Wine and Brexit: Trade and currency effects
Questions for group discussion in class
October 27

The discussion is based on the article, “UK Wine Industry in Ferment over Brexit” (WSJ 6/13/17). The article discusses some of the effects that Brexit would be expected to have on the British wine industry, as well as some factors limiting these effects.

Trade Barriers:

1. Despite the recent development of a domestic wine industry, the UK remains a net importer of wine. Normally, when something happens (e.g. Brexit) that creates a barrier to imports does this help or hurt domestic producers of the imported product? Explain. Based on this consideration, is Brexit good news or bad news for the British wine industry?

2. The article indicates that the kind of wine imports the British industry must principally compete with are Champaign and other sparkling wines, which hold great “power and place” with UK buyers. Does the nature of the competing product, and particularly the way it is viewed by UK consumers, affect the amount of impact this trade barrier is likely to have on the British wine industry? Explain.

Currency Effects:

3. The British pound dropped precipitously in value upon the news of the Brexit vote. Why did this happen?

4. What impact (positive, negative or neutral) does a weaker pound normally have on British producers, including wine growers? Explain.

5. The article indicates that most British wine is sold domestically, with very little of it exported. Does this fact modify the impact discussed in question 4? Explain.

6. The article also indicates that British wine growers must import a significant proportion of their inputs from the Eurozone. Does this fact modify the impact discussed in question 4? Explain.