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Cognac industry faces mounting losses as China and EU fail to resolve brandy tariff dispute

Ongoing trade tensions threaten European spirits exports with uncertainty and lost sales in the crucial Chinese market

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Eighteen months have passed since China first threatened to impose steep tariffs on European brandy, a move that has left the Cognac industry facing significant losses and uncertainty. The dispute began after the European Union announced plans to levy a

50% tax on Chinese electric vehicles and components, citing concerns over unfair competition and alleged dumping practices that harmed European car manufacturers. In response, Beijing targeted European brandy—primarily French Cognac—with a proposed 39% retaliatory tariff.

Since then, negotiations between the EU and China have failed to produce a resolution. The talks have been marked by repeated delays and shifting deadlines. China initially promised a decision on the duties by January 2025, but that deadline was pushed back to April and then again to July 5. Despite ongoing discussions, including recent meetings between trade ministers from both countries in Paris during an OECD conference and technical talks in Beijing, no agreement has been reached.

The impact on the Cognac sector has been severe. In 2023, China imported about $1.7 billion worth of French brandy, making it the most valuable market for the industry and second only to the United States in volume. By February 2025, the ongoing dispute had already cost Cognac producers more than €50 million in lost sales. These losses have continued to mount due to a deposit scheme imposed on imports and the effective closure of China’s travel retail market, which had been a lucrative channel for premium spirits.

Despite public commitments from leaders on both sides—including a phone call more than a year ago between French President Emmanuel Macron and Chinese President Xi Jinping promising a swift resolution—progress has stalled. The Chinese foreign ministry recently stated that both sides had agreed to resolve economic and trade issues through dialogue and consultation. However, the dispute involves not just France but the entire European Union, which has referred China to the World Trade Organization for what it claims are violations of international trade rules.

French trade minister Laurent Saint-Martin emphasized after last week’s meeting with his Chinese counterpart that France would not compromise on protecting its key industries, including Cognac. Industry insiders say there is cautious optimism that a settlement could be reached soon, especially with the July 5 deadline approaching. However, they also warn that several contentious issues remain unresolved.

Even if an agreement is reached by next month’s deadline, industry experts believe it will take considerable time for Cognac to regain its former position in the Chinese market. The sector faces challenges in restocking distribution channels and rebuilding consumer demand for premium Western spirits after months of uncertainty and restricted access.

As negotiations continue without a clear end in sight, Cognac producers are left waiting for relief while watching their market share erode in one of their most important export destinations. The outcome of this prolonged trade dispute will likely shape the future of European spirits in China for years to come.