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Would ANZ vignerons benefit from a US-led tariff war?

Kym Anderson and Glyn Wittwer

The widely promised use of tariff hikes in US President Trump's second term started in March 2025 with 25% tariffs on US imports of steel and aluminium from its various trading partners including Australia, a 20% hike on all US imports from China, and 25% tariffs on most imports from Canada and Mexico. Shortly after, 25% tariffs were imposed on US imports of cars.

One of the initial reactions was from the European Union (EU), threatening a 50% tariff on its imports of US whiskey. President Trump immediately counter-threatened to impose 200% tariffs on US imports of all EU wines, beer and spirits. While that would have helped Australian and New Zealand wine export sales to the US, it caused the EU to reconsider its threat and wait for the foreshadowed announcement of further US tariff hikes.

The latter came like a bombshell on 2 April 2025, when all countries' exports to the US were hit with at least a 10% tariff hike. Within a day China announced it would raise its import tariffs on all US goods by the same amount as the US was raising theirs on Chinese goods (34%), while the EU contemplated raising restrictions on imports of US services comparable in magnitude to the 20% tariff hike on US imports of EU goods.

Because of the resulting rise in uncertainty in global markets, consumer and investor confidence nose-dived along with prices in the world's stock exchanges and some raw material markets. Even a few days before the 2 April announcement, 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). Larger downward adjustments were made to various growth projections in the first week of April.

Then less than 12 hours after the so-called 'reciprocal' tariffs came into effect on 9 April, and after a chaotic week on global stock markets, Trump announced a 90-day pause on those tariff hikes above the universal 10%, while retaining the 25% tariffs on steel, aluminium and cars and on most goods imported from Canada and Mexico – and imposing an even higher 145% tariff hike on Chinese goods because China had the audacity to retaliate by raising tariffs on its imports of US goods.

Tariff wars reduce global trade and overall economic welfare. The cost to the world is greater, the larger the cross-country differences in the tariff hikes. But typically their impact is very unevenly, with some groups occasionally winning at the expense of others. Could Australian and New Zealand grape growers and wineries be winners? If in early July the 'reciprocal' tariffs of 2 April were to again come into force, then the US tariffs on key wine-exporting countries would range from 10% to 31% (Table 1). Australian and New Zealand wine would then be subject to a 10% tariff but wine from the EU would be hit twice as hard and that from South Africa even harder.

[insert Table 1 around here]

No doubt the situation will have changed by the time you read this article. Nonetheless, there is value in considering alternative scenarios and estimating the magnitudes of their likely trade impacts. One way to do that is to employ a global empirical model of national beverage markets. Wittwer and Anderson (2020) have developed a model for such purposes, so we use it here to estimate the wine trade consequences of three scenarios: first, the imposition by the US of Trump's 2 April 'reciprocal' tariff hikes with no retaliation;

second, the addition of retaliation by China and others; and third, the addition of a 2% slump in consumer expenditure because of the increased uncertainty associated with these developments that is dampening economic growth and households' discretionary spending in many countries, including the US.

In what follows we describe briefly our model of global beverage markets and then the tariff scenarios to be explored, before summarizing pertinent model results and drawing some conclusions.

These results suggest three things: (1) yes, a few wine-exporting countries may be able to sell more wine into the US despite a tariff hike because some EU wine will be squeezed out, but they then have more competition from the EU in non-US markets; (2) the chances of some winning diminishes once trade-restricting tariff retaliation kicks in; and (3) no country is likely to end up with greater wine export earnings once one includes the dampening effect on consumer expenditure of increased market uncertainty.

The Model

To analyse empirically the possible consequences of actual or prospective trade policy shocks requires a global model of national beverage markets connected through bilateral international trade, in which the interactions between each nation's producers and consumers of various types of beverages are explicitly recognized as are the pre-shock tariff barriers to imports. The Wittwer and Anderson (2020) model identifies several wine categories in addition to a beer sector and a spirits sector for each country. The model has income- and price-responsive demand equations, price-responsive supply equations, and prices and quantities produced, consumed and traded internationally of each of the beverages. Grapes are assumed to be not traded internationally, but all beverage products potentially are both exported and imported by each country from every other country.

Simulations

The baseline of the global beverage markets model is shocked to simulate the following three scenarios, each building on the preceding one: Sim1: US 'reciprocal' tariff hikes trigger no response from the rest of the world; Sim2: some countries impose tariffs hikes on their beverage imports from the US at the same rate the US plans to impose on its imports of all their goods; and Sim3: those actions and reactions lead to greater uncertainty that is assumed to cause aggregate household expenditure to shrink over the medium term in each country.

More specifically, the three sequenced model simulations chosen are:

1. The US imposes a tariff on imports of all wine, beer and spirits from all countries and in particular at the rates listed in Table 1 for key wine exporters;
2. Simulation 1 plus, in retaliation, Canada, China and other Asian countries impose a tariff on all their wine, beer and spirits imports from the US at the same rate as the US has imposed tariffs on each of their beverages (notably 34%, not 145%, by China); and
3. Simulation 2 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.

Results

The wine (and other beverage) trade consequences for each US trading partner depend on, among other things, the height of the US tariff hike on beverages from that country and from other supplying countries, the share of that country's wine exports that flow to the US, and the types of retaliatory policy responses by its government and other countries' governments. Also important – but not modelled here – will be the trade-diverting effects of any bilateral deals struck with the US in coming months that open up those partners' trade to only US exporters, and any subsequent counter-retaliation by the US against those partners that retaliate in kind.

Simulation 1: a hike in tariffs on US imports of alcoholic beverage from all countries

If US beverage imports from all countries were subjected to the tariff hikes announced on 2 April 2025 such as those listed in Table 1, the value of wine exports to the US would decline slightly for Australia in percentage terms. It would be hurt less than South Africa and Chile, while wine exporters of New Zealand and Argentina (and the UK) would benefit in the face of a 15% fall in wine exports from the EU to the US – whose imports from the world as a whole would shrink by 13% (Table 2).

[insert Table 2 around here]

The impact on beverage volumes consumed in the US would be between 2% and 4%, and wine prices there would rise by between 3% and 7% (Table 3). Prices of wines, beers and spirits in the rest of the world would drop a little because of less being demanded in the large US markets.

[insert Table 3 around here]

Note that countries rank differently in their changes in US dollar terms than in percentage terms. The dollar loss in exports to the US is similar for Australia, Chile and South Africa. However, changes in wine exports to the rest of the world don't always have the opposite sign for each country as the changes in their exports to the US. For example, Australia also loses in sales to the rest of the world (though not as much as Argentina and New Zealand) whereas Chile and South Africa gain slightly. Among those southern hemisphere exporters, only Argentina enjoys a net gain (and only slightly) in its total wine exports in this first scenario (Table 4).

[insert Table 4 around here]

Simulation 2: Simulation 1 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 exports of wine to the US, from 13% to 16%. That loss 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 partly 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 1 (2nd last row of 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 the EU to export an extra \$156 million worth of wine to Canada, along with an extra \$13 million from Australia and \$9 million from New Zealand. These are underestimates though, because there has been a strong preference swing in Canada against buying from the US.

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

The tariff impositions on beverages are a tiny part of a comprehensive tariff war involving all goods 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 of wine from the world would shrink by one-fifth (last row of Table 2), and by one-third for beer and one-quarter for spirits. Consumer prices in the US would rise least in this scenario because quantities demanded would fall, as reflected in the slightly larger drop in US sales volume in this as compared with the previous two sims (Table 3).

The loss in value of EU wine exports to the world would be five times larger in this Sim than in Sim 2, and virtually all wine-exporting countries would sell less wine to both the US and the rest of the world in this Sim thanks to the shrinkage in demand everywhere. 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 (last column of Table 4).

For Australia and New Zealand too, that shrinkage in global demand for wine ensures losses are far greater in this sim than in the previous two sims, with lost sales to the rest of the world close to or exceeding those to the US (Figure 1).

[insert Figure 1 around here]

On April 3, the day after the US tariff shock announcement, China announced it would retaliate 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 Sim 3 results on China's wine imports. (It includes the announced retaliation by China of 34% to be imposed from 10 April. Non-US exporters would replace more US wines in China's market if that tariff were to be raised to the new (as of 9 April) US 'reciprocal' tariff of 145%.) That table shows China's imports decreasing from all countries, but the decreases are uneven across countries: 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 from both the US and Italy fall three percentage points, while those from 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 tariff war (column 4 of Table 5).

[insert Table 5 around here]

Caveats

The above results make clear that the adverse trade effects of an imposition of tariffs by the US are more damaging to trade, 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 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 all 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, especially given President Trump's propensity to counter-retaliate – as he did on 9 April by raising the 'reciprocal' tariffs on imports from China to a total of 145%.

The above results focus on wine trade, and have not taken into account the impacts of the tariff war on the cost of imported inputs into the domestic grape and wine sector (bottles, barrels, corks, machinery), nor on each country's real exchange rates (bearing in mind that the tariff war is affecting all goods). Australia's dollar, for example, was devalued immediately following the announcement in early April of tariff hikes on China and other Asian countries. That eases but does not remove all the pain on Australia's wine and other export sectors.

Conclusion

One answer to the question posed in this article's title is possibly yes. ANZ vignerons could have gained from a tariff war if the US had only targetted the EU rather than all its trading partners. Our earlier modeling of that scenario (not reported here) estimated that all southern hemisphere wine exporters' sales would have increased more in the US than they would have shrunk in markets to which the EU diverted some of its wine exports (Anderson and Wittwer 2025).

A similar result might have emerged if Australia had been exempt from the 2 April all-country 'reciprocal' tariff hit. Such an outcome happened strikingly in the case of almonds: the US was the dominant exporter of almonds to China during the first Trump presidency – until China retaliated with tariffs on US almonds, which allowed Australia to help fill that sudden large gap in the Chinese market.

However, now that the US-led tariff war has escalated to involve all countries and all products, it is almost certain to slow global economic growth; and more wine exporters are going to be losers the more that dampens consumer expenditure worldwide.

Sadly, this is not the end of this story. On the contrary, since the US tariff shocks have upset the delicate agreed balances that had emerged during eight decades of multilateral, plurilateral, regional and bilateral trade negotiations, it will generate lots 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 unprecedented trade war. Vignerons will need to be ever-more-flexible to sieze opportunities and avoid the worst punches as various export markets become more or less open, bilateral exchange rates and interest rates adjust up or down, and sales in Australia's domestic market itself are challenged more or less by import competition.

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Table 1: Tariff rate hikes (additional to existing tariffs) to be imposed on US imports of wine (and all other goods) from wine-exporting countries from 9 April but then paused until 9 July 2025

Australia	10%
New Zealand	10%
Argentina	10%
Chile	10%
Uruguay	10%
United Kingdom	10%
European Union	20%
South Africa	30%
Moldova	31%

Source: White House announcements of 2 and 9 April 2025.

Table 2: Estimated impacts of the US-led tariff war on the annual value of wine exports from selected economies to the US (%)

	Sim 1: US tariff hike on beverage imports from all countries	Sim 2: Sim 1 plus in- kind retaliation by Canada and Asia	Sim 3: Sim 2 plus a 2% fall in consumer expenditure globally
EU	-15	-18	-23
UK	26	21	12
Argentina	5	2	-7
Chile	-10	-14	-17
Australia	-8	-11	-14
New Zealand	1	-3	-7
South Africa	-41	-43	-46
World total	-13	-16	-20

Source: Authors' model results.

Table 3: Estimated impacts on US consumer prices and the volume of sales in the US of the US-led tariff war (%)

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

Source: Authors' model results.

Table 4: Estimated impacts of the US-led 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	Sim 2	USA	RoW	Total	Sim 3	USA	RoW	Total
EU	-535	79	-455	EU	-630	331	-300	EU	-780	-754	-1533
Australia	-23	-1	-24	Australia	-31	29	-2	Australia	-39	-65	-104
New Zealand	2	-8	-5	New Zealand	-10	9	-1	New Zealand	-26	-43	-68
Argentina	15	-9	6	Argentina	6	7	13	Argentina	-20	-57	-77
Chile	-30	8	-22	Chile	-41	33	-8	Chile	-51	-56	-107
South Africa	-27	13	-15	South Africa	-29	18	-11	South Africa	-30	-17	-47
Rest of World	-7	-205	-212	Rest of World	-10	-529	-539	Rest of World	-14	-682	-695
World total	-604	-122	-727	World total	-745	-103	-847	World total	-959	-1673	-2632
<i>All Sthn Hem</i>	-63	3	-60	<i>All Sthn Hem</i>	-106	96	-10	<i>All Sthn Hem</i>	-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^a (2025 US\$ million and percentage points)

	Sim 3:^a Sim 2 plus world expenditure shrinks 2%			
	Contribution to 10% fall in China's wine imports (US\$m) (1)	Percentage point change from 2024 in the share of China's wine imports (2)	Percentage point change from 2024 in the share of China's wine imports (3)	Percentage point change from 2024 in China's share of exporter's wine exports (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 3 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%.

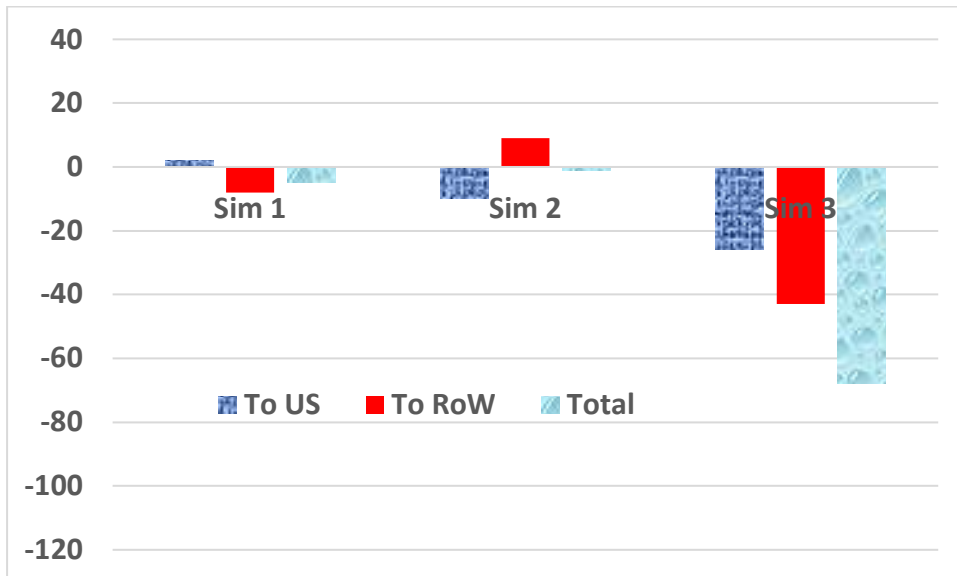
Source: Authors' model results.

Figure 1: Impact of the US-led tariff war on the value of wine exports from Australia and New Zealand to the US and rest of world (2025 US\$ million)

(a) Australia



(b) New Zealand



Source: Authors' model results.