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Harris or Trump? Drinks Industry Braces for Potential Tariffs

Drinks Industry Faces Potential Tariff Threats Under Trump

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In five weeks, American voters will choose who will hold the presidency until 2029: Vice President Kamala Harris or former President Donald Trump. The outcome will significantly impact the global economy, American consumer behavior, and the drinks industry. Over the last 18 months, American consumers have shown a tendency to cut back, opting for lower-priced options due to inflation and financial pressures.

Polls suggest the race is tight, and the result is unpredictable. Harris is expected to continue President Biden's liberal and international economic approach, while Trump's platform focuses on isolationism and protectionism. Trump's stance includes the potential for new tariff barriers, which could disrupt international trade.

A major concern for the drinks industry is the potential for increased tariffs under a Trump administration. Trump has previously hinted at imposing a 20% duty on imports that compete with American industries. For companies like Constellation Brands, whose growth has been driven by Mexican beers such as Modelo and Corona, this is a critical issue. However, CEO Bill Newlands appears unworried, citing Constellation's experience during Trump's first term when the company posted strong growth despite tariffs.

Trump's previous tariffs on European products led to the European Union penalizing Bourbon. A renewed Trump presidency could lead to Scotch and Cognac becoming targets if trade disputes arise, while Bourbon and American whiskey might be favored. Cognac is already facing uncertainty, with China considering its response to the European Union's new tariff barriers on Chinese electric vehicles. Any retaliatory measures from Beijing could hit the Cognac market, which heavily depends on exports to China.

The broader drinks industry remains cautious but is not yet raising alarms about potential trade conflicts under Trump. Still, the possibility of renewed trade tensions is causing quiet concern. The next few weeks will be critical for businesses and trade experts as they anticipate the election's outcome and its implications for global trade and the drinks market.

Meanwhile, there is some positive news in international trade. Reports suggest that the long-stalled negotiations for a free trade agreement between the UK and India are gaining traction. With national elections now concluded in both countries, sources indicate that India, under Prime Minister Modi's returned administration, is eager to move forward. However, the UK's progress will depend on how quickly Prime Minister Keir Starmer can establish a formal policy position to advance discussions.