



Anna Maria Knapp

Wine & World Trade

The European Community and the United States signed a wine trade agreement in March that received a fair amount of news coverage, at least here in the wine soaked soils of California. The negotiators took only 23 years to reach agreement. It's not clear why they took so long, but apparently agreement on any subject is a painful, laborious task, even when drinking wine. Wine producers celebrated the pact because small wineries are increasingly devoting at least some of their production to export markets, and giants, like Gallo and Franzia, sell large quantities abroad. According to the Wine Institute, the agreement addresses the "mutual recognition of currently authorized U.S. and EC winemaking practices, and recognition of each other's wine place names of origin," which had previously been sore points for both sides. This is the first part of a larger contract with the rest yet to come. Robert Koch, brother-in-law of President Bush and President and CEO of the Wine Institute, whose members export 95 percent of U.S. wine, praised the agreement. "This is an important first step in leveling the playing field and establishes an environment for continued communication." He hopes that "the next round of World Trade Organization negotiations will reduce the huge EC subsidies to their wine sector."

In terms of winemaking practices, the Europeans have for some time been miffed because we often add acid to balance our ripe wines. The practice is against European laws although their wines don't customarily ripen to the point that they need to add acid. On the other hand, Europeans are allowed to add sugar in cold vintages, which is never necessary in California with its warmer climate and is, in fact, against our laws. So that much of the problem is a draw. But American entrepreneurial exuberance has created such practices as adding wood chips to wine to suggest barrel aging and adding water during fermentation to reduce high alcohol levels, both of which the

EU has opposed. We can now do both legally to wines destined both for Europe and here.

The other issue, which has been a terribly sore point for the Europeans, is that we call our wines by such names as Chablis, Burgundy, Port, and Champagne, which are all place names in Europe. With the shoe on the other foot, the Europeans would be labeling some of their wines as Napa, Sonoma, or Finger Lakes, which the Europeans have never done and which is illegal here and there. Domestic labels can bear those names only if the grapes were grown in those places. But the new agreement allows the continued use of the European place names on existing domestic labels but not on new ones. Guess who won that one: the biggest wine companies in the U.S. of course, with labels like Gallo Hearty Burgundy, Paul Masson and Inglenook Chablis, Almaden Chianti, and Korbel Champagne, some of the least costly and biggest selling labels in the U.S., sold in drug and convenience stores across the country.

So why all the fuss? Total U.S. wine exports to all markets reached \$658 million in 2005, nearly half of which came from sales to the E.U. While that amount may seem paltry compared to \$2.6 billion worth of wine that the E.U. sells here, what we export has increased 200 percent since 1997. We want to do more and can. So the race is on. California has always had cachet in the E.U., synonymous with the gold rush, Hollywood, Silicon Valley, sandy beaches, and now wine, icons for the world as well as the nation. During the last two years that I've traveled to Italy and then to Spain, I quickly learned to say that I was from California instead of the U.S. When I said that I came from California, I received smiles and happy questions. When I said that I was American, I received a less enthusiastic response. But maybe more to the point, the Europeans want to protect their enormous market here in the U.S. and thus decided to trade away a little copyright law and accept a few oak chips and added water.

Not only the E.U., but also wine producers from around the world are all focused on this market, because by 2008, the U.S. is expected to See **WORLD TRADE**, on back of this page

A Toast to the Bride and Groom

Give a gift membership from Celebrations Wine Club. Give for any number of months. We'll enclose your personal message. Simply call 1-800-700-6227 or order directly from our web site at www.celebrationswineclub.com