



International Agricultural Trade Report

August 1, 2002

World Wine Trade Group (WWTG)

Summary

On December 18, 2001, the United States signed a Mutual Acceptance Agreement (MAA) on oenological (wine making) practices with Canada, Australia, Chile and New Zealand, in Toronto, Canada. On July 3, Argentina committed to sign the MAA and offered to host the next WWTG meeting in the fall. It is hoped that South Africa will officially join, bringing the membership total to seven countries and nearly 30 percent of the world's wine trade.

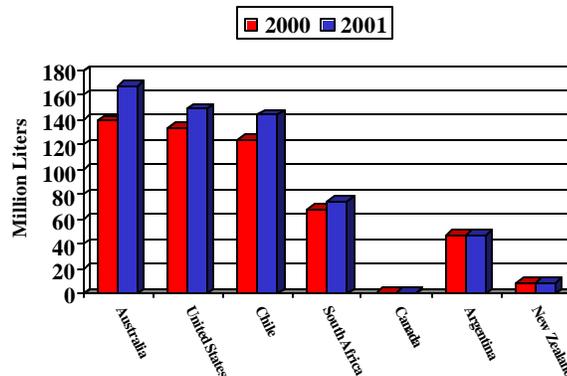
Policy Overview

This group, originally termed the New World Wine Producers Group, was formed in 1998 in order to expand international wine trade. Wine producers in the United States believe that trade policy initiatives might have the most significant impact on the future growth of the U.S. wine industry. Signing the agreement allows signatories to permit the importation of wine from each other as long as the

wine is produced in accordance with the exporting country's domestic laws, requirements and regulations on oenological practices. The Agreement recognizes that different countries use different wine making practices based upon different factors such as local conditions and climatic variations. In addition, and perhaps most importantly, the MAA recognizes that grape producing and wine making practices constantly change. This agreement does not limit the signatories' rights or obligations under the WTO agreements, namely taking measures for protection of human health and safety. It is hoped that this type of international agreement will facilitate international trade by offering more choice for consumers in the United States, in other world wine producing countries, and in developing markets.

Future WWTG activities include work on provisions of the Agreement to establish transparency requirements, consultations and dispute mechanisms, as well as formation of a committee of experts. In addition, a major component in today's world trade market, labeling, will be negotiated within this framework.

New World Wine Exports



Source: Global Trade Atlas

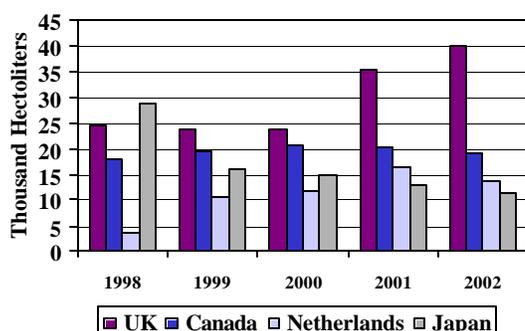
In 1983, the United States negotiated the “Wine Accord” agreement with the European Union, in which the EU agreed to recognize a number of wine varieties, viticulture areas, and U.S. wine making practices. The Agreement was intended to serve as a means of reconciling wine trade issues between the United States and the EU. However, negotiations to finalize and make permanent U.S. access in the European market continue without resolution.

In December of 2000, the United States formally withdrew from the International Organization of the Vine and Wine (OIV - an intergovernmental organization concerned with the scientific and technical aspects of wine) believing that membership no longer helped to advance the position of the U.S. industry.

The United States views the WWTG as a possible alternative to the OIV. Withdrawal from the OIV seems to have prompted U.S.- EU discussions that have otherwise had very little movement in recent years. Although the EU is unable to sign a Mutual Acceptance Agreement on wine making practices with the United States under the current negotiating mandate, they have offered a proposal for future negotiations. Negotiations will continue to focus primarily on differences in oenological practices and the processes used in the United States and the European Union to approve new practices. The United States is proposing that there be mutual recognition of approval systems. The European Union wants to maintain a **positive list** of approved practices. In Addition, the EU has indicated that it is of critical importance to protect its own geographical indications (for example Champagne).

U.S. Wine Exports

(January – May)



After years of explosive growth for the United States, wine exports have been leveling off due to a number of factors including the strength of the U.S. dollar. However, during the first five months of 2002, exports to the United Kingdom¹, the United States’ top market, have increased a healthy 15 percent in volume and 24 percent in value, compared to 2001. With growth in this market and developing country markets,

U.S. trade is able to compete in an ever-intensifying battle for market share. If efforts to expand the market succeed, there will be more to share. It is the hope of the WWTG to grow the market and to work in cooperation with each other to make a valued product more affordable for consumers the world over.

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¹ UK warehouses also used to ship to Sweden and other Scandinavian countries