**spiritsEUROPE comments Concerning Section 301 Action on Enforcement of U.S. WTO Rights in Large Civil Aircraft Dispute – 24 July 2020**

**spiritsEUROPE, the trade association representing the European spirits sector, welcomes the opportunity to submit comments in relation to the USTR Review of Action on Enforcement of U.S. WTO Rights in Large Civil Aircraft Dispute (85 Fed. Reg. 38488 (June 26, 2020)). We appreciate that trade tensions between EU and U.S. are complex, with serious issues on both sides. However, punitive tariffs on spirits for disputes that have no connection to us undermine the global growth that open markets have enabled our industry to achieve and cause our industry, the hospitality sector, our supply chain and consumers further harm.**

Our sector is united across the Atlantic. Many of our companies are heavily invested on both continents and are being damaged in both places as a result of the ongoing trade disputes and retaliatory measures taken against both US and EU spirits in different disputes. During the last two years, we have, collectively with our US partners in DISCUS, constantly urged both sides to go back to the 1994 “zero-for-zero” agreement, and through this the mutual elimination of the vast majority of tariffs on distilled spirits between the US, EU, Canada and Japan. This agreement significantly benefitted both the U.S. and EU distilled spirits sectors, the hospitality sector, our supply chain and our consumers while it lasted. Yet, in spite of our work with the European Commission and USTR over the last two years, the situation has continued to deteriorate at our collective and mutual expense.

We do not believe that using our sector as leverage in disputes that are not connected to us is helping with the broader, unrelated issues. On the contrary, it fuels a negative cycle, with a strong risk of further escalation, and generates no tangible benefits to the EU or the US. The imposition of a retaliatory tariff of 25% on all American Whiskey imports in the EU since June 2018, in response to U.S. additional tariffs on steel and aluminum, has already led to a decline of US whiskey exports to the EU by 33%[1]. According to an analysis by DISCUS, had the tariffs not been implemented, American Whiskey exports today would be an estimated $300 million higher. This concerns us, due to the deeply integrated and international nature of our industry, and we have been making and will continue to make the case for an urgent return to the “zero-for-zero” agreement in Brussels as well.

What should be of great concern to USTR is that, while failing to bring a solution to the dispute at hand, the additional duties on EU spirits are putting US jobs at risk. The highly integrated trans-Atlantic nature of this industry means that duties imposed on imports harm not only European producers and exporters, but also numerous U.S. stakeholders, including U.S. producers and exporters that rely on investment made by our members. Our sector supports millions of jobs in

[1] June 2018 was the date that the tariffs went into effect. April 2020 is the last month for which data is available. Reflects the value of exports for the 12 month rolling periods July 2017-June 2018 ($757M) and May 2019 – April 2020 ($504M)

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every US state, from production, import and wholesale activities, all the way through to the retail and hospitality sector. Tariffs either end up being passed along to consumers in the form of higher retail prices, or affecting profitability, resulting in a reduction in investment and loss of job creation. As such, they limit our members' investment ability to invest in the US, resulting in lost job and growth creation opportunities. As prices rise, consumers typically purchase less or sometimes trade down to less expensive products. This negatively impacts jobs in the whole spirits supply chain and the retail and hospitality sectors.

In February 2020, the Wine & Spirits Wholesalers of America (WSWA) made the case against additional tariffs on EU wines and spirits, supported by data from a report written by economists at John Dunham and Associates. These numbers were mentioned in comments submitted by our US sister association DISCUS and their US partners as part of several joint submissions, the latest of which was made in January 2020. An updated analysis from the US joint beverage alcohol coalition demonstrates that, if tariffs are applied on all of the EU-origin beverage alcohol product included on the three lists, it could lead to a loss of approximately 13,700 (with additional duties of 10% ad valorem) to 95,900 U.S. jobs (with additional duties of 100% ad valorem). This is an increase from 11,200 to 78,600 U.S. jobs, as noted in the joint beverage alcohol submission of 13 January 2020. This analysis does not consider the devastating impact COVID-19 is already having on jobs in the U.S. beverage alcohol sector, both as a result of mandatory closings of restaurants, bars and distillery tasting rooms in the US and of significant disruptions to tourism flows, which will further impact jobs in these sectors.

This negative impact on US jobs is not insignificant in what is already a very difficult economic period for the hospitality sector. The US National Restaurant Association reported in April 2020 that more than 60 percent of restaurant owners said that existing federal relief programs—including the CARES Act—would not enable them to keep their employees on payroll during the downturn. They estimated that COVID-19-related loss alone for US restaurants would reach more than $240 billion nationwide by the end of the year. The American Nightlife Association, which represents an industry which contributes $900 billion in economic impact in the US, conducted a survey of its members recently in response to which only 20% of venues in the US said they would survive the economic downturn with just pick-up or delivery and where most venues expected a 30% reduction in revenue on indoor dining social distancing rules. Considering the impact of the pandemic on these industries, now is not the time to make a very bad situation worse by further penalising the hospitality industry.

**The current situation, where unrelated industries are dragged into a dispute over which they have no control, needs to stop. The current economic crisis makes this all the more pressing. Jobs are affected, from production to retail, hospitality and supply chain on both sides, and we see a negative impact on productivity, competitiveness and growth across the Atlantic. We fear that a further negative signal as part of the next carousel review might result in further escalation. Further fueling the negative spiral will ultimately hurt those already deeply affected by the coronavirus-related crisis – US workers and consumers.**

**Today's announcement that the governments of France and Spain agreed with Airbus SE to modify the terms of the Repayable Launch Investment granted by them for development of the A350**

**aircraft to reflect market conditions should help create the right conditions for the two sides to find a negotiated solution. We therefore trust that USTR will use the opportunity of this review to look for a more direct and efficient way to solve this longstanding trade dispute on aircraft subsidies and take this opportunity to go back to the zero-for-zero agreement, which helped our industry create numerous jobs and significant growth benefitting both sides of the Atlantic.**