Catoctin Creek Distilling Co. fear an escalating trade war means that investment could go bottoms up.

The Harrises, who already sell their signature rye whiskey and other spirits in about half of U.S. states as well as Germany, Italy and Singapore, had been planning to expand sales to Holland and the U.K. by the end of this year. But when the European Union slapped 25 percent tariffs on American whiskey in response to the Trump administration's own duties, the distillery was left scrambling for a new game plan.

Scott and Becky Harris
Source: Mark Rhodes via Catoctin Creek

"This year we launched into these countries with redistribution, and we're really ready to just go, go, go, and then—almost right away—these tariffs come on," said co-founder and general manager Scott Harris. "If the tariffs hold up for a longer time, we're going to have to refocus our growth objectives, sell more in the U.S. and basically wait on anything going into Europe—which is really a shame."

Related: As Iconic Brands Feel Tariff Pain, Corporate USA Braces for More
Across America, the EU tariffs—plus similar measures from Mexico and Canada—are shaking up the whiskey industry. For well-known brands, like Brown-Forman Corp.'s Jack Daniel's, name recognition may be strong enough that European buyers will swallow a price hike. The company has said a 25-percent tariff on its whiskey will translate to about a 10 percent increase at the customer level.

"We believe that we are positioned fairly well to withstand the tariffs, but only time will tell how consumers will react in the EU," Phil Lynch, a spokesman for Brown-Forman, said last week in an email.

But the ability to raise prices while keeping a steady hold on an existing customer base is not something every distiller can enjoy. For closely held companies that operate on a much smaller scale, a 10 percent price increase on European liquor-store shelves could spell disaster.

"It's a huge disappointment," said Matt Hofmann, co-founder of single-malt whiskey producer Westland Distillery in Seattle. "It's just the U.S. feeling the effect of the tariffs, so when we go out there and put our single malts next to other single malts from around the world, we are going to be feeling that."

Buffalo Trace Distillery, a family-owned whiskey maker based in Frankfort, Kentucky, doesn't think it can pass on tariff-related price hikes to its European buyers, so it's cutting the price of spirits it sells to some if its overseas distributors by about 10 percent. That should help keep its whiskey prices stable—but means a slice off its own profits.

"It has injected quite a lot of instability into the whiskey world."

"It's hard to tell what the consumer impact will be because American whiskey is a particular flavor profile, so I don't know if someone's prices go up by 10 percent, whether or not people will suddenly flood out of whiskey," Chief Executive Officer Mark Brown said.

For a company like Buffalo Trace that's making whiskey now to be sold in seven to eight years after aging, the uncertainty surrounding the tariffs is particularly challenging. The company is currently preparing about 203,000 barrels of bourbon for domestic and global distribution in 2025. It had been aiming to sell as much as 5 percent of that abroad, up from less than 1 percent of sales today, with a focus on China, India and Europe, among others.

"I sincerely hope that the trade war hasn't escalated into some sort of huge problem with 100 percent tariffs by the time we get to 2025," Brown said.

That uncertainty has some family-owned distillers playing the waiting game. Westland Distillery has been exploring expansion plans to Europe, Japan and Australia within the next 24 months, but those plans could be in flux, co-founder Hofmann said. "It has injected quite a lot of instability into the whiskey world," he said.

For the Harris family in Purcellville, the European market was supposed to represent 25 percent revenue this year—a significant share for a company of just 20 employees. It started spending the $100,000 in 2013 with a focus on Germany and Italy, with the expansion into its new markets expected to take off this year. Now, Catoctin Creek won't be sending another shipment to the continent until either tariffs are lifted or a European customer places an order where they're swallowing the tariff cost.

"The only option that we're really left with," Scott Harris said, "is to tread water and see how long this will check out."

LEXINGTON HERALD-LEADER

Will trade tariffs flatten Kentucky's bourbon boom? 'We're going to suffer'

BY JANET PATTON AND LESLEY CLARK
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June 15, 2018 11:45 AM

All over Kentucky, you hear the same thing at almost every distillery: hammering.

The state's signature bourbon industry is building like never before, adding distilling capacity and warehouses to age whiskey. The new capital investments topped $1.5 billion in 2016 with no end in sight.

Will trade tariffs from the European Union, Canada and other countries become a roadblock for bourbon? It's hard to say.

A Senate committee is scheduled to hold a hearing on tariffs on Wednesday. Turkey is proposing a 40 percent tariff, starting Thursday. Canada is proposing a 10 percent tariff on U.S. whiskey that could go into effect July 1. China also has proposed a 25 percent tariff. Mexico already has imposed a 25 percent tariff.

The punitive tariffs are retaliation for American tariffs imposed by President Trump on foreign steel and aluminum.

Senate Majority Leader Mitch McConnell has opposed the tariffs but so far hasn't been able to persuade Trump to halt them. On Friday, the president imposed a 25 percent tariff on $50 billion in Chinese goods.

Republican senators have been reluctant to take up legislation to counter Trump, but they plan to grill his administration next week over the plans. Sen. Orrin Hatch, R-Utah, who chairs the Senate Finance Committee and derided the Trump tariffs as a "tax hike on Americans," will bring Commerce Secretary Wilbur Ross before the committee on Wednesday to answer questions.

"While we share a common goal of pursuing a pro-growth, pro-America agenda, I have made no secret my concerns with the administration's use of 232 tariffs," Hatch said. He charged that American consumers will pick up the tab for the tariffs, which he said will hurt manufacturers and could undermine the GOP tax cuts.

In Versailles, Brown-Forman is in the midst of a huge building boom for its premium bourbon, Woodford Reserve. The company, based in Louisville, has bigger brands (its Jack Daniel's Tennessee Whiskey is the best-selling American whiskey in the world) but Woodford Reserve is the one they chose to give the marquee sponsorship of the Kentucky Derby this year.

Woodford Reserve's 2018 $1,000 Mint Julep - and the even rarer $2,500 gold version - were served at the Kentucky Derby. The cup comes with a julep made by master distiller Chris Morris.

Photo provided

And Woodford Reserve got a multimillion-dollar expansion. In 2014, the company opened at least four 55,000-barrel warehouses in Woodford County on the hill overlooking the historic distillery and bought more than $1 million in land to build as many as five more warehouses.

That's a lot of premium bourbon, sitting around waiting to come to market. And the market that Brown-Forman is aiming at?

Four massive barrel warehouses have been built at the Woodford Reserve Distillery in Woodford County in the last five years to age more than 200,000 barrels of Brown-Forman's premium whiskey. The multimillion investment has been aimed at Europe, which is about to impose a 25 percent tariff on American whiskey.

Ron Garrison rgarrison@herald-leader.com

Europe, which is about to impose a 25 percent tariff on American whiskey as early as Wednesday.

Europe loves American whiskey. Last year, the U.S. distillers exported $789 million in spirits to the European Union, including $667 million in American whiskey, according to the Distilled Spirits Council of the U.S.

"Europe is our priority for Woodford right now," said Lawson Whiting, the incoming CEO, earlier this month. Sales of the brand topped 700,000 cases in the last year, with growth of Woodford Reserve and Old Forester, which just opened a new distillery in downtown Louisville, at more than 23 percent. Overall, the company told shareholders to expect growth of 6 to 7 percent.

But tariffs in major markets are going to require some "surgical" reactions to get there, he said. "It's a tough, tricky situation we've been watching for months," Whiting said. "It seems like everyday we wake up and the thing takes a little twist or turn. It's a dynamic situation, very tricky to make broad statements."

In Europe, which accounts for a fourth of all of the company's sales, largely of Jack Daniel's, Brown-Forman is pushing hard, he said. Aspirations for the Woodford Reserve brand "are very high in Europe," Whiting said.

To counter the anticipated price increase, Brown-Forman is stockpiling in European warehouses.

Other major distillers are quietly taking steps as well. Jim Beam is the biggest-selling bourbon in the world, but it's owned by Beam Suntory, with a corporate parent in Japan. So the company is reluctant to discuss how it might cope with impending price increases globally.

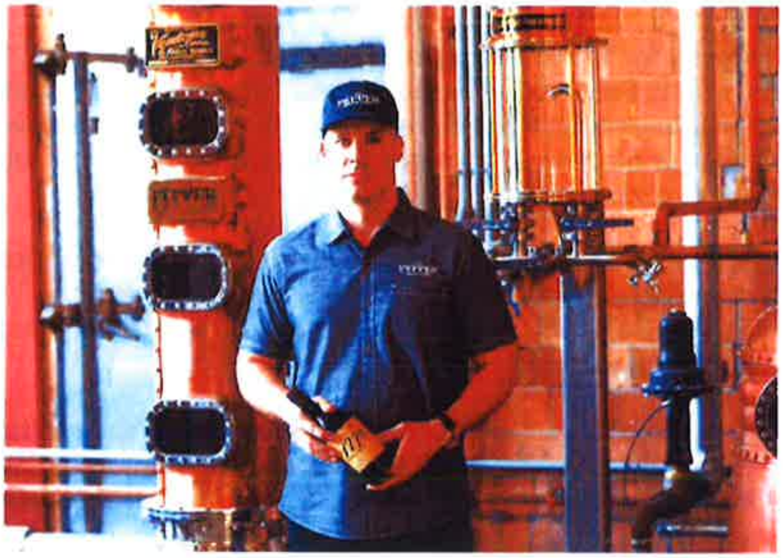
"We hope that the U.S. and the E.U. will continue to work toward a solution that avoids the imposition of retaliatory tariffs," spokeswoman Emily York said. "Our bourbon brands are increasingly popular among consumers around the world, and that includes in the E.U. We will continue to make our case on both sides of the Atlantic because no one wins in a trade war where consumers, distillery workers, farmers, bartenders and waitstaff are among the innocent victims. Even so, we are making contingency plans to manage through all potential scenarios."

While stockpiling might work for whiskey giants, it won't help small craft distillers like the James E. Pepper Distillery in Lexington, which just started distilling again in December at the historic site.

Owner Amir Peay said his strategy for 2018, more than a year in the planning, was built around increasing exports to Europe.

And a 25 percent tariff "will have a big impact on a business like mine," Peay said.

"We've been exporting to Europe for four years; it's about 10 percent of our business. We had been planning for some time to make a major expansion into the European Union, which is the best market for growth for American whiskey. ... We brought on a new 700ml bottle, rearranged new distribution network and brought on a distribution network in Amsterdam."



Amir Peay, owner of the James E. Pepper Distillery that has started distilling at the historic distillery on Manchester Street in Lexington last December, has been planning a major expansion into Europe this yearr but that could be on hold if the 25 percent tariff goes into effect next week, as announced.

Altogether, hundreds of thousands of dollars were invested, including bringing a bottling line to Lexington, he said.

He'd shipped precisely one 40-foot container of whiskey when the news of the pending tariff hit.

"Wham, it's a new reality for Europe," he said. "We'd either need to eat it and have our margins affected or pass it along to importers and distributors, who pass it along to bars, who pass to customers. So it ends up being exponential."

He'd been aiming to price his whiskey on the shelf at about 35 euros a bottle. Now, depending on how increases are take up the supply chain, he's looking at 45 euros per bottle, he said.

"Those kind of price swings really do affect consumer behavior," he said.

Shipping it ahead isn't really possible for him.

"Brown-Forman can afford to front-load their inventory pretty substantially. For a small independent whiskey business or distiller ... to simply allocate all that capital into product that just sits there is non starter," Peay said. "So we're going to suffer. ... What will I do with all that whiskey I've been putting away?"

For some Kentucky distillers, the answer is moot: Buffalo Trace (which produces premium brands such as Pappy Van Winkle, Eagle Rare and Elmer T. Lee) doesn't export, said Mark Brown, president and CEO of parent Sazerac, so don't expect the tariffs to make Weller suddenly easier to find.

Wild Turkey, which is owned by European spirits company Campari, said they don't expect the European tariff to have much impact.

"We believe that free trade is in the interest of all parties; as Wild Turkey is in its seeding phase in Europe, the duties on bourbon will not affect our growth plans for the brand nor the overall performance of the company," said spokesman Enrico Bocedi.

Whiskey expert and author Chuck Cowdery said that at least in the short term the impact on most big Kentucky distillers should be minimal.

"Bourbon isn't soybeans. It isn't a commodity," Cowdery said. "You can't get your bourbon somewhere else. ... The prices are definitely going to go up, and those things always get passed along to the consumer. But if I want bourbon and have been paying 30 euros a bottle, is 40 euros going to stop me? Hard to say. Nobody knows. If you like bourbon, where else are you going to go?"

For many people, American whiskey is a luxury item, comparable to a prestigious car, albeit a more affordable status symbol.

"If I want a Mercedes, I can afford a $60,000 one as well as $50,000. And I'll pay it," he said. "I'm not going to drink Spanish brandy because it's cheaper than bourbon if I don't like Spanish brandy. It's an affordable luxury and it won't break the bank."

In the end, today's tariffs could be just a blip in bourbon's boom unless things get much worse or the trade war lasts for a long time.

"Whatever's coming out of the stills today won't be available for sale until 2022 at the earliest, and things will be different by then, one way or the other," Cowdery said. "Politics aside, the U.S. wins when the markets are most open. "

MONEYWATCH

TRUMP TARIFFS COME BACK TO BITE WHISKEY DISTILLERS

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MONEYWATCH 5:

Whiskey distillers across the country are being hurt as America's trading partners slap tariffs on U.S. goods, retaliatory measures for the Trump administration's imposition of tariffs on the European Union and Canada.

The administration's tariffs are aimed at making the steel industry more competitive and reducing U.S. trade deficits with various countries. But that's having effects on other industries, including cancelled orders, lower profits and lost jobs.

Distilleries are one of many types of businesses already dinged by the promise of tariffs from China, Canada, Mexico and the European Union. Other goods affected include pork, apples, soybeans and motorcycles.

Dry Fly Distillery in Spokane, Washington, was scheduled to deliver 2,000 cases of whiskey to Ontario, Canada, but that order has since been canceled. Owners at the 11-year-old distillery expect to get hit even harder by a 25 percent tariff on American-made whiskey which is set to go into effect next week.

Going forward, owner Don Poffenroth said about 10 percent of Dry Fly's international sales are expected to come to an end.

"It makes me uncompetitive in the market," Poffenroth told KREM. "You take 10 percent away from a small business, it's significant."

Colin Spoelman, co-founder of Kings County Distillery in Brooklyn, New York, is facing a similar fate. His business, which opened in 2010, has been selling specialty whiskey in the United Kingdom and Canada for about half a decade. The majority of the company's sales are in New York, with about 20 percent coming from outside the state and international markets.

Spoelman says some distributors are now averse to carrying his product, since they would need to sell at a higher price to offset the penalties.

"Already we've seen our Canadian distributors throw up their hands and say, 'I don't really know what we can do here,'" Spoelman told CBS MoneyWatch.

On Monday, Jack Daniel's Tennessee Whiskey producer Brown-Forman said prices would increase in the European Union because of the bloc's new 25 percent tariff. The increase will take effect over the next couple of months as stockpiled cases of it are sold off, the Associated Press reported.

Unlike larger distilleries, Kings County produces small batches, which makes it difficult to stockpile reserves, Spoelman said.

Larger shops "have the wherewithal to stockpile those cases and beat the tariffs," Spoelman said. "That's certainly not something that we could do or our distributor partners could do."

He added, "I think it does hit the small guys the hardest."

As for whether a change in price may allow his products to continue to be sold internationally, Spoelman said much of that is up to the distributors. They must decide whether or not a price hike to offset the tariffs is viable. He's hopeful that strong personal working relationships will bridge the divide, but is uncertain.

"The UK had some difficulties with the valuation of the pound, we cut them a little bit of a break after Brexit, we accommodated them on the price a little bit...maybe in this case they can adjust back to us," Spoelman said.

He added, "We're just so close with Canada and [the trade dispute] is really annoying to a lot of Canadians--they may be not quite as magnanimous about this."

CBS News' Jillian Harding contributed reporting.