THE WORLD WINE TRADE GROUP AND THE NEED TO PROMOTE COOPERATION AMONG WINE PRODUCERS OF THE NEW WORLD

New World wine producers that exploded onto the scene at the end of the last century are encountering a wide array of difficulties exporting their wines. This article focuses on the World Wine Trade Group as a successful tool they are using to promote free trade and outlines the benefits that have been achieved through cooperation.

The World Wine Trade Group

The WWTG is an informal group of industry representatives from Argentina, Canada, Chile, Australia, New Zealand, United States, Mexico and South Africa. The group formed in Zurich in 1998 to discuss the future development of international wine business in a world dominated by the World Trade Organization (WTO). These countries were deeply affected by changes in the international wine industry at the end of the last century and came together against a backdrop of rapid changes to the wine map that included:

- Impressive increases in wine production volumes in New World countries, most of which were aimed at export markets.
- Inclusion of agriculture issues in the forthcoming Seattle round of the WTO.
- Review of the agreement of the International Organization of Vine and Wine (OIV) with the objective of turning it into a more relevant organization[i].
- Proposed new EU rules regarding subsidy and other market regulation seeking to increase protection and recognition of EU geographical indications for wines.

The WWTG shares information and collaborates to ensure the free trade of wine based on WTO rules and regulations. Meetings are attended by both Government and Industry sectors to guarantee a free exchange of information. Some of the issues discussed include wine production, sales and trends; the state of bi-lateral and multi-lateral trade negotiations; the state of wine issues in the OIV, Codex Alimentarius, developments at the WTO; viti-vinicultural practices as well as labeling and intellectual property issues.

The Group is open to other countries; Georgia, for example, began the accession process in 2008 and has already submitted its laws and regulations on winemaking practices and labeling for review.

Major achievements of the Group include an improved understanding of global wine issues and enhanced wine trade among the parties. Measures to diminish the effects of protectionism within the members were especially successful, since the Group achieved two major milestones in the form of two agreements with treaty status: The Agreement on Oenological practices and the Labeling Agreement.[ii]

Mutual Acceptance Agreement on Oenological Practices

This agreement addresses barriers to trade based on differences in oenological practices. It eliminates these barriers by establishing that signatory countries will accept that wine made in another signatory country should be allowed to be sold in its market, despite different cross-border winemaking practices. Market access is conditional upon compliance with WTO obligations to protect the health and safety of consumers and prevent deception of consumers.

The agreement is a landmark in the development of international trade because it is the first multi-lateral Mutual Acceptance Agreement, in any field, fully compliant with the WTO's Technical Barriers to Trade Agreement. The text of the Agreement, which has full treaty status, was signed in Toronto, Canada in December of 2001. By 2005, all WWTG participants had ratified the Agreement with the exception of South Africa.

Agreement on Requirements for Wine Labeling

This agreement was signed on January 23, 2007 in Canberra, Australia, by all countries except South Africa. It addresses barriers to wine trade arising from the labeling of wines by harmonizing labeling requirements enabling the sale of wine in WWTG markets without having to redesign their labels for each individual market. Under the agreement, labels must contain four items of mandatory information: country of origin, product name, net contents and alcohol content anywhere on a wine bottle label in a single field of vision.

The Agreement benefits not only signatory countries but also consumers. In effect, it gives signatory countries an economic advantage by reducing costs of production, application and warehousing of labels. Consumers benefit, because they can easily locate important items of information on the bottle, thus improving comparisons between brands.

The Current Relevancy of the Group

The Group continues to facilitate trade between participating countries via exchange of information, perfecting existing agreements, and building export markets. The WWTG is internationally relevant, because it represents almost a quarter of the world's wine exports. Also, it influences regulation through joint actions at the WTO and OIV by adopting integrated actions plans with respect to the environment, advertising and emerging markets.

The presence of the United States lends particular weight because it is one of the most important wine importers, yet it is not a member of the OIV[iii]. Therefore, the Group provides a forum for members that are also members of the OIV to discuss wine issues with the U.S.

The latest meeting of the WWTG was held on March 25-26, 2010 in Brussels, where the Group continued its work on Georgia's admission, and the Second Phase of the Labeling Agreement with respect to sustainability and greenhouse accounting. It was decided[iv] that China, Japan, Hong Kong and other Mercosur countries that are not members of the WWTG (such as Brazil and Uruguay) will be invited to the next annual meeting that will be held in Mendoza, Argentina on October, 2010. Opening up the meetings to non-member countries will be a valuable opportunity to build export markets.

The continued need for Cooperation among wine producers of the new world

Since the end of the last century, new wine world countries have worked to become players in an international wine market with longstanding rules and members. Using joint action to gain access to the complex European Union is a particularly useful tool. E.U. barriers to entry such as labeling requirements, tariffs, duty increases, pressure on prices, the "community preference" (favoring EU made over imports) etc. are constant impediments. Further, the European Federation of Origin Wines (EFOW) created on March 24, 2010 to "actively lobbying for a better protection and promotion of wines with an Appellation of Origin or Geographical Indication from the European Union"[v] will likely increase the barriers.

Membership in the WWTG is important for countries for different reasons. For example, due to declining domestic wine consumption, Argentina currently relies on international markets to sell its wines. Therefore, the country has adopted a strategic plan known as "P.E.V.I 2020.[vi]" The goal is to turn Argentina into a highly competitive wine exporter with a heavy presence in the Northern Hemisphere and Latin America. To accomplish this Argentina must maintain good relationships with its principal trading partners (United States, Canada and, Mexico) and needs the Group to expand its wine exports in order to avoid market concentration. [vii]

The United States also needs to expand its wine exports in order to deemphasize its reliance on an internal market that is highly regulated and recovering from recession. The current domestic three-tier wine distribution system creates internal barriers for winemakers trying to sell their wine across state lines[viii]. The financial crisis exacerbated problems for winemakers as Americans turned to lower priced imported wines. As a result, winemakers need to look abroad in order to sell their wine -- especially those over $35[ix]. As the Wine Institute[x] explains: "California exports about 20 percent of its wine production, so exports are an important portion of the industry's business to preserve. The goal is to remain consistent in working with our federal government and international organizations to remove restrictive trade barriers as well as encourage key free trade agreements".

Chile, the world's fifth largest wine industry, was recently hit by an 8.8 earthquake. The catastrophe left extensive damages to wineries near the epicenter and harmed the wine market as a whole. Wine is Chile's second biggest industry and the country needs it to stimulate economic recovery. Preserving and expanding the international wine market is essential for the Chilean wine industry since they greatly depend on it.

South Africa re-entered the world wine market 15 years ago, and now ranks ninth in world production. Many people, however, are still unfamiliar with South African wines as the country struggles to raise awareness. The World Cup is a great opportunity for South Africa to promote their wines, and they are taking advantage by conducting tastings and producing expositions in WWTG participant countries.

New Zealand achieved their $1 billion export milestone a year ahead of schedule in 2009. Accordingly, the country's wine industry is now an important part of its economy. New Zealand's wines are in demand in Australia, the United Kingdom and the United States, but the challenge is for them to expand into the Asian and continental European markets.

Clearly, all members need help to increase their exports. Exporting wines of the New World is particularly challenging, not only because of trade barriers, but also because they are trying to sell a product that is not always widely known. Many people have never tasted these wines, and even less know about the regional characteristics. Some wines are even made from unfamiliar grapes. This is the case of the United States with Zinfandel, Chile with Carmenere, South Africa with Pinotage, and Argentina with Malbec, Torrontés and Bonarda wines. Cooperation among New World producers must then include raising worldwide consumer awareness about the distinctiveness of their wines and terroirs.

Benefits of Cooperation: The Experience at ProWein, Germany

Accordingly, four WWTG members (Chile, Argentina, New Zealand and South Africa) plus California formed the New World Wines Alliance. On March 10th, 2010, they joined forces and put on an unprecedented combined show named "Down to Earth"[xi] at ProWein[xii] in Germany. ProWein is one of the leading trade fairs for the international wine and spirits industry, and this alliance was the first experience whereby competing countries worked as a team to promote their wines.

California's Zinfandel Advocates and Producers (ZAP) attended ProWein to underline the unique "American-ness" of Zinfandel. In its press release[xiii] ZAP explained that "People want to know what's going on in the New World" and ProWein is a "very efficient place to be if you're seeking to export internationally, since all of the major European wine trade come to the fair". It was effective as well. ZAP discovered that Europeans were drawn to the history of Zinfandel when they found that the grape variety had actually originated from Slovenia.

Overall, the alliance was described as an amazing success. The countries plan to repeat the partnership next year and move forward as a collective New World Wine force with future trade and marketing events, tastings and seminars[xiv].

Conclusion

Wine trade associations, bilateral and multilateral agreements that facilitate commerce are of paramount importance in order to navigate a difficult international wine market. For New World wine producers selling wine around the globe is complicated by country specific issues, trade barriers, and the need to educate consumers. Unity, therefore, is crucial to ensure free trade, compete with the highly protected European Union, and even penetrate the emerging Asian and Latin American wine markets.

The WWTG intention to invite Japan, China, Hong Kong and Brazil to its next meeting is significant since they are important emerging markets. Also, if Brazil attends the gathering, it will be an opportunity to discuss a new law due to take effect in November of 2010, which will require more controls and payments of duties on all wines sold in the Brazilian market. These requirements are already seen as new trade barriers by the international community[xv].

Current wine market conditions show that integration among the wine producers of the New World is necessary, and the success of the World Wine Trade Group and the New World Wines Alliance at ProWein demonstrates that unity among competing countries is possible.

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[i] The International Organization of Vine and Wine (OIV) is an intergovernmental organization that focuses on vines, wine, and other vine-based products. It was established by the Agreement of 3 April 2001 which replaced the International Vine and Wine Office founded in 1924. Currently, the organization has 44 countries members. Some of its functions are keeping its members informed about developments in the vine and wine products sector; assisting other international organisations; and contributing to international harmonisation of existing practices and standards. http://www.oiv.int

[ii] The US Government is the repository for the Agreements which can be found on the following website: http://www.ita.doc.gov/td/ocg/wwtg.htm

[iii] As of July 29, 2009, the United States is not part of the OIV as stated in its website. http://www.oiv.int/uk/accueil/index.php

[iv] http://www.inv.gov.ar/noticias/marzo2010/ReunionInterseccionalGrupoMundialDeComercioDelVino.pdf

[v] European Federation of Origin Wines: http://www.efow.eu/

[vi] Argentina's Strategic Plan: http://www.inv.gov.ar/pevi.php

[vii] Diario Los Andes de Mendoza: http://www.losandes.com.ar/notas/2010/3/27/fincas-480364.asp

[viii] The U.S. market may become even more difficult to deal with, if the proposed U.S. House of Representatives bill 5034 is passed and signed into law. H.R.5034 would make the Commerce clause of the Constitution subordinate to the 21st Amendment thus preventing challenges regarding restrictions to direct shipping. It would allow states to enact discriminatory shipping laws that favor in-state over out-of-state wine shippers without the burden imposed by the 2005 Granholm vs. Heald Supreme Court decision. The bill is "strongly opposed" by the American Wine Institute.

Comprehensive Alcohol Regulatory Effectiveness (CARE) Act of 2010 (Introduced in House) HR 5034, http://thomas.loc.gov/cgi-bin/query/z?c111:H.R.5034

Wine Institute: http://www.wineinstitute.org/resources/exports/article529

[ix] Wine Business.com: http://www.svb.com/2147483667/2010_-_2011_State_of_the_Wine_Industry_Report/

[xi] Down to Earth: http://www.down2earth-prowein.com/

[xii] www.prowein.com

[xiii] Wine Business.com http://www.winebusiness.com/news/?go=getArticle&dataid=72968

[xiv] Harpers Magazine: http://www.harpers.co.uk/news/news-headlines/8946-debut-new-world-collaboration-declared-a-success.html
http://wine.about.com/od/historyandculture/tp/Proweinhighlights2010.htm

[xv] http://www.areadelvino.com/articulo.php?num=20500