

Dear Friends and Colleagues,

I wanted to write a note to update you on the tariff front after the results of the election. Harmon Skurnik will be sending an invitation to an industry zoom meeting shortly, to discuss in more detail. We expect that meeting to be early next week. We are coordinating a time with our trade team.

For several months now, we've prepared our approach with a Trump victory scenario in mind. Our industry has risks, but we are in a significantly better place now, thanks to your support, than we were in 2019.

Since July, we have been working with our team at Akin Gump to identify key targets within the Trump world that could be influential on trade matters. Many of these are members in Congress who have purview over trade, or are thought to have the ear of Trump or his trade team. In a nutshell, our work boils down to showing key members of the incoming administration how tariffs on wine do more harm to domestic businesses, than to businesses abroad. For members of Congress, we use their constituent businesses to help tell that story, which is particularly effective. Because of the three tier system, for every \$1 the U.S. sends to Europe for wine, U.S. companies receive \$4.52 in revenue. This is a strong contrast with the other potential targets of retaliatory tariffs. It makes tariffs on wine both problematic for U.S. small businesses, and a poor remedy in a trade dispute. **This means we have a shot. But we must engage our entire industry to give us the best chance to avoid tariffs.**

You can find a list of our current Congressional Engagement Activity at the end of this email. If you or your business has contacts or ties to any of these districts, please let us know.

In addition, I have had several recent meetings in Washington with important members of Trump's trade orbit. The goal here has not been to simply make our case, but to build relationships for the future, let them learn about us, and ask their advice on how best to articulate our messages and issues to otherwise tariff-friendly administration members. Of note, we had excellent meetings with Jamieson Greer - Lighthizer's Chief of Staff at USTR under Trump, perhaps the frontrunner to be USTR; Mayer Patel - Chief Trade Counsel for Senate Finance Republicans; and Josh Snead - Chief Trade Counsel for House Ways & Means. We found them incredibly useful, and came away with the following:

WHAT WE HAVE LEARNED:

- 1) Tariffs are a certainty. Tariffs on wine are NOT a certainty.
- 2) Each contact confirmed that members of Congress hearing from local businesses that imported wine is important for their bottom line (restaurants particularly, and other small businesses), and said member telling USTR, is very helpful. This was our modus operandi, but it was useful to hear our efforts were for good purpose.
- 3) The mass email campaigns worked. All told me independently that members of USTR and Congress learned a great deal about the damage wine tariffs do on US businesses, and that it matters. Mayer particularly told me that the message had been mentioned by many members of Congress after the tariffs had been implemented, and that many congressional trade staff now

believe damage to small U.S. businesses like restaurants must be more seriously considered if tariffs are put back in place.

4) All told me that "fairness" in trade was an important message. Republican trade officials largely believe that Europe is a poor trading partner, that actively works to prevent many U.S. goods from being exported into their market. If we can effectively communicate that the wine industry is an exception that works well from a trade perspective - i.e. equal access for US products in Europe etc - that would be an effective addition to our message. (We've been working with domestic producers who are against tariffs for exactly this purpose.) One senior contact told me the message "Trade with Europe has lots of problems, wine is a rare area where it works for everyone on both sides, please don't mess it up" could be quite strong for us.

5) Surprisingly, they understood the fungibility argument. I don't know that all in USTR understand this, but it was heartening that all seemed to agree that wine from the U.S. isn't a true substitute for imported wine. This had previously been one of our main concerns. Again, not certain how broadly this believe is held at USTR but it was helpful to know this need not be our main focus area.

6) Perhaps our most important lesson: Industries that sit on the sideline will pay the price. We must not let that be the wine industry.

CURRENT TARIFF RISKS:

Digital Services Taxes: This is our most immediate threat. DSTs are taxes implemented in many countries that, due to high revenue limits, target only U.S. companies. Initially tied to proposed Champagne tariffs, the situation is now worse than during Trump's first term. France collects \$1.3 Billion in DSTs from U.S. companies. Austria, Italy, Spain, and The UK also collect DSTs from US Companies. Some Republican trade advocates prefer targeting foreign service entities (e.g., French advertising firms), rather than unrelated products.

Airbus: The Airbus dispute is less likely to be addressed immediately. Though the dispute is paused until 2026, it's currently seen as lower priority in DC. However, the 2026 date is not set in stone. The pause was an executive order by President Biden, and could thus be undone by an executive order. We do not believe they would snap back to the previous list automatically - it has been "expunged" so in theory the process of determination should begin again.

Universal Tariff: There is a non-zero chance of a 10% [estimated] broad tariff across all imported products. This would be quite difficult to implement, but not impossible. In this instance, there could also be the possibility for exclusions.

Uncertainty: In a Trump administration, there is an element of uncertainty that will exist. It is simply reality.

Time Frame: We are seeking more clarity around when any tariffs could be put in place. For DST for instance, there is typically an investigatory process of roughly 9 months before implementation. It is possible they could look to reduce that time to perhaps 3 months. We believe it most likely that a new USTR would be in place - figure March or April - before any tariffs would be implemented. We do not have hard and fast information hear, but are working to learn more.

HOW YOU CAN HELP

Let me be the first person to thank you for your support in this effort. Without your funding, time, and energy, we would be in a *significantly* weaker position, but let's not kid ourselves, we are just getting started.

Going forward, our challenge becomes more urgent. **First and foremost, we need your participation**. We will ask for funding help as well, but educate yourself on the risks, as well as what we can do to mitigate those risks. **Retaliatory tariffs are zero-sum. It's us, or it's them.** They will choose, in the instance of French DSTs, \$1.3 Billion in French products or services to tariff. Our job is to show them that there are more effective options to tariff than wine. **If you have contacts in the below target districts (or any you think useful), we will need your help. Let Harmon or I know where you are active, and where you have relationships.** Ties to good local restaurants are particularly useful. We are lucky that ours is a story Congress wants to hear. The hospitality industry has spent generations making people smile, and we are one of the few industries that people in Congress are HAPPY to hear from. **Everyone has a favorite restaurant, and can identify with a local small business that depends on imported wine. We need your help to make ever more connections. Your efforts can have a real impact.**

In summary, there are now foreseeable risks in front of us, but we are in as good a place now as we could hope to be. The work we did last round was incredibly helpful, and laid the groundwork for our messaging now. I was particularly happy to hear the Senate's Republican Chief Trade Counsel tell me that many members thought the tariffs that impacted restaurants really needed to be rethought - they wanted to punish Europe but understood the need to limit the damage to small US businesses. It doesn't mean we don't have a great deal of hard work in front of us, but **we are much better positioned than we ever have been. But make no mistake, we must all pull together to give us the best chance. And remember: Once tariffs are in place they are incredibly difficult to remove, so it is in our best interest to front-load our work now.**

As always, many thanks for your support.

Best regards,

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P.S. Please see below for our Congressional engagement activity so far. If you have ties to these districts, please let us know.

Congressional Engagement Activities

1. **Chairman GT Thompson (R-PA)** – UC Davis visit on viticulture challenges and tariff impact
2. **Rep. Claudia Tenney (R-NY)** – Fox Run Vineyards visit, discussing tariff impacts.
3. **Rep. Mike Kelly (R-PA)** – Mazza Vineyards visit, with a focus on tariffs and supply chain issues.
4. **Senator Mike Crapo (R-ID)** – Staff engaged at the Idaho Wine Commission roundtable on tariffs and small winery challenges.
5. **Senator John Cornyn (R-TX)** – Central Texas Regional Director visit at William Chris Wine Company and a D.C. advisor attending the Skurnik event.
6. **Rep. Kevin Hern (R-OK)** – Upcoming industry visit in Tulsa in progress.
7. **Florida Delegation:**
 - **Senator Marco Rubio (R-FL)**
 - **Senator Rick Scott (R-FL)**
 - **Rep. Vern Buchanan (R-FL)**
 - **Rep. Byron Donalds (R-FL)**
 - Arrangements underway for a Miami visit.
8. **Rep. Jason Smith (R-MO)** – Coordination with St. James Winery and Cape Girardeau for a meeting; staff advisor attended Skurnik event.
9. **Senators Bill Hagerty (R-TN) & Marsha Blackburn (R-TN)** – Engagement plans with local partners in Tennessee.
10. **Rep. Dan Meuser (R-PA)** – Meeting being arranged with local groups.
11. **Rep. Brian Fitzpatrick (R-PA)** – Visit setup underway with local industry stakeholders.
12. **Rep. Lloyd Smucker (R-PA)** – Plans to meet with local groups.
13. **Sen. Steve Daines (R-MT)** – Seeking local partners for a visit.
14. **Rep. Jodey Arrington (R-TX)** – Staff member attended the Skurnik event in D.C., seeking local partner for Lubbock or Abilene, TX event
15. **Sen. John Thune (R-SD)** – Seeking local partners for future engagement.