

# Trump uncorks French wine threat in digital tax retaliation

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President Donald Trump (left) has generally got along well with French counterpart Emmanuel Macron

US President Donald Trump vowed "substantial" retaliation against France on Friday for a tax targeting US tech giants, threatening to slap tariffs on French wine and blasting President Emmanuel Macron's "foolishness."

"France just put a digital tax on our great American technology companies," Trump tweeted about the law, which targets US giants like Google, Apple, Facebook and Amazon.

"We will announce a substantial reciprocal action on Macron's foolishness shortly," he said.

Later, he confirmed earlier hints that wine may be the target.

"Might be on wine or something else," he told reporters.

Trump and Macron spoke on the phone Friday, discussing the digital services tax among other issues, the White House said. It did not say whether potential tariffs on French wine were part of the conversation.

Trump, a proud teetotaler, said he'd "always liked American wines better than French wines even though I don't drink."

Explaining how he comes to that preference, he noted: "I just like the way they look."

French Economy Minister Bruno Le Maire indicated that Paris was not backing down on its tech taxes.

"Universal taxation of digital activities is a challenge for us all. We want to reach an agreement within the G7 and the OECD. In the meantime, France will implement its national decisions," Le Maire said.

## **Sour grapes**

Trump has generally got along well with Macron, avoiding some of the more stormy episodes marring traditionally stable relations with other close US allies in Europe and Asia.

But his drive to correct what he sees as unfair trade practices by allies and rivals alike has stirred unprecedented discord.

And this is not the first time that he has mused about taking aim at France's renowned wine industry.

In June, he told CNBC television that domestic wine makers had complained to him about the difficulties of entering the European market.

"You know what? It's not fair. We'll do something about it," he said.

The current row, however, is linked to a law passed by the French parliament this month on taxing digital companies for income even if their headquarters are elsewhere. This would aim directly at US-based global giants like Amazon.

Britain has announced plans for a similar tax.

Deputy White House spokesman Judd Deere noted that France's digital services tax was already the subject of an investigation at the US Trade Representative's office, potentially opening the door to economic sanctions.

Washington is "extremely disappointed by France's decision to adopt a digital services tax at the expense of US companies and workers," Deere said.

"The Trump administration has consistently stated that it will not sit idly by and tolerate discrimination against US-based firms," he said in a statement.

"The administration is looking closely at all other policy tools."

## **Transatlantic drinks tab**

Wine from the likes of California does face higher barriers than European imports in the other direction.

Depending on the type and alcohol content, imported wine faces US duties of 5.3 cents to 12.7 cents (5 to 12 euro centimes) a bottle, according to the US International Trade Commission. Sparkling wines are taxed a higher rate of about 14.9 cents a bottle.

US wines shipped to the European Union face duties of 11 to 29 cents a bottle, according to the Wine Institute, a trade body promoting US exports.

According to France's Federation for Wine and Spirit Exporters, a bottle of American white wine with an alcohol volume of 13 percent will be subjected to an 11-cent tax, while an equivalent bottle of European wine would pay about half that to enter the US.

The EU is the biggest importer of US wines. However, American wine exports are dwarfed in volume by the far bigger output from France, Italy and Spain.

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