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Impacts of a US-led tariff war on international trade in wine, beer and spirits[1]

Kym Anderson and Glyn Wittwer

Abstract

The announcements by President Trump in April 2025, of unilateral hikes of 10-50 percentage points on US import tariffs on all countries' goods, are under threat of coming into force on 8 July 2025. This article estimates their likely effects on trade in alcoholic beverages, using a global model of national beverage markets. Various scenarios are compared. They suggest that if the tariff hike was restricted to just 20% on goods from the European Union, the value of global trade in each of the three beverages would shrink by one-tenth. But the US tariff hikes are to apply to all countries' goods, which is estimated to shrink global exports by 13% for wine, 22% for spirits and 33% for beer. In that broader scenario, most countries' wine exports would shrink, but exports of beer and spirits would expand for some countries thanks to the trade divergence generated by the varying tariff hikes. If the increasing uncertainty associated with these developments led to a cumulated 2% drop in consumer spending, virtually all wine-exporting countries would sell less wine to both the US and the rest of the world. That is, wine trade destruction would outweigh trade diversion.

JEL classifications: F14, F17, F51

Keywords: Trump tariff wars, Unilateral protection, Economic coercion, Trade retaliation

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1. Introduction

A media report in March 2025 suggested that if the United States imposed a 25% tariff on its imports of products from not only Canada, China and Mexico but also from the European Union (EU), it would wipe US$1.1 billion off the value of Italian wine exports. This article began by seeking to check on that Italian claim, and at the same time explore the impacts on other countries' exports and on US imports of alcoholic beverages of such unilateral US action – and of possible retaliation by its trading partners. The fact that the US accounts for 16% of the volume of global consumption of wine (and 13% of beer and 8% of spirits), and around 20% by value, means this unilateral action by the US will have non-trivial effects on global beverage markets, especially for wine.

The promised wide use of tariffs by US President Trump started immediately in his second term, beginning with 25% tariffs on US imports of steel and aluminium from its various trading partners. That triggered retaliation threats by some affected countries. One of the first notable examples, in March 2025, was the European Union's threat to impose 50% tariffs on its imports of US whiskey from April. President Trump immediately counter-threatened to impose 200% tariffs on US imports of all EU wines, beers and spirits, causing the EU to reconsider its reaction and delay its planned date to implement retaliation.

Such tariff wars reduce global trade and overall economic welfare but very unevenly, with some groups winning at the expense of others. For example, if the US raised taxes on EU beverage imports, wine exports from the southern hemisphere to the US might expand. However, the increasing uncertainty associated with these developments and threats is reducing consumer and investor confidence, which is dampening economic growth and the prices of US stocks and bonds, and thus households' willingness to spend in many countries including the US.

It is unclear how President Trump's dramatic escalation of US tariff hikes on 2 and 9 April 2025 (now paused until 8 July except for China) and his associated economic coercion, and other countries' responses including retaliations, will play out.

Nonetheless, there is value in considering alternative scenarios and estimating their likely trade impacts. One way to do that is to employ a global empirical trade model of national markets. Economywide models such as GTAP are already being used to do that (e.g., Giesecke and Waschik 2025). However, the commodity aggregation necessary to make those models tractable does not provide the detail that some industries seek.

In this paper we draw on a global model by Wittwer and Anderson (2020) that was developed specifically to explore international trade in wine, beer and spirits. We use it here to estimate the trade consequences of a range of scenarios, based on the US tariff announcements of 2 and 9 April and some retaliation announcements by policymakers in partner countries.

While one might expect a tariff war in the northern hemisphere to benefit less-affected southern hemisphere wine exporters, the latter gains would be smaller and possibly more than offset if overall growth in global demand for beverages were to slow down because of the uncertainty-induced drop in consumer and investor confidence and thus in projected rates of economic growth. In March 2025, the OECD projected US GDP growth to be 0.6 percentage points lower in 2025 than in 2024, and a further 0.6 points lower in 2026 (OECD 2025). Following the 2 April tariff shocks from Washington, larger-sized adjustments have been made to output growth projections for many countries, including China, and to their impact on trade growth projections (see, e.g., IMF 2025; WTO 2025). Those US tariffs may be lowered by the time they are scheduled to be implemented from 8 July as the Trump administration seeks to do 'deals' with the EU and individual countries one at a time, but the US is also seeking to persuade its trading partners to isolate China economically.

In the next section of this article, the basic theory of tariffs and pertinent trade policy experience is briefly summarized. Section 3 then describes the key features of the model of global beverage markets to be used in this analysis. Various scenarios to be modelled are listed in Section 4, before the results in terms of bilateral and total trade flows are summarized sequentially in Section 5. Some caveats are raised in Section 6. The final section draws conclusions from the analysis.

2. Basic Theory and Past Experience

It has been well understood for millennia, at least since Plato's *Republic* (375 BC), that trade between two entities can be beneficial to both. The reason why that applies to countries was made very clear more than two centuries ago by Ricardo (1817) with his theory of comparative advantage. Ricardo showed that even the most technologically advanced nation with the lowest production costs in the world could benefit by specializing in exporting just a subset of products – those they are best at producing – and importing all other products.

Yet most countries still have tariffs on some imports, even though they reduce trade, global welfare, and the economic welfare of each distorting nation that is not large enough to be able to influence its international terms of trade (the price of their exports relative to the price of their imports).

True, a few economies may be large enough to improve their terms of trade by imposing trade taxes. However, the nationally optimal rate of that tax on trade even for the world's largest economy (the US) would be small and, in any case, any potential benefit is easily diminished the more its trading partners retaliate in kind (Johnson 1953). Thus even largest economies have seen value in international cooperation to desist from exploiting that power via trade taxes when retaliation is likely.

Britain was the first to test this in the industrial era, by repealing its Corn Laws in 1846. That allowed it to specialize more in manufacturing and depend more on imports of lower-priced foods and fibres and thereby become the wealthiest country in the world (even though, as shown by Irwin and Chepeliev (2021), the reform benefitted the rest of the world as well as Britain due to its influence on the international terms of trade). Its GDP was matched by the US only around 1860, as the US population grew rapidly through immigration, and Britain's GDP per capita continued to exceed that of the US until 1900 (Maddison 2007).

In 1860, the signing of the Cobden-Chevalier Treaty liberalized trade between Britain and France. That bilateral treaty included a most-favoured-nation (MFN) clause which required any agreed tariff cut offered to another country would also be applied to imports of that good from this newly signed partner (Viner 1924). It was in their interest to so agree also because that ensured smaller European countries that subsequently signed a bilateral trade treaty with either Britain or France (and most had done so by 1867) also signed onto MFN. The systemic effect of the 1860 Anglo-French accord was thus of much greater significance than its importance to either country alone or even the two together, as it led to a network of treaties that lowered hugely the average level of import tariff protection during 1860–1913, and meant the world enjoyed relative serenity in terms of international trade and monetary relations (Kindleberger 1975). Even though economic growth then was proceeding at less than half the post-World War II pace, it was very rapid by previous standards, as was international trade growth.

However, just when many of the European trade treaties were reaching their expiry date (nearly fifty of them were to expire in the first half of the 1890s), economic difficulties

were making their renegotiation contentious and leading to trade tensions. Tariff wars ensued, so that the threat of retaliation, which had served as a deterrent to raising tariffs, was no longer sufficient as a constraint on trade liberalization reversal. Even though MFN was retained, relations were strained by the absence of bindings on tariffs (to prevent backsliding), of constraints on non-tariff trade-distorting measures, and of legal means to resolve disputes. Furthermore, the unwillingness of the US or others to adopt the unconditional MFN principle meant the sustainability of the European commercial policy achievements of that period was far from certain. Indeed, the treaty regime ended abruptly with the outbreak of World War I in 1914.

Post-war efforts to restore liberal trade centred on international conferences. However, despite the rhetoric in support of open markets, those meetings did not lead to renewed trade treaties with binding commitments to openness based on MFN. With no country willing or able to replace Britain as the hegemon, there was trade policy anarchy (Kindleberger 1989). When economic recession hit in the late 1920s, and the US introduced the Smoot-Hawley tariff hikes of June 1930, governments elsewhere responded with beggar-thy-neighbour protectionist trade policies including imperial trading agreements that together helped drive the world economy into depression. Among those 'agreements', Hitler coerced Germany's smaller neighbours into signing bilateral trade treaties that were highly skewed in Germany's favour (Hirschman 1945, 1977). The volume of world trade shrunk by one-quarter between 1929 and 1932, and its value fell by two-fifths. Over the entire inter-war period, merchandise trade grew hardly at all (Kindleberger 1973).

The first attempts to reverse the growth in protection were discriminatory, benefitting Europe's colonies at the expense of other trading partners. While some of those imperial trade agreements were trade creating, others diverted trade from lowest-cost suppliers and so were far from optimal from a global perspective (Viner 1950). By the end of the 1930s protectionism was far more entrenched than in the late 19th century when only non-discriminatory tariffs had to be grappled with. Indeed nontariff trade barriers were so rife as to make tariffs redundant and hence a return to MFN irrelevant unless and until "tariffication" of those barriers occurred.

Out of the interwar trade policy experience, many in Britain and the United States were convinced that liberal world trade required a set of multilaterally agreed rules and binding commitments based on non-discriminatory principles. After much negotiation, that led to the General Agreement on Tariffs and Trade (GATT). It was signed in 1947 by 23

trading countries who at the time accounted for nearly two-thirds of the world's international trade. The GATT provided a forum to negotiate subsequent tariff reductions and changes in rules, plus a mechanism to help settle trade disputes. Eight so-called rounds of negotiations were completed in the subsequent 46 years, as a result of which many import tariffs on at least manufactured goods were progressively lowered in most high-income countries. Global merchandise trade grew faster in the half century following the coming into force of the GATT than in any other half century in history.

The last of those GATT negotiations, the Uruguay Round (1986–1994), culminated in numerous agreements to further reduce trade barriers over the subsequent decade. Another agreement involved the GATT's Secretariat in Geneva being replaced by a new World Trade Organization (WTO) in January 1995. As shown by Saggi (2009), openness is easier to sustain under MFN rules than under discriminatory preferential ones, which helps explain why 166 nations, representing 98% of world trade, have chosen to become members of the World Trade Organization (WTO) and another 20 are negotiating to join.

Despite the strong theoretical case and ample empirical evidence in favour of trade openness (Irwin 1996, 2020) and of a MFN rules-based WTO (Anderson 2016), most countries continue to impose at least some trade-restrictive policies. Those hardest-to-reform policies persist because of strong domestic political economy forces at work that favour some protectionism. Meanwhile, past policy reforms plus technological advances have fragmented production along value chains, which has greatly increased incentives for countries to reduce their trade restrictions (Baldwin 2016). They have also been contributing to the eventual structural transformation of growing economies away from producing primary products and basic manufactures and toward services.

Yet Donald Trump seems unconvinced. He apparently believes import protectionism can boost US manufacturing and income growth, reduce bilateral trade deficits, provide enough extra customs revenue to allow income tax cuts,[2] and strengthen US negotiating power to coerce other countries to open up their markets to US producers. He has therefore been determined to raise US tariffs even further during his second term than in his first. And in doing so in announcing on 2 April 2025 so-called 'reciprocal' tariffs ranging from a minimum of 10% across all goods for all countries but ranging up to 50% (see Appendix

[2] A product's tariff rate that maximizes national government revenue (t_m) is higher than the optimal tariff rate from a large economy's national economic welfare viewpoint. However, as rates are raised beyond t_m, that tax revenue declines until it disappears at rates that drive the nation's imports of that product to zero.

Table 1), and in inviting one-on-one negotiations to lower each country's 'reciprocal' tariff, he has chosen to wilfully violate the core principle of non-discrimination as enshrined in Article I of the WTO's founding treaty.

The rest of the world has been forced to share in the cost of this unilateral action, which will be higher the greater and more prolonged is the continuing uncertainty associated with US actions and others' reactions and their adverse impacts on consumer and investor confidence and growth of capital (Carballo, Handley and Limão 2022; *Baqaee and Malberg 2025*). The trade consequences for each US trading partner will depend on, among other things, the height of the US tariff hike on goods imported from that country and from other supplying countries, the share of that country's exports that flow to the US, the types of initial policy responses by its government and other countries' governments (including any US-coerced raising of their barriers to Chinese goods and FDI), and any anti-dumping actions triggered by affected countries lowering their export prices in their search for non-US markets. Also important – but not modelled here – will be the trade-diverting effects of any subsequent bilateral deals struck with the US that open up those partners' trade to only US exporters, and any follow-on counter-retaliation by the US against those partners that retaliate in kind rather than be coerced into a bilateral 'deal' with the US. While it is still possible that the US might be able to prise open some countries' markets, history suggests this discriminatory approach to liberalization is very unlikely to boost global economic welfare even if the US and/or some of its trading partners benefit.

3. Model

To analyze empirically the trade consequences of tariff hikes on wine and other alcoholic beverages requires a global model of national beverage markets connected through bilateral international trade flows, in which the interactions between each nation's producers and consumers of those beverages are recognized. Wittwer and Anderson (2020) provide such a model, the GLOBAL-BEV model. It identifies three red still wine qualities, three white still wine qualities, and sparkling wine, in addition to having a beer sector and a spirits sector in each country. It also distinguishes on-premise from off-premise sales of each type of beverage, the former (pubs, restaurants, etc.) having much bigger retail mark-ups on the

tariff- and tax-inclusive wholesale prices of alcoholic beverages than sales for off-premise consumption.

In the GLOBAL-BEV model, the world is divided into 44 individual beverage-trading nations, with all other countries being captured in seven composite residual regions (listed in Appendix Table 1). The primary sources of data for constructing the model's baseline database are Anderson and Pinilla (2024) plus Anderson (2020) for taxes on beverage consumption and imports, Holmes and Anderson (2017) for wine, beer, and spirits average consumer expenditure data, and the United Nations (2024) for volume and value of international trade in beverages.

The GLOBAL-BEV model has income- and price-responsive demand equations, price-responsive supply equations, and hence quantities and prices for each of the grape and wine products and for beer and spirits, plus for a single composite of all other products in each country, such that it has elements of an economy-wide model. Grapes are assumed to not be traded internationally, but other products are both exported and imported by each country from potentially every other country.

We shock the baseline of this model by raising tariffs on US imports from the various countries and then also by those of its targeted trading partners who are assumed to retaliate. The tariff rate hikes announced by President Trump on 2 April 2025, scheduled to come into effect a week later, are listed in Appendix Table 1.

To illustrate, if the US had a 7% MFN tariff on a product, then imports of that product would now be subject to a tariff of (7+10=) 17% if it came from the UK and (7+20=) 27% if it came from the EU. In the case of China, the 20% tariff hike on its goods, announced by the US in March, is added to the additional 34% hike announced on 2 April, so its new tariff would be (7+20+34=) 61% on that product.

4. Simulation Scenarios

The baseline of the global beverage markets model is shocked to simulate the following scenarios, each building on the preceding one:

1. The US imposes a 20% tariff on imports of all wine, beer and spirits from the EU;
2. Simulation 1 plus the US imposes tariff hikes on all wine, beer and spirits imports from all other countries at the rates listed in Appendix Table 1;

3. Simulation 2 plus, in retaliation, Canada, China and all other Asian countries impose a tariff hike on all their wine, beer and spirits imports from the US at the same rate as the US has imposed tariff hikes on each of them; and
4. Simulation 3 plus a slowdown in global economic growth as a result of these and other trade wars triggered by the Trump Administration's trade policy upheaval (simulated as a medium-term cumulative reduction in all consumer expenditure of 2% in all countries relative to the benchmark).

The EU, UK, Australia and other countries have indicated they would not be retaliating by imposing tariffs on US goods. China has raised its tariff hike on US goods to 125% and thereafter will use other means such as non-tariff import barriers and restrictions on its exports to the US of critical minerals. The EU plans to negotiate but may also retaliate by 8 July, possibly by restricting imports of US services rather than goods. The extent and timing of other responses and any US counter-retaliation or new bilateral deals (that may include value-chain-disrupting rules of origin aimed at disrupting China's attempts to circumvent US restrictions) are unknown at this stage. But the uncertainty associated with them will itself slow global economic growth and is the reason for including Simulation 4 above.

5. Model Results

The results suggest Italy's wine exports would be reduced by only a fraction of the US$1.1 billion/year predicted by the news clipping reported in the opening of this article. The global model's first three simulation results suggest Italy's loss in wine exports to the US would be less than one-third of that amount. They also suggest that Italy would export more wine to the rest of the world, such that its net loss would be less than one-fifth of the value predicted in that news item, other things equal. Those simulations assume, though, that consumer expenditure is not dampened by the tariff war. Should there be a global slowdown in expenditure as a result of the tariff war as modelled in Simulation 4, however, that global loss in Italy's wine exports may be close to US$500 million per year, because the quantity of wine demanded in not only the US but also the rest of the world would shrink (Table 1). That is a non-trivial sum, even if it is still less than half what that news clipping suggested.

[insert Table 1 around here]

This is but a small sample of the many trade results generated from the global beverage markets model. The rest of this section summarizes other key results generated from the above-listed simulations.

5.1 Simulation 1: a 20% hike in tariffs on US imports of alcoholic beverage from the EU

The unilateral imposition of the 20% hike in tariffs on US imports of beverages from the EU would wipe 18% off the annual value of EU wine exports to the US and $564 million off the value of the EU's total wine exports (Table 2). As well, the value of US imports from the EU of beer would shrink by 49%, and that of spirits by 42%. In dollar terms the total net loss in annual wine export sales would be $196 million for France, $268 million for Italy and $44 million for Spain. Italy's loss includes its Prosecco trade, as the average price of sparkling wine in the US would rise by 7% and the volume consumed there would drop by 4% in this scenario – about twice as much as for still wines (Table 3).

[insert Tables 2 and 3 around here]

As always from such discriminatory trade practices, other exporters could gain via trade diversion even though the value of all beverage exports to the US shrink by about 10%. For example, if only the EU was targeted, the value of US imports from the UK of beer would rise by 15% and that of spirits (and wine) by 19%. Meanwhile, annual US wine imports from the southern hemisphere's wine-exporting countries would rise by between 10% and 18% (Table 2). But those countries' wine exports to the rest of the world would shrink by $96 million, such that their net gain would be only $78 million (last row for Simulation 1 in Table 4).

[insert Table 4 around here]

5.2 Simulation 2: a hike in tariffs on US imports of alcoholic beverage from all countries

If US beverage imports from not just the EU but all countries were subjected to the tariff hikes as listed in Appendix Table 1, the value of EU beverage exports to the US would decline by only a little less than in the first simulation. For US imports from the world as a whole, the hit would be -13% for wine, -33% for beer and -22% for spirits – a major reversal of involvement by the US in beverage market globalization. But some exporting countries gain while others lose in their sales to this market (Table 2). The impact on beverage volumes consumed in the US would be only slightly greater in this scenario compared with the first (Table 3).

The EU's exports to the US fall by less in this scenario because the southern hemisphere exporters lose instead of, as in Sim 1, gaining sales in the US – and conversely for sales to the rest of the world. The global shrinkage is more than one-third larger than in Sim 1 though. Changes in wine exports to the rest of the world mostly have the opposite sign for each country to the changes in their exports to the US (Table 4).

5.3 Simulation 3: Simulation 2 plus matching retaliatory tariff hikes on alcoholic beverage imports from the US by Canada, China and other Asian countries

If Canada and Asia were to retaliate by imposing matching tariff hikes on their imports of US beverages it would add only slightly to the fall in imports of wine by the US, to 16%. That would be shared fairly equally in terms of a greater reduction in wine exports to the US than in Sim 1 from the countries listed in Table 2. This greater reduction in wine exported to the US in this scenario than in the previous one is because of the loss of US export sales from such retaliation, which ensures there are more of its own wines available locally. The fall in global exports is one-sixth more than in Sim 2 (Table 4).

Exports of US wine to Canada would fall in this scenario by $270 million if (as we've assumed) preferences remain unchanged there. That would allow an extra $156 million worth of wine to Canada from the EU, along with an extra $13 million from Australia and $9 million from New Zealand. These are underestimates though, because there has been a preference swing in Canada against buying beverages from the US.

5.4 Simulation 4: Simulation 3 plus a 2% reduction in all consumer expenditure in all countries

These beverage tariff impositions are part of a more-comprehensive tariff war that is raising uncertainty and thus lowering consumer and investor confidence. If aggregate consumer expenditure were to be 2% lower everywhere than it otherwise would have been, the value of US imports from the world would shrink by one-fifth for wine, by one-third for beer and by one-quarter for spirits (last row of Table 2). Consumer prices in the US would rise least in this scenario because quantities demanded fall, as reflected in the larger drop in US sales volume reported in Table 3.

The loss in value of EU wine exports to the world would be three times larger in this Sim than in Sims 1 and 2 and five times larger than in Sim 3. And in this fourth scenario, virtually all wine-exporting countries would sell less wine to both the US and the rest of the world. For example, annual wine exports from the EU would be lower by $1.5 billion, that from the southern hemisphere by $0.4 billion, and that from all countries by $2.6 billion (Table 4). The difference in these impacts on wine exports across the four simulations are illustrated in Figure 1.

[insert Figure 1 around here]

The story for beer and spirits is more mixed even in this demand-shrinking scenario, with exports from the EU, Canada, Mexico and China declining but exports from numerous smaller countries rising thanks to the trade-diverting effect of these unequal tariffs (Table 2). But the latter increases are partly because beer and spirits (and wine) consumption fall in every country in this 4th scenario, making more available for export.

China retaliated the next day to the US tariff hike of 34% on its goods (which was added to the 20% hike the US imposed on Chinese goods a month earlier). Table 5 summarizes the results on China's wine imports for Sim 4 which includes that retaliation by China. It shows those imports decreasing from all countries, but the decreases are uneven across countries: unsurprisingly they fall most from the US, but the harm to Australia's wine sales is not much less (columns 1 and 2 of Table 5). The shares in China's wine imports fall three percentage points for both the US and Italy, while those of Australia and France each rise by about half those amounts (column 3 of Table 5). But China's share in the exports of all countries fall, and global wine exports to China are estimated to be lowered by 0.4%

thanks to this latest tariff war (column 4 of Table 5). That would add to the decline in China's role in global wine markets that has been going on since the mid-2010s (Anderson 2025).

[insert Table 5 around here]

6. Discussion

The above results make clear that the adverse trade effects of an imposition of tariffs by the US are more costly, the more countries are targeted and the more those targeted countries retaliate with their own tariffs against US products. They also show that the impact can be very uneven across countries with few gaining directly but all losing if there is a sufficiently large loss of consumer confidence and thus expenditure because of the tariff war.

Of course the costs also would be larger, the higher are those tariff hikes. In March 2025 the EU initially threatened to impose 50% tariffs against its imports of US whiskey from April, for example (in retaliation for the 25% tariffs the US imposed in March on imports of steel and aluminium from the EU) – to which President Trump immediately responded by claiming he would counter-retaliate with 200% tariffs on US imports of EU beverages. While the latter did not happen because the EU chose to withdraw their threat later that month, it illustrates the potential snowballing costliness of tariff wars when governments are willing to contemplate retaliation and counter-retaliation.

The above results refer only to the damage to beverage trade, and have not taken into account the potential impacts on the cost of imported inputs into the domestic beverage industries (bottles, barrels, corks, machinery), nor on each country's real exchange rates (bearing in mind that the tariff war is affecting all goods).[3] Australia's dollar, for example, was devalued immediately following the announced tariff hike on China and other Asian countries because of Australia's close links with and comprehensive exports of raw materials to East Asia. While that devaluation of AUD will thereby ease somewhat the direct tariff pain on Australia's wine and other export industries, there could well be further consequences

[3] Nor have they taken into account the US duty drawback loophole that refunds duties such as tariffs paid on imported wine if a producer also exports wine of a similar value (Sumner, Lapsley and Rosen-Molina 2012; Gabrielyan and Sumner 2016, Spencer 2024).

such as from anti-dumping duties imposed by countries seeking to protect their import-competing industries from lowered international prices.

7. Conclusions

A clear lesson from the above results is that while some countries could gain from a US-led tariff assalt if one considers only the trade-diverting effects of the initial tariffs, most will lose if it leads to an escallating tariff war that reduces growth in overall consumer expenditure even only slightly (as captured in Simulation 4 above). The longer the trade policy uncertainty prevails, the more costly will the war become not only to trading partners but also – and especially – to the US economy. Even if the US succeeds through its coercion in lowering some partner countries' barriers to US exports, that is unlikely to be enough to offset the damage done by adding to discrimination in the global trading system, particularly as and when China and others retaliate in kind.

More specifically, since the US tariff shock has upset the delicate agreed balances that had emerged during eight decades of multilateral, regional and bilateral trade negotiations, it will generate many more adjustments and subsequent trade negotiations not only with the US but also among numerous groupings of non-US countries scrambling to reduce the losses generated by this trade war.

In particular, it is generating renewed interest in Asian preferential trading arrangements that could be extended beyond their current regional reach to salvage the value chains that Trump's tariffs have disrupted.

One is the Regional Comprehensive Economic Partnership Agreement (RCEP), a free trade agreement (FTA) involving, as of June 2023, 13 East Asian countries plus Australia and New Zealand that together account for about 30% of the world's population and global GDP. It has an open invitation for India to join.

Another is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which is a more-ambitious FTA signed in March 2018. It involves Canada and several Latin American and Western Pacific countries but neither the United States nor China. The UK joined CPTPP in December 2024, the first non-Asia Pacific country to do so; and China, Costa Rica, Ecuador, Taiwan and Uruguay have formally applied to join.

Time will tell as to whether the US chooses to remain outside these group after the Trump presidency. If so, and if the US continues to ignore the WTO, the rest of the world will nonetheless have opportunities to increase openness in various other ways and grow despite the US being less engaged with it. But one can hope that, just as China learnt in less than half a decade that its clumsy wolf-warrior diplomacy and economic coercion of the early 2020s is counter-productive, so too will the US.

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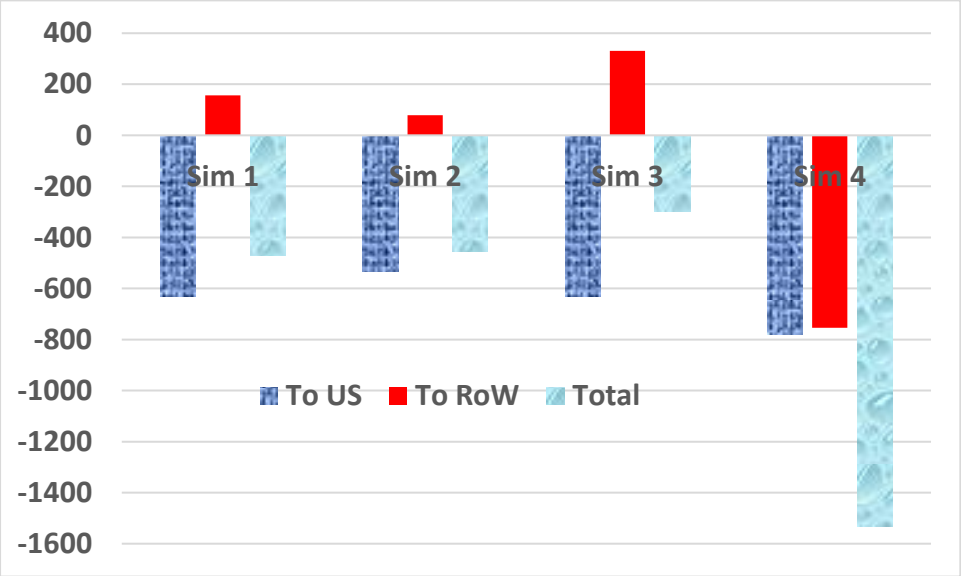
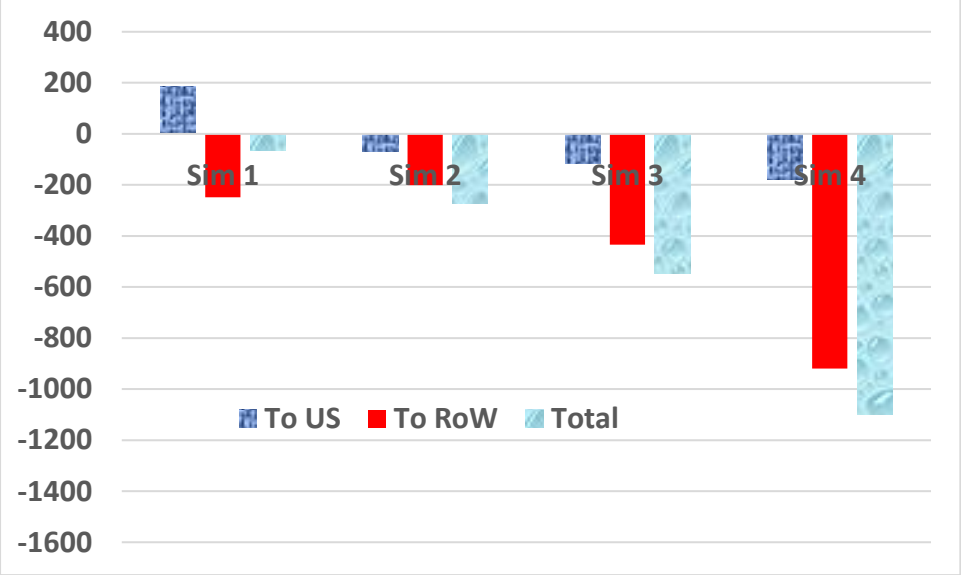
Figure 1: Impact of tariff hikes on the value of wine exports from the EU and all other wine exporters to the US and to rest of world (2025 US$ million)

(a) European Union



(b) All non-EU wine exporting countries



Source: Authors' model results.

Table 1: Impacts on annual value of Italy's wine exports of a US-triggered tariff war (2025 US$ million)

	To the United States	To the rest of world	Total
Simulation 1	-314	118	-195
Simulation 2	-253	80	-173
Simulation 3	-298	158	-140
Simulation 4	-366	-132	-498

Source: Authors' model results.

Table 2: Impacts on annual value of US beverage imports from selected economies of a US-triggered tariff war (%)

Sim 1	Wine	Beer	Spirits
EU	-18	-49	-42
UK	19	15	19
Canada	6	14	12
Mexico	11	6	9
Argentina	14	15	23
Chile	10	15	23
Australia	11	14	23
New Zealand	18	16	23
South Africa	17	15	23
World total	-9	-10	-10

Sim 2	Wine	Beer	Spirits
EU	-15	-37	-31
UK	26	2	-4
Canada	-18	4	-16
Mexico	-38	-35	-33
Argentina	5	-1	49
Chile	-10	45	44
Australia	-8	44	43
New Zealand	1	21	50
South Africa	-41	48	38
World total	-13	-33	-22

Sim 3	Wine	Beer	Spirits
EU	-18	-38	-32
UK	21	0	-5
Canada	-20	1	-17
Mexico	-40	-36	-33
Argentina	2	-1	49
Chile	-14	44	43
Australia	-11	43	42
New Zealand	-3	20	49
South Africa	-43	48	37
World total	-16	-33	-22

Sim 4	Wine	Beer	Spirits
EU	-23	-39	-33
UK	12	0	-7
Canada	-23	-4	-19
Mexico	-41	-36	-33
Argentina	-7	-3	36
Chile	-17	28	31
Australia	-14	28	30
New Zealand	-7	15	38
South Africa	-46	33	28
World total	-20	-34	-24

Source: Authors' model results.

Table 3: Impacts on US consumer prices and the volume of sales of beverages in the US of a US-triggered tariff war (%)

	Consumer prices	Sales volume
Sparkling wine		
Simulation 1	7	-4
Simulation 2	7	-4
Simulation 3	7	-4
Simulation 4	5	-5
Premium still wine		
Simulation 1	4	-2
Simulation 2	4	-3
Simulation 3	4	-2
Simulation 4	4	-3
Commercial still wine		
Simulation 1	3	-1
Simulation 2	3	-2
Simulation 3	3	-1
Simulation 4	0	-2
Beer		
Simulation 1	1	-1
Simulation 2	3	-1
Simulation 3	3	-1
Simulation 4	2	-2
Spirits		
Simulation 1	3	-1
Simulation 2	5	-2
Simulation 3	5	-2
Simulation 4	4	-3

Source: Authors' model results.

Table 4: Impacts of the US-triggered tariff war on annual value of wine exports to the US and rest of world from selected economies (2025 US$ million)

Sim 1	USA	RoW	Total
EU	-630	156	-472
Australia	29	-20	10
New Zealand	64	-34	30
Argentina	39	-9	30
Chile	30	-22	7
South Africa	11	-11	1
Rest of World	11	-153	-142
World total	**-444**	**-92**	**-536**
All Sthn Hem	*170*	*-96*	*78*

Sim 2	USA	RoW	Total
EU	-535	79	-455
Australia	-23	-1	-24
New Zealand	2	-8	-5
Argentina	15	-9	6
Chile	-30	8	-22
South Africa	-27	13	-15
Rest of World	-7	-205	-212
World total	**-604**	**-122**	**-727**
All Sthn Hem	-63	3	-60

Sim 3	USA	RoW	Total
EU	-630	331	-300
Australia	-31	29	-2
New Zealand	-10	9	-1
Argentina	6	7	13
Chile	-41	33	-8
South Africa	-29	18	-11
Rest of World	-10	-529	-539
World total	**-745**	**-103**	**-847**
All Sthn Hem	*-106*	*96*	*-10*

Sim 4	USA	RoW	Total
EU	-780	-754	-1533
Australia	-39	-65	-104
New Zealand	-26	-43	-68
Argentina	-20	-57	-77
Chile	-51	-56	-107
South Africa	-30	-17	-47
Rest of World	-14	-682	-695
World total	**-959**	**-1673**	**-2632**
All Sthn Hem	-166	-237	-403

Source: Authors' model results.

Table 5: Estimated effects of the US-led tariff war on the value of China's imports of wine, by source country (2025 US$ million and percentage points)

	Sim 4:[a] Sim 3 plus world expenditure shrinks 2%			
	(US$m)	Contribution to % change in China's wine imports	Percentage point change from 2024 in the share of China's wine imports	Percentage point change from 2024 in China's share of **exporter's** wine exports
	(1)	(2)	(3)	(4)
France	-25	-1.6	1.7	-0.2
Italy	-2	-0.1	-3.0	-0.0
Spain	-5	-0.3	0.7	-0.2
Australia	-41	-2.6	1.3	-2.4
New Zealand	-2	-0.1	0.1	-0.2
USA	-57	-3.6	-3.1	-4.6
Others	-31	-1.9	2.3	-0.3
WORLD	**-163**	**-10.2**	**0.0**	**-0.4**

[a] This Sim 4 assumes China's retaliatory tariff hike on US beverages is just 34%. Non-US exporters would be estimated to replace more US wines in China's market if we had updated that tariff hike to 125%, as announced by China on 10 April following the announcement on 9 April that the US 'reciprocal' tariff hike on Chinese goods had been raised to 145%.

Source: Authors' model results.

Appendix Table 1: Tariff rate hikes (additional to existing tariffs) imposed on US imports of all goods including wine, beer and spirits from the GLOBAL-BEV model's countries listed below, effective from 9 April 2025[a] (percentage points)

France	20	Australia	10
Italy	20	New Zealand	10
Portugal	20	Canada	25
Spain	20	Argentina	10
Austria	20	Brazil	10
Belgium	20	Chile	10
Denmark	20	Mexico	25
Finland	20	Uruguay	10
Germany	20	Other Latin America	10
Greece	20	South Africa	30
Ireland	20	Turkiye	10
Netherlands	20	North Africa	25
Sweden	20	Other Africa	25
Switzerland	31	Middle East	15
United Kingdom	10	China[a]	54
Other W. Europe	16	Hong Kong[a]	54
Bulgaria	20	India	26
Croatia	20	Japan	24
Georgia	20	Korea, Rep.	25
Hungary	20	Malaysia	24
Moldova	31	Philippines	17
Romania	20	Singapore	10
Russia	na	Taiwan	32
Ukraine	na	Thailand	36
Other E. Europe	30	Other Asia-Pacific	40

[a] On 10 April the US raised its tariff hike to 145% on goods from China and Hong Kong (too late for including in this analysis, but not important for this study since their beverage exports to the US are negligible).

Source: White House announcement of 2 April 2025.