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Trump's Return Rattles European Wine Industry

Analysts Warn of Potential Economic Fallout from Trump Tariffs

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Donald Trump, sworn in as the 47th President of the United States on Monday, January 20, 2025, has reignited concerns in the European wine industry over the potential reintroduction of trade tariffs. The United States is the largest export market for European food and beverages, making it a critical partner for the European Union. The prospect of new tariffs threatens to disrupt this relationship, particularly given Trump's history of imposing additional duties during his first term.

In 2019, Trump's administration introduced tariffs on over 110 European products, including wine, as part of a broader trade dispute tied to subsidies for aerospace giants Airbus and Boeing. These tariffs, which were suspended in 2021 for five years, caused significant strain on European wine exports. The industry is now urging a continuation of efforts to eliminate such barriers permanently while maintaining promotional strategies in the U.S. market, where demand remains robust.

European producers have also emphasized the importance of respecting agreements established through the World Trade Organization (WTO) and maintaining dialogue to prevent further trade conflicts. However, the U.S. has resisted complying with WTO resolutions and has blocked the renewal of its appellate body for years, creating a paralysis in the international arbitration system.

Trump's campaign promises to increase tariffs on both allies and rivals, including China, have heightened uncertainties. Economists warn that such measures could significantly impact the EU's external trade, with ripple effects on U.S. inflation and global capital markets. Experts argue that the EU should respond to this challenge by reinforcing the multilateral trade system and seeking partnerships with regions like Latin America, the Indo-Pacific, and Africa. These alliances could bolster the EU's position, alongside agreements such as the one with Mercosur and ongoing negotiations with Indonesia and India.

Researcher Andreas Kopp of the Center for European Policy Studies highlights that additional tariffs on European products like wine would ultimately burden American consumers with higher prices. He suggests that some European industries might mitigate these effects by relocating operations to the U.S. Kopp also calls for European unity in preparing for negotiations with the U.S., with a focus on formulating offers that could lead to mutually beneficial agreements.

Jacob Kirkegaard from the Peterson Institute for International Economics warns of a high likelihood of targeted U.S. tariffs affecting strategic EU industries, including wine. He doubts the U.S. will address the WTO's dispute resolution mechanism or join new trade initiatives, leaving other nations to seek voluntary improvements. Kirkegaard also points to geopolitical factors, such as the conflict in Ukraine, as potential determinants of transatlantic trade relations. He advises the EU to pursue new trade initiatives and

reduce dependency on the U.S. market while preparing retaliatory measures against any fresh tariffs imposed by the Trump administration.