



**Congressional
Research Service**

Informing the legislative debate since 1914

The U.S. Wine Industry and Selected Trade Issues with the European Union

(name redacted)

Specialist in Agricultural Policy

April 1, 2015

Congressional Research Service

7-....

www.crs.gov

R43658

Summary

Global wine production totaled roughly 27 billion liters in 2012. The European Union (EU) dominates world production, accounting for nearly 60% of all wine produced each year. France, Italy, and Spain are among the principal EU wine-producing countries. The United States is the world's second-largest wine-producing region, accounting for 10% of global production. The value of world trade in wine totaled more than \$21 billion in 2013. The EU accounted for nearly 60% of the world's export market for wine, valued at \$12 billion in 2013. Other exporting nations include Australia, Chile, the United States, New Zealand, Argentina, and South Africa.

The United States is a major exporter of wine with about 7% of global exports in 2013. The U.S. wine industry has identified a range of international barriers to trade that may be limiting U.S. wine exports abroad. These include import tariffs; foreign wine producer subsidies and support; preferential market access, such as free trade agreements between the EU and other countries; incompatible foreign wine composition standards; and a range of miscellaneous non-tariff barriers, such as state or provincial government monopolies, import licensing and customs clearance requirements, and wine labeling regulations. An annual report by the Wine Institute, an advocacy group representing the California wine industry, highlights a range of trade concerns with several EU countries and other countries worldwide.

To address trade concerns with the EU, the United States and the EU signed the U.S.-EU Agreement on Trade in Wine ("2006 Agreement") in March 2006. The 2006 Agreement addressed a range of issues regarding wine production, labeling, and import requirements and was intended to establish predictable conditions for bilateral wine trade. Among the key provisions in the 2006 Agreement were measures regarding the U.S. industry's use of 16 "semi-generic" names of wine that originate in the EU (including Sherry, Chablis, and Chianti) as well as the use of certain traditional labeling terms (such as Chateau and Vintage). The EU also agreed to accept all current U.S. winemaking practices and to establish a process to approve new practices. Despite this agreement, ongoing trade concerns include geographical indications (GIs) and "semi-generic" terms; market access issues regarding "traditional" terms; new winemaking practices, and related technical issues; and issues related to "regulatory coherence" (especially testing and certification). GIs refer to geographical names that act to protect the quality and reputation of a distinctive product originating in a certain region. The term is most often applied to wines, spirits, and agricultural products.

Discussion of these and related trade issues continues to be an issue within ongoing U.S. trade negotiations in both the proposed Trans-Pacific Partnership (TPP) and the proposed Transatlantic Trade and Investment Partnership (T-TIP). One of the principal goals of the U.S. wine industry is to maintain the 2006 Agreement. There are two views within the U.S. wine industry: wineries represented by American Viticulture Areas (AVAs) would like to see additional protection for regional names, including the 16 semi-generic terms, while certain brand owners and the Wine Institute are concerned that such a move would end the legal use of terms that are associated with certain brands today. Recently concluded trade agreements between the EU and other third countries, such as Canada and South Korea, also have complicated the debate because provisions in these agreements will provide full protection of GIs and not defer to a country's independent assessment of generic status for key product names. Such protections for GIs could require U.S. food and wine exports to these non-EU countries to not use certain "semi-generic" or "traditional" terms. These and other issues continue to influence discussion in both the T-TIP and TPP negotiations.

Contents

Overview.....	1
Global Production and Trade	2
Wine Production	2
Global Wine Trade.....	4
Exporting Countries	5
Importing Countries	6
Reported Barriers to Trade for U.S. Wine Exporters	7
General Barriers to Trade	7
Concerns Related to the U.S.-EU Agreement on Trade in Wine	9
Geographical Indications (GIs) and “Semi-Generic” Terms	11
Market Access Regarding “Traditional” Terms.....	15
Winemaking Practices and Other Technical Issues	15
Regulatory Coherence	16
Implications for Ongoing FTA Negotiations	18
Trans-Pacific Partnership (TPP).....	18
Transatlantic Trade and Investment Partnership (T-TIP)	19
Concluding Remarks	20

Figures

Figure 1. Wine Production, Major Countries, 2011	3
Figure 2. U.S. Wine Exports (HTS 2204), by Destination, 2013	7
Figure 3. Names of Geographical Indications for Wine	13

Tables

Table 1. Global Wine Exports (HS 2204), by Origin, 2011-2013.....	4
Table 2. Global Wine Imports (HS 2204), by Destination, 2011-2013.....	5

Contacts

Author Contact Information.....	21
---------------------------------	----

Overview

This report provides an overview of issues pertaining to the U.S. wine industry within ongoing U.S. trade negotiations in the proposed Trans-Pacific Partnership (TPP) and the proposed Transatlantic Trade and Investment Partnership (T-TIP). The report is organized in two parts. The first part provides an overview of global wine production and trade, focusing on the role of the United States within the industry. The second part provides an overview of reported barriers to trade for U.S. wine exporters, and describes some of the issues that are reportedly being discussed as part of the ongoing TPP and T-TIP negotiations that could influence market access, regulations, and rules related to wine trade. Given the magnitude of wine trade between the United States and the European Union (EU), much of the discussion in this report focuses on U.S. wine trade issues related to the EU.

A few introductory comments are worth noting. There is some disagreement among countries over what constitutes “wine.” For example, the EU defines wine as only those beverages made by fermenting grapes. In the United States, wine is defined more broadly to include beverages produced by fermentation of any fruit (grapes, peaches, pears, etc.). European table wine generally contains between 9% and 15% alcohol. In contrast, U.S. table wine generally contains between 7% and 14% alcohol.¹

Differences related to source material and alcohol contents are, for the most part, identified by their trade classification. The Harmonized Tariff Schedule (HTS) of the United States² defines wine at the four-digit level, HTS 2204, as “wine of fresh grapes, including fortified wines; grape must”³ rather than HTS 2009.⁴

Under HTS 2204, at the six-digit level, wine is broken into four principal groupings:

- HTS 2204.10 Sparkling wine;
- HTS 2204.21 Other wine, in containers holding 2 liters or less (bottled wine);
- HTS 2204.29 Other wine, in containers holding greater than 2 liters (bulk wine);
and
- HTS 2204.30 Other grape must.

In addition to wine as defined by HTS 2204, the United States also generally treats the categories HTS 2205 (vermouth)⁵ and HTS 2206 (other fermented beverages)⁶ as wines. The European

¹ CRS discussions with USDA Foreign Agricultural Service (FAS) wine marketing experts.

² HTS refers to the U.S. import classification system for determining customs duties (tariffs) for goods imported into the United States, administered by the U.S. International Trade Commission (USITC).

³ “Must” refers to the expressed juice of fruit (especially grapes) before and during fermentation, as well as the pulp and skins of the crushed grapes.

⁴ USITC, HTS Chapter 22, “Beverages, Spirits, and Vinegar.” HTS 2009 is defined as “Fruit juices (including grape must) and vegetable juices, not fortified with vitamins or minerals, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter.”

⁵ Vermouth and other wine of fresh grapes flavored with plants or aromatic substances (HTS Chapter 22).

⁶ Other fermented beverages such as cider, perry (fermented pear beverage), and honey mead, including mixtures of fermented beverages or mixtures with non-alcoholic beverages, not elsewhere specified or included (HTS Chapter 22).

Union⁷—the world’s leading producer, consumer, and trader of wines—does not include HTS 2205 and HTS 2206 in its wine production and trade data. For the purposes of this report, trade data presented reflect HTS 2204 trade data only. Trade in the additional categories—HTS 2205 and HTS 2206—represents a relatively small overall share (about 5%) of the value of the more broadly defined global wine trade encompassed by HTS codes 2204, 2205, and 2206.⁸

Finally, statistics related to wine volume are presented in metric units. Although the United States continues to measure wine volume in gallons, the EU (and most of the rest of the world) reports data in metric measurement. Because the EU dominates global wine production and trade, and because most international trade is reported in metric units, volume data are measured in liters.⁹

Global Production and Trade

Wine Production

Wine production worldwide ranged from 26 billion to 27 billion liters during the 2009-2012 period.¹⁰ Global production had reached a peak of 33.4 billion liters during the period of 1981-1985, followed by a low point of 25.9 billion liters in 2008 (mostly due to adverse weather conditions in Australia, Argentina, and parts of Europe).¹¹

Roughly 70 countries report commercial wine production each year.¹² Worldwide vineyard acreage ranged from 17 million to 18 million acres during the 2009-2012 period, with the United States ranked sixth in terms of overall vineyard acreage with more than 900,000 acres over the same period.¹³

The EU dominates global wine production, accounting for nearly 60% of the world’s wine produced in 2011 (**Figure 1**). France, Italy, and Spain are the three principal wine-producing countries in the EU, accounting for more than 70% of the EU’s wine production.¹⁴

The United States is the world’s second-largest wine-producing region, accounting for 10% of global production in 2011. Commercial wine production occurs throughout the United States.¹⁵ In

⁷ The EU was initially composed of six countries and called the European Community. To date, the number of EU countries has expanded to 28 members. For more information, see CRS Report RS21372, *The European Union: Questions and Answers*.

⁸ Global Trade Atlas data (2013).

⁹ Data are also expressed in hectoliters (HL), which equal 100 liters; 10 HL is approximately 1 metric ton.

¹⁰ Statistics posted at the Wine Institute’s website, at <http://www.wineinstitute.org/resources/statistics>. Limited data are available for 2012 across all countries. Totals for 2012 are from the Wine Institute, *International Trade Barriers Report for U.S. Wines*, 2012.

¹¹ Wine Institute, *International Trade Barriers Report for U.S. Wines*, 2012.

¹² United Nations, Food and Agriculture Organization (FAO), FAOSTAT, <http://faostat.fao.org/>.

¹³ Statistics posted at the Wine Institute’s website, at <http://www.wineinstitute.org/resources/statistics>. Limited data are available for 2012 across all countries. Totals for 2012 are from the Wine Institute, *International Trade Barriers Report for U.S. Wines*, 2012.

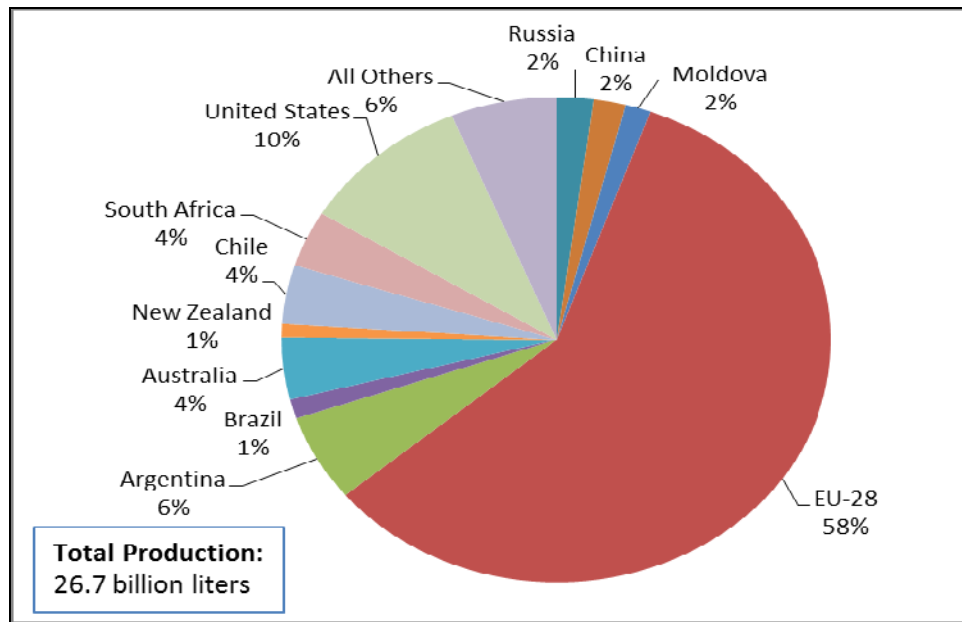
¹⁴ USDA, “EU-28 Wine Annual Report and Statistics,” *GAIN Report IT1414*, February 20, 2014.

¹⁵ On an individual country basis, the United States ranks fourth in overall wine production, following France, Italy, and Spain.

2012, there were 8,806 commercial wineries in the United States, with at least one bonded facility reported in every state.¹⁶ Compared to 10 years ago, there are now twice as many bonded wineries in the United States (there were 3,469 bonded wineries in 2002). California dominates the U.S. wine industry, accounting for about 85% of U.S. wine production, and with an estimated retail value of \$23 billion in 2013. Other major wine producing states include Washington, Oregon, New York, and Virginia. The total retail value of wine sales in the United States is estimated at \$36.3 billion, based on sales of 375 million 9-liter cases in 2013.¹⁷

The remaining roughly 30% of global wine production is from several nontraditional wine-producing countries, which have emerged as major producers following significant investment and growth in their wine sectors since the 1990s. Several Southern Hemisphere countries—Argentina (5.8% global production share), Australia (4.1%), Chile (3.9%), and South Africa (3.7%)—have emerged as important wine producers and exporters. Russia (2.2%) and China (1.9%) also figure among the world’s leading wine-producing countries. Moldova (1.5%), Brazil (1.3%), and New Zealand (0.9%) have also increased production in recent years (**Figure 1**).

Figure 1. Wine Production, Major Countries, 2011



Source: CRS from statistics posted at the Wine Institute’s website (<http://www.wineinstitute.org/resources/statistics>), adjusted for data from USDA, “EU-27 Wine Annual Report and Statistics,” *GAIN Report IT1307*, February 25, 2013.

¹⁶ Statistics posted at the Wine Institute’s website, at <http://www.wineinstitute.org/resources/statistics>. Bonded winery licenses are issued by the U.S. Alcohol and Tobacco Tax and Trade Bureau (TTB) within the U.S. Department of Treasury for the purposes of designating a tax-paid environment for wine.

¹⁷ Wine Institute, “California Wine Sales Grow by 3% by Volume and 5% by Value in the U.S. in 2013,” April 24, 2014.

Global Wine Trade

The value of world trade in wine averaged more than \$20 billion during 2011 to 2013 (**Table 1** and **Table 2**).¹⁸ In volume terms, nearly 10 billion liters, or about one-third of global wine production, entered international markets during that period, reflecting an increase of about 60% in traded wine volumes compared to 2000.¹⁹

Table 1. Global Wine Exports (HS 2204), by Origin, 2011-2013

Exporting Country Grouping	2011	2012	2013	% Share 2013
	(\$ million)			
EU-28 (External Trade)	11,286.3	11,392.8	11,958.9	56.8%
Chile	1,696.0	1,797.9	1,890.2	9.0%
Australia	1,987.6	1,957.7	1,778.5	8.5%
United States	1,348.2	1,384.8	1,560.0	7.4%
New Zealand	900.8	986.8	1,028.5	4.9%
Argentina	848.2	913.6	874.1	4.2%
South Africa	755.2	727.9	829.9	3.9%
Singapore	359.0	428.9	409.0	1.9%
Other Europe	301.6	265.2	280.1	1.3%
China/Hong Kong	268.0	304.8	244.7	1.2%
Canada	22.3	76.8	38.6	0.2%
Malaysia	36.7	29.1	30.0	0.1%
Thailand	21.3	25.5	27.7	0.1%
Mexico	5.1	5.3	4.7	<0.1%
Japan	2.9	1.9	1.2	<0.1%
Peru	0.8	1.0	1.0	<0.1%
All Other	100.6	55.2	101.2	0.5%
Total	19,940.6	20,355.2	21,058.3	100.0%

Source: CRS from Global Trade Atlas data by Harmonized System (HS) convention for HS 2204, Wine of Fresh Grapes, Including Fortified Wines; Grape Must (Having An Alcoholic Strength By Volume Exceeding 0.5% Vol.), not elsewhere specified or indicated. Excludes intra-EU trade.

Notes: HS refers to the international classification system, which serves as the foundation for the import and export classification systems used in the United States and is administered by the World Customs Organization. The U.S. export classification system, the Schedule B, is administered by the U.S. Census Bureau.

¹⁸ Global Trade Atlas data by Harmonized System (HS) convention for HS 2204, Wine of Fresh Grapes.

¹⁹ J. Ferreira and G. Ferreira, “International Wine Trade between the U.S. and EU—An Overview,” April 2014.

Table 2. Global Wine Imports (HS 2204), by Destination, 2011-2013

Importing Country Grouping	2011	2012	2013	% Share 2013
	(\$ million)			
United States	4,816.2	5,059.3	5,243.4	25.4%
EU-28 (External Trade)	3,341.2	3,204.1	3,265.0	15.8%
Other Europe	2,637.5	2,753.6	3,021.7	14.6%
China/Hong Kong	2,696.9	2,618.6	2,590.9	12.6%
Canada	1,911.0	1,975.7	2,024.5	9.8%
Japan	1,334.9	1,573.0	1,574.3	7.6%
Australia	529.7	596.3	628.5	3.0%
Singapore	480.6	473.9	527.4	2.6%
Brazil	294.7	300.4	290.2	1.4%
Mexico	186.4	190.6	218.6	1.1%
South Korea	132.1	147.3	171.8	0.8%
Taiwan	123.9	130.1	146.6	0.7%
New Zealand	111.1	121.8	126.4	0.6%
Thailand	44.4	47.8	51.9	0.3%
Malaysia	79.2	81.4	75.0	0.4%
Peru	31.9	34.6	34.1	0.2%
Chile	5.5	6.8	8.2	0.1%
All Other	574.3	614.5	647.8	3.1%
Total	19,331.5	29,929.8	20,646.3	100.0%

Source: CRS from Global Trade Atlas data by Harmonized System (HS) convention for HS 2204, Wine of Fresh Grapes, Including Fortified Wines; Grape Must (Having An Alcoholic Strength By Volume Exceeding 0.5% Vol.), not elsewhere specified or indicated. Excludes intra-EU trade.

Estimates of total exports and imports presented here are from data reported in the Global Trade Atlas, and totals may not match up precisely due to possible transshipments²⁰ en route, and/or data inconsistencies by the reporting country. These estimates exclude intra-EU trade, and do not reflect trade among EU members and also possible transshipments to final destinations in neighboring or outside countries.

Exporting Countries

The EU accounts for nearly 60% of the world’s export market for wine, valued at \$12 billion in 2013 (excluding intra-EU trade). Australia and Chile each account for another roughly 8%-9% of annual exports (**Table 1**). The United States accounted for 7% of exports in 2013. Other wine-exporting nations include New Zealand, Argentina, and South Africa, each with another 4%-5% of annual global exports.

²⁰ “Transshipment” refers to the transfer of a shipment from one carrier/vessel to another for further transit and delivery of cargo to its final destination (and may sometimes be intended to hide the identity of the port or country of origin).

Major export destinations for EU wine include the United States (28%), Switzerland (10%), Canada (9%), Japan (9%), China (9%), Hong Kong (7%), Russia (6%), and Singapore (3%).²¹

Wine exports from the United States were valued at \$1.6 billion in 2013, accounting for about 7% of the global wine trade. About 40% of U.S. wine exports in 2013 went to the EU, with another 2% to other European (non-EU) countries. Nearly 30% of U.S. wine exports were shipped to Canada, and another 12% combined total share went to China (5%), Hong Kong (6%), and Taiwan (1%). Japan accounted for about 7% of U.S. exports in 2013, with South Korea and Mexico accounting for about 1% each. The remaining roughly 10% of U.S. exports went to a range of countries throughout Asia, Latin America, the Middle East, and Africa (**Figure 2**).

Importing Countries

The United States is the largest importer of wine, accounting for 25% of global imports, valued at \$5.2 billion. Excluding intra-EU trade, the EU accounted for nearly 16% (\$3.3 billion in 2013) of the world's import market for wine (**Table 2**). Other European (non-EU) countries accounted for another 15% of global wine imports in 2013. Canada accounted for 10% of global wine imports in 2013, and a combined share of 13% of imports went to China and Hong Kong. Japan accounted for 8% and Singapore and Australia each accounted for about 3% of global wine imports that year. Other wine-importing nations include countries in Asia and Latin America.

The United States' status as the world's largest wine importer contributes to its status as a net wine importing country, as wine imports (valued at \$5.2 billion) outpaced exports (valued at \$1.6 billion) by more than three to one. In 2013 this resulted in an estimated U.S. trade deficit in wine of about \$3.7 billion. In contrast, the EU is a net wine exporter, as exports (valued at \$12 billion) outpaced imports (valued at \$3 billion), resulting in an estimated EU trade surplus in wine of about \$9.0 billion in 2013.

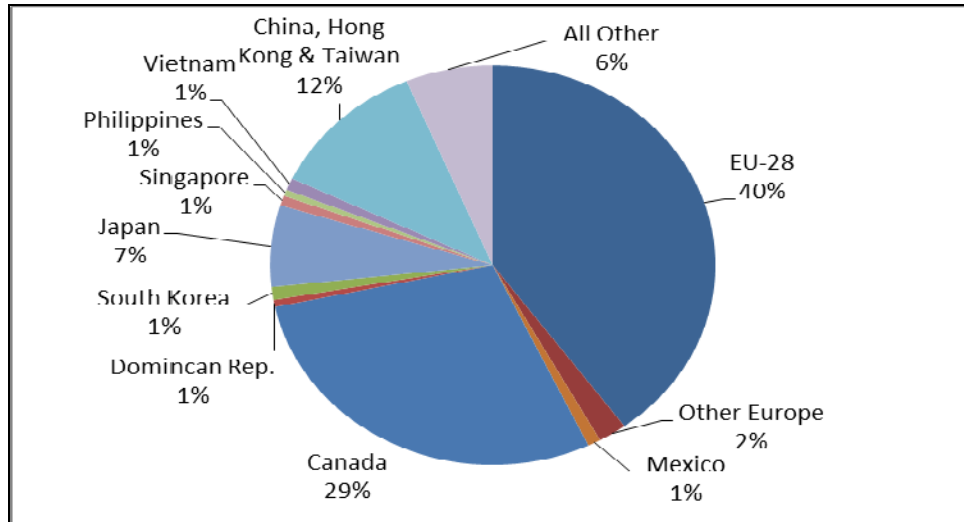
The U.S. deficit in wine trade with the EU is even more pronounced. In 2013, the EU exported wine valued at \$3.6 billion to the United States, whereas U.S. wine exports to the EU were valued at \$0.6 billion, resulting in a U.S. deficit in wine trade with the EU of \$3 billion.²² This difference exists despite much lower per capita consumption of wine in the United States, reported at about 10.5 liters per person, compared to per capita consumption in most European countries of about 25-45 liters per person (depending on the country). In the United States, wine imports account for about one-third of annual consumption.²³

²¹ USDA, "EU-28 Wine Annual Report and Statistics," *GAIN Report* IT1414, February 20, 2014. Market shares are based on 2012 data (excluding intra-EU trade).

²² Global Trade Atlas data by Harmonized System (HS) convention for HS 2204, Wine of Fresh Grapes.

²³ Wine Institute, *International Trade Barriers Report for U.S. Wines*, 2013.

Figure 2. U.S. Wine Exports (HTS 2204), by Destination, 2013



Source: Global Trade Atlas data for HS 2204, Wine of Fresh Grapes.

Reported Barriers to Trade for U.S. Wine Exporters

General Barriers to Trade

As part of its annual assessment, the Wine Institute's²⁴ 2013 trade barriers report highlights some of the international barriers to trade that reportedly limit U.S. wine exports abroad.

General trade barriers to U.S. wine exports include²⁵

- **import tariffs** in some countries (including China, Russia, Brazil, Vietnam, and India);
- **wine producer subsidies**, such as the EU's direct payments to grape growers and winemakers as well as the EU export refunds;
- **preferential market access provided to other countries**, such as under free trade agreements between the EU and other countries including South Korea, Central America, and several Andean countries;
- **foreign wine composition standards** that are incompatible with those in the United States, such as testing and certification requirements in the EU, Canada, Russia, China, Korea, Brazil, Colombia, and Malaysia; and
- **miscellaneous non-tariff barriers**, including state or provincial government monopolies in some countries (including Canada, Finland, Norway, and Sweden); import licensing and port of entry customs requirements in most countries; wine labeling regulations and proposals (particularly in Thailand, Kenya, and Russia); and a range of other non-tariff barriers (including customs

²⁴ The Wine Institute represents more than 1,000 wineries and affiliated businesses throughout California.

²⁵ Wine Institute, *International Trade Barriers Report for U.S. Wines*, 2013.

procedures, import quotas, bribery and corruption, product classifications, foreign currency controls, intellectual property laws, and inadequate infrastructure).

The Wine Institute's 2013 trade barriers report also highlights a range of country-specific concerns in multiple countries, including several EU countries, Argentina, Australia, Barbados, Bermuda, Brazil, Canada, Cayman Islands, Chile, China, Colombia, Ghana, Hong Kong, India, Indonesia, Israel, Japan, Jordan, South Korea, Macau, Malaysia, Mexico, New Zealand, Nigeria, Norway, Panama, Peru, Philippines, Russia, Singapore, South Korea, Switzerland, Taiwan, Thailand, United Arab Emirates, and Vietnam.

Other market and trade concerns have been highlighted by the Napa Valley Vintners trade association. These include concerns regarding counterfeit and inferior imitation wines, such as falsely labeled products—including the use of fraudulent geographical indications (GIs)—trading on established brand names (e.g., “Napa Valley” wines).²⁶ This constitutes both an intellectual property rights violation and a violation of laws governing GIs. (As discussed later, GIs refer to internationally protected designations of a product's origin and characteristics.)

The Office of the U.S. Trade Representative (USTR) also has raised concerns about potential trade barriers associated with GI protections. According to USTR: “The United States continues to have serious concerns with the EU's system for the protection of GIs [geographical indications], including with respect to its negative impact on the protection of trademark and market access for U.S. products that use generic names.”²⁷ USTR's annual *National Trade Estimate Report on Foreign Trade Barriers* report highlights related country-specific concerns for a number of EU countries, as well as other types of trade concerns related to wine in other countries (including high tariffs and market controls on wine and spirits).

For example, tariffs and taxes charged on U.S. exports are among the cited trade concerns involving the EU wine market. The average EU common external tariff on wine ranges from €0.13 to €0.32 per liter of wine.²⁸ In U.S. dollars, this equates to about \$0.18 to \$0.43 per liter of wine. By comparison, U.S. wine imports range from about \$0.04 to \$0.22 per liter of wine.²⁹ The Wine Institute's 2013 annual report provides additional detailed discussion of trade barriers facing the U.S. wine industry in other markets.

Finally, a report by the U.S. International Trade Commission (USITC) further notes some of the broader trade barriers to U.S. wine exports.³⁰ Domestic barriers to U.S. wine exports include a lack of resources dedicated to relatively small-scale production and a lack of focused support for small- and medium-sized wine producers in the U.S. market. Foreign barriers to U.S. wine exports include high tariffs and high levels of support provided by competitor nations, as well as

²⁶ J. Boyd, “Brands at Risk: How Wineries Exporting to China Protect Their Intellectual Property,” *Wines & Vines*, August 2013. See also “Questions for the Record for Committee on Ways and Means Full Committee Hearing on President's Trade Policy Agenda with Ambassador Michael Froman,” July 18, 2013.

²⁷ USTR, *2014 National Trade Estimate Report on Foreign Trade Barriers*, p. 111.

²⁸ Wine Institute, *International Trade Barriers Report for U.S. Wines*, 2013. The EU is a customs union with a common external tariff that is imposed by all member states.

²⁹ HTS Chapter 22, “Beverages, Spirits, and Vinegar.” HTS 2204 is defined as “wine of fresh grapes, including fortified wines; grape must.”

³⁰ USITC, *Small and Medium-Sized Enterprises: U.S. and EU Export Activities, and Barriers and Opportunities Experienced by U.S. Firms*, Investigation No. 332-509, USITC Publication 4169, July 2010.

various compliance issues, particularly regarding sanitary and phytosanitary (SPS) requirements³¹ and labeling regulations, and also the need for further marketing and promotion of U.S. wines in foreign markets and longer contract terms abroad.

Concerns Related to the U.S.-EU Agreement on Trade in Wine

In addition to concerns from general trade barriers reported by U.S. wine exporters, the U.S. wine industry is also concerned about the status of provisions under its existing bilateral agreement on wine in the U.S.-EU Agreement on Trade in Wine (“2006 Agreement”), which was signed in March 2006.

Following years of negotiations, the United States and EU concluded the 2006 Agreement, which addressed a range of issues regarding wine production, labeling, and import requirements and was intended to establish predictable conditions for bilateral wine trade. The 2006 Agreement replaced the temporary, short-term exemptions the EU had been renewing since 1983 to allow the importation of U.S. wine made using practices not recognized by EU regulations.³²

As outlined by the U.S. Alcohol and Tobacco Tax and Trade Bureau (TTB) within the U.S. Department of the Treasury, the 2006 Agreement’s major provisions include the following.³³

1. **Use of “Semi-Generic” Terms:** The United States agreed to seek legislative changes to limit the use of 16 “semi-generic” names of wine that originates in the EU, including Sherry, Chablis, and Chianti (see full listing in text box, and further discussion of “geographical indications” in the next section). The United States enacted such changes in December 2006.³⁴ This amended the Internal Revenue Code of 1986 (26 U.S.C. 5388[c]) and defined each semi-generic name as a name of geographic significance that is also a designation of class and type for wine. Existing uses of these names on non-EU wine were permitted to continue, allowing for the grandfathering of existing uses on a label that was approved before March 10, 2006 (effective date of the Agreement), but new brands were prohibited from using these names on non-European wines.
2. **Winemaking Practices:** The EU agreed to accept all current U.S. winemaking practices, including those that were not currently approved for use in the EU and those for which they had been granting temporary exemptions, once the legislative changes described in (1) were made. Some of the current U.S. practices and ingredients that were previously not accepted by the EU included lactic acid; malic acid; reverse osmosis for alcohol reduction; reverse osmosis for

³¹ SPS measures are the laws, rules, standards, and procedures that governments employ to protect humans, animals, and plants from diseases, pests, toxins, and other contaminants. For additional information regarding SPS trade issues, see CRS Report R43450, *Sanitary and Phytosanitary (SPS) and Related Non-Tariff Barriers to Agricultural Trade*.

³² The full 2006 Agreement is posted at TTB’s website: <http://www.ttb.gov/agreements/eu-wine-agreement.pdf>. For more background, see TTB’s website at http://www.ttb.gov/wine/itd_qas.shtml and TTB’s Industry Circular#2006-1, March 10, 2006. Also see USDA’s website at <http://www.usda-eu.org/trade-with-the-eu/eu-import-rules/eu-labeling-requirements/wine-labeling/>. For other information on conditions prior to the agreement, see CRS Report RL32028, *The International Wine Market: Description and Selected Issues*.

³³ TTB, Industry Circular#2006-1, March 10, 2006, http://www.ttb.gov/industry_circulars/archives/2006/06-01.html.

³⁴ P.L. 109-432, §422(b). The legislative changes do not apply to wine containing less than 7% or more than 24% alcohol by volume, or to wine intended for sale outside the United States.

removal of off flavors; ion-exchange; spinning cone column; fluid milk; and Half and Half. The 2006 Agreement also established a process for both parties to approve new winemaking practices.

Semi-Generic Names Under the 2006 Agreement

Burgundy (France)	Chablis (France)	Champagne (France)	Chianti (Italy)
Claret (France)	Haut Sauterne (France)	Hock (Germany)	Madeira (Portugal)
Malaga (Spain)	Marsala (Italy)	Moselle (France)	Port (Portugal)
Rhine (Germany)	Sauterne (France)	Sherry (Spain)	Tokay (Hungary)

Retsina (Greece) is a class of wine and is not a semi-generic name; however, under the terms of the 2006 Agreement, it is treated the same as the semi-generic names when the class designation is used on non-EU wine sold in the United States. Angelica is a semi-generic name for wine of U.S. origin, but the 2006 Agreement does not affect its use.

Source: TTB, Industry Circular#2006-1, March 10, 2006.

Under the 2006 Agreement, the EU also agreed to recognize all requested U.S. names of origin and to simplify EU import certification form (VI1), including self-certification and electronic submission of the form (where possible). The United States was also granted the ability to export to the EU wines with over 15% alcohol. The 2006 Agreement further stipulated that U.S. wine sold in the EU may be labeled with certain terms referred to as “Traditional Expressions,” including Chateau and vintage (see the following text box for a full listing of these terms).³⁵

“Traditional Expressions” Labeling Terms

Chateau	classic	clos	cream	crusted/crusting
late bottled vintage	fine	noble	ruby	superior
sur lie	tawny	vintage/vintage character		

Source: TTB, “US/EC Wine Agreement Q&A’s,” http://www.ttb.gov/wine/itd_qas.shtml.

The first phase of the 2006 Agreement provided for broad agreement on trade in wine between both parties and a framework for continued negotiations. The second phase of the 2006 Agreement was intended to address other issues, such as the use of traditional terms and also the use of GIs (see discussion below). Since the signing of the Agreement in 2006, both the United States and the EU have continued to meet regularly and to conduct negotiations, but a range of issues remain unresolved.³⁶

³⁵ TTB, “US/EC Wine Agreement Q&A’s,” http://www.ttb.gov/wine/itd_qas.shtml.

³⁶ J. Grueff, *Achieving a Successful Outcome for Agriculture in the EU–U.S. Transatlantic Trade and Investment Partnership Agreement*, International Food & Agricultural Trade Policy Council Discussion Paper, February 2013.

Trade concerns related to the 2006 Agreement, discussed in the following sections, include³⁷

- geographical indications (GIs) and “semi-generic” terms;
- market access issues regarding “traditional” terms;
- new winemaking practices, and related technical issues; and
- issues related to “regulatory coherence” (especially testing and certification).

Some of these concerns—particularly those involving GIs and the ability of U.S. winemakers to use certain “semi-generic” or “traditional” terms—not only involve wine trade between the United States and the EU, but might also involve U.S. wine trade with some third countries. For example, Canada and South Korea recently concluded trade agreements with the EU, and certain provisions in those agreements have raised concerns among U.S. winemakers because they provide for the protection of GIs in these countries. A country’s independent assessment of generic status for key product names will not be accepted. Such protections could restrict U.S. exports to these non-EU countries of some wine and food products that use certain “semi-generic” or “traditional” terms.

Geographical Indications (GIs) and “Semi-Generic” Terms

GIs are geographical names used to identify products where a particular quality, characteristic, or reputation of the product is attributable to the place identified by the geographic name. The term is most often, although not exclusively, applied to wines, spirits, and agricultural products.³⁸ Examples of GIs include Parmesan cheese and Parma ham from the Parma region of Italy, Tuscan olive oil, Roquefort cheese, Champagne from the region of the same name in France, and Irish whiskey. Other examples are Darjeeling tea, Ceylon tea, Florida oranges, Idaho potatoes, Vidalia onions, Washington State apples, and Napa Valley wines.

The use of GIs has become a contentious international trade issue, particularly for U.S. wine, cheese, and sausage makers. GIs are protected intellectual property pursuant to agreements of the World Trade Organization (WTO) (see box below) and U.S. law. However, laws and regulations governing GIs differ between the United States and EU, which results in conflicting views on whether generic or semi-generic terms can be protected as GIs.

The EU’s GI system for wine consists of two types: (1) Protected Denomination of Origin (PDO) regarding “quality wines produced in a specified region” and (2) Protected Geographical Indication (PGI) regarding “table wines with geographical indication.”³⁹ Both systems establish geographical names for certain products that originate in the region of which they bear the name. Both require a registration process, and both establish certain controls and intellectual property

³⁷ Comments submitted by JBC International on behalf of the Wine Institute, the California Association of Wine Grape Growers, and WineAmerica to the Office of the U.S. Trade Representative (USTR) (Docket number USTR–2013–0019); and Wine Institute Remarks by Tom LaFaille, “TTIP Opportunities and Challenges for the U.S. Wine Sector,” T-TIP Stakeholder Forum, May 21, 2014.

³⁸ For other general information, see CRS Report IF00016, *Geographical Indications in U.S.-EU Trade Negotiations (In Focus)*.

³⁹ L. Berlotier and L. Mercier, “Protected Designations of Origin and Protected Geographical Indications,” European Commission (EC), Agriculture and Rural Development presentation, November 16, 2010.

protections for GI products.⁴⁰ Differences between the two types pertain to particular product attributions, such as a product's reputation, its linkages to the geographical environment, number of production steps, and origin of raw materials used in production, among others. EU regulations addressing GIs in wine products are in Council Regulation (EC) No. 1234/2007, as amended.⁴¹

Geographical Indications in the WTO, United States and the European Union

WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)

The TRIPS Agreement defines GIs as "indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin." (Article 22.1) Under the TRIPS Agreement, member countries have committed to providing a minimum standard of protection for GIs (i.e., protecting GI products to avoid misleading the public and to prevent unfair competition) and an "enhanced level of protection" to wines and spirits that carry a geographical indication, subject to certain exceptions.

U.S. Trademark Laws Regarding GIs

In the United States, GIs are geared toward brands and trademarks, and protected under the U.S. Trademark Act (15 U.S.C. §1051 et seq.). Section 4 of the Trademark Act (15 U.S.C. §1054) provides for the registration of "certification marks including indications of regional origin." The U.S. Patent and Trademark Office (PTO) defines GIs as "indications that identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographic origin." According to the U.S. PTO, "geographical indications serve the same functions as trademarks, because like trademarks they are: source-identifiers, guarantees of quality, and valuable business interests." Establishing a product based on its geography can be complicated, either involving establishing a trademark or a brand name through an extensive advertising campaign. PTO does not have a special register for GIs in the United States. Its trademark register, the Trademark Electronic Search System (TESS), contains GIs registered as trademarks, certification marks, and collective marks. These register entries are not designated with any special field (such as "geographical indications") and cannot be readily compiled into a complete list of registered GIs.

EU Regulations Regarding GIs

In the EU, protection of GIs is geared toward location and tradition. A series of regulations governing GIs was initiated in the early 1990s covering agricultural and food products, as well as wine and spirits. The regulations protect product names from misuse and imitation of agricultural products for which an intrinsic link exists between the product or foodstuff's characteristics and geographical origin. Under EU regulations, producers qualify for either a "protected geographical indication" (PGI); a "protected designation of origin" (PDO); or "Traditional Specialties Guaranteed" (TSG). Product registration markers for these three quality schemes are intended to help protect product names from misuse and imitation. PDOs cover "agricultural products and foodstuffs which are produced, processed and prepared in a given geographical area using recognized know-how." PGIs are similar with the exception that "at least one of the stages of production, processing or preparation takes place in the area." TSGs differ in that they highlight "traditional character, either in the composition or means of production." EU regulations include Council Regulation (EC) No. 1151/2012 and 510/2006 (agricultural products and foodstuffs); Council Regulation (EC) No. 1234/2007 and 479/2008 (wine); and Council Regulation (EC) No. 110/2008 (spirits).

Source: Text of the TRIPS agreement is at WTO's website: http://www.wto.org/english/docs_e/legal_e/27-trips_04b_e.htm. For more information, see CRS Report IF00016, *Geographical Indications in U.S.-EU Trade Negotiations (In Focus)*.

In the case of wine, the GI registration process is conducted via the EU's "E-Bacchus" system. E-Bacchus is a database which consists of the "Register of designations of origin and geographical indications protected in the EU" in accordance with EU's GI regulations for wine.⁴² E-Bacchus

⁴⁰ EC, "EU System for Geographical Indications for Agricultural Products and Foodstuffs."

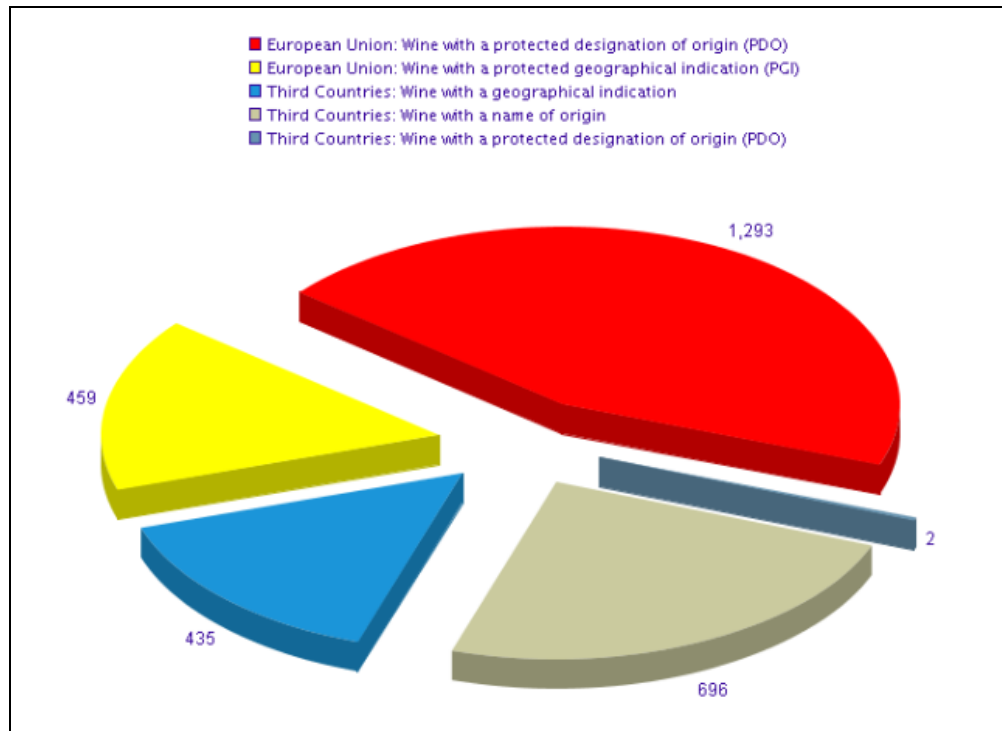
⁴¹ EC, Agriculture and Rural Development: http://ec.europa.eu/agriculture/markets/wine/index_en.htm.

⁴² E-Bacchus website: <http://ec.europa.eu/agriculture/markets/wine/e-bacchus/index.cfm?language=EN>.

also lists GIs and names of origin for products from non-EU countries that are protected in the EU in accordance with bilateral agreements on trade in wine between the EU and other non-EU countries (including the United States), and lists the traditional terms protected in the EU under its GI regulations for wine.

E-Bacchus also tracks statistics on the total number of GIs for wine. As of July 2014, E-Bacchus reports a total of 2,885 names of geographical indication (**Figure 3**). Of these, about 1,752 (60%) are EU wine PDO/PGIs, and the remaining 1,133 (40%) are “third country” GIs originating in other non-EU countries. The majority of EU wine PDO/PGIs (about 75%) originate in Italy and France.⁴³ Examples of French and Italian wines with a protected geographical indication (PGI) include names such as Alpes-de-Haute-Provence and Pompeiano. Wines with a protected designation of origin (PDO) include Montagne-Saint-Emilion and Terre di Pisa, among many others. Examples of wines from “Third Countries,” such as the United States, include wines protected as PGIs, such as Napa Valley, and wines with a name of origin, including Calaveras County and Humboldt County, and others.

Figure 3. Names of Geographical Indications for Wine
EU Wine PDO/PGI and Third Country GIs (as of July 2014)



Source: European Commission, Agriculture and Rural Development, E-Bacchus database (accessed July 18, 2014), <http://ec.europa.eu/agriculture/markets/wine/e-bacchus/index.cfm?event=pwelcome&language=EN>.

Notes: Based on a total number of 2,885 names of geographical indications.

There is a divergence of opinion in the U.S. wine industry regarding GIs and “semi-generic” terms and their implications for the domestic wine industry. The Wine Institute claims the EU’s

⁴³ EC presentation, “EU System for Geographical Indications for Agricultural Products and Foodstuffs.”

GI system has evolved into a system that establishes “inappropriate GIs” (e.g., “Prosecco”), restricts competition and consumer choice, and confiscates private property rights for the benefit of a few EU producers.⁴⁴ They also claim EU producers continue to advocate that U.S. winemakers should be prohibited from using “semi-generic” terms for U.S. wines, even though this was provided for in the 2006 Agreement. They further note that the WTO TRIPS Agreement grandfathered the use of GIs in existence before 1994 and the 2006 Agreement grandfathered the use of GIs in existence prior to 2005.⁴⁵

Napa Valley Vintners and other groups representing regional wine industries are generally less concerned with European efforts to phase out the use of semi-generic terms in the U.S. industry. As a matter of policy, these groups would like to see greater protection for their regional names (e.g. Napa Valley, Sonoma County, etc.) and believe that any path to achieving that result hinges on U.S. acceptance of a policy that protects all regional terms, regardless of their semi-generic status.⁴⁶

The Wine Institute and other U.S. agriculture groups have asserted that the current EU GI registration process lacks transparency, often results in substantial bureaucratic delays, and is perceived as discriminating against non-EU products. However, other members of the U.S. wine industry, such as Napa Valley Vintners, have asserted that the real problem for wine GIs at the international level is the absence of a multilateral register for wines and spirits that would allow GIs from different countries to be recognized under different systems without the need to maneuver the complications found in each different system for the protection of GIs in each country, such as that being proposed by the International Trademark Association (INTA).⁴⁷

In the United States, many food manufacturers view the use of common or traditional names as generic terms, and view the EU’s protection of its registered GIs as a way to monopolize the use of certain wine and food terms, and as a form of trade protectionism. The United States does not protect a geographic term that is considered “generic,” being “so widely used that consumers view it as designating a category of all of the goods/services of the same type, rather than as a geographic origin.”⁴⁸

Many U.S. food producers are also members of the Consortium for Common Food Names (CCFN), along with producers in other countries including Canada, Mexico, Argentina, Chile, and Costa Rica. This group aims to protect the right to use common food names as well as protect legitimate food-related GIs.⁴⁹ Among the U.S. agricultural groups that are supporting these efforts are the Wine Institute, the American Farm Bureau Federation, Agri-Mark, the International Dairy

⁴⁴ Wine Institute’s Tom LaFaille, “TTIP Opportunities and Challenges for the U.S. Wine Sector,” May 21, 2014.

⁴⁵ Comments submitted by JBC International on behalf of the Wine Institute, the California Association of Wine Grape Growers, and WineAmerica to USTR (Docket number USTR–2013–0019).

⁴⁶ CRS communication with representatives of Napa Valley Vintners Association, February 26, 2015.

⁴⁷ Ibid. For more detailed information on the April 2009 INTA proposal to create a multilateral system of notification and registration of GIs for wines and spirits under TRIPS, see <http://www.inta.org/Advocacy/Documents/INTAProposalforMultilateralGIRegister.pdf>.

⁴⁸ U.S. Patent and Trademark Office (PTO), “Geographical Indication Protection in the United States,” http://www.uspto.gov/web/offices/dcom/olia/globalip/pdf/gi_system.pdf.

⁴⁹ CCFN, Our Mission, <http://www.commonfoodnames.com/the-issue/our-mission/>.

Foods Association, the American Cheese Society, American Meat Institute, and the Northwest Horticultural Council.⁵⁰

However, some U.S. agricultural industry groups are trying to create a system similar to the EU GI system for U.S. agricultural producers. Specifically, the American Origin Products Association (AOPA) is seeking to protect American Origin Products (AOPs) in the marketplace from fraud and deceptive labeling, increase the value-added for all AOPs as a distinct food category, and create a national system to recognize AOPs through certification, among other goals.⁵¹ This group contends that “GIs respond to new trends in consumer demand, including the growth in a ‘foodie’ culture; a consumer-driven interest in wine education; the creation of new specialty meats and cheeses; the search for food with a story and a greater demand for regional products.”⁵² Members include Napa Valley Vintners, California Dried Plum Board, Cuatro Puertas/New Mexico native chile peppers, Ginseng Board of Wisconsin, Idaho Potato Commission, International Maple Syrup Institute, Kona Coffee Farmers Association, Maine Lobstermen’s Association, Missouri Northern Pecan Growers, and Vermont Maple Sugar Makers.⁵³

Market Access Regarding “Traditional” Terms

As previously noted, the 2006 Agreement provided for U.S. wine sold in the EU to be labeled with certain labeling terms referred to as “Traditional Expressions,” including chateau, classic, and vintage, among other terms. The Wine Institute, the California Association of Wine Grape Growers and Wine America claim that the EU is seeking to expand its GI system to also cover “quality” production or “traditional” terms that are common descriptors, such as Chateau and vintage. These groups further note that the United States has applied to the EU for recognition of 13 terms, but only 2 have been approved to date (“classic” and “cream”) and that no action on the U.S. request for the other 11 terms has occurred in the past two years. These groups further claim the EU application process is “complicated, time consuming, and costly and provides no apparent value to the consumer.”⁵⁴ The Wine Institute claims the EU’s delay in approving the U.S. request indicates protectionism on the part of the EU.⁵⁵ The Wine Institute also claims that unless the EU can demonstrate harm to consumers in allowing the U.S. winemakers to use such descriptive terms, any attempt by the EU to prohibit the United States from using such terms would violate the EU’s obligations under the WTO. Napa Valley Vintners and other AVAs generally share strong opposition to any EU attempt to claw back these terms as well.⁵⁶

Winemaking Practices and Other Technical Issues

Although the 2006 Agreement requires prior notice when changing or adopting new winemaking practices, the U.S. wine industry claims that the EU has “repeatedly adopted new winemaking

⁵⁰ CCFN, Supporters, <http://www.commonfoodnames.com/about-us/supporters/>.

⁵¹ AOPA, What We Stand For, <http://www.aop-us.org/what-we-stand-for.html>.

⁵² N. Potenza Denis, “Industry Speaks Up as GI Talks Continue in DC,” *Specialty Food News*, June 5, 2014.

⁵³ AOPA, Current Members, <http://www.aop-us.org/current-members.html>.

⁵⁴ Comments submitted by JBC International on behalf of the Wine Institute, the California Association of Wine Grape Growers, and WineAmerica to USTR (Docket number USTR–2013–0019).

⁵⁵ Wine Institute’s Tom LaFaille, “TTIP Opportunities and Challenges for the U.S. Wine Sector,” May 21, 2014.

⁵⁶ CRS communication with representatives of Napa Valley Vintners Association, February 26, 2015.

practices without advance notice.”⁵⁷ Industry representatives further support mutual recognition of winemaking practices among the wine producing countries, as established within the World Wine Trade Group and its Agreement on Mutual Acceptance of Oenological Practices.

Regulatory Coherence

Regulatory coherence broadly refers to efforts among countries to enhance regulatory cooperation (e.g., regarding regulations, best practices, and common acceptable standards) while also ensuring each country’s right to develop and maintain policies and measures ensuring a high level of environmental, health, safety, consumer, and labor protection.

Among the U.S. wine industry’s primary goals regarding regulatory coherence are eliminating testing and certification requirements beyond those already in place in the United States.⁵⁸ Other issues include relevant electronic commerce and cross-border data flow issues; relevant transparency and anticorruption issues; customs measures; customs cooperation between the United States and the EU; and other various tariffs and non-tariff barriers. Other types of related trade industry issues involve Maximum Residue Levels (MRLs) regarding the application of agrochemicals in grape production, among other concerns.

The U.S. wine industry also supports efforts to “go beyond” current WTO rules on Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT)⁵⁹ matters and to address certain perceived concerns regarding science-based decision-making in trade disputes.⁶⁰ These goals were outlined in a final report submitted by U.S. and EU trade officials as part of the so-called U.S.-EU High Level Working Group on Jobs and Growth (HLWG), which recommended the United States and EU negotiate both an “‘SPS-plus’ chapter” and a “‘TBT-plus’ chapter” under T-TIP.⁶¹ (See the following text box.)

U.S. agriculture and food groups continue to express concern that ongoing trade negotiations might not adequately address SPS concerns and cover all significant barriers in a single comprehensive agreement. The U.S. Chamber of Commerce has also expressed the need for “the inclusion of ambitious regulatory provisions” covering “a complete package of all three areas— TBT, SPS, and regulatory cooperation” as part of any agreement.⁶² Additionally, several Members

⁵⁷ Ibid.

⁵⁸ Comments submitted by JBC International on behalf of the Wine Institute, the California Association of Wine Grape Growers, and WineAmerica to USTR (Docket number USTR–2013–0019).

⁵⁹ Technical barriers to trade (TBT) cover technical regulations, product standards, environmental regulations, and voluntary procedures relating to human health and animal welfare. For additional information regarding SPS and TBT trade issues, see CRS Report R43450, *Sanitary and Phytosanitary (SPS) and Related Non-Tariff Barriers to Agricultural Trade*.

⁶⁰ Comments submitted by JBC International on behalf of the Wine Institute, the California Association of Wine Grape Growers, and WineAmerica to USTR (Docket number USTR–2013–0019).

⁶¹ HLWG, “Final Report of the U.S.-EU High Level Working Group on Jobs and Growth,” February 11, 2013. These recommendations were submitted to the Presidents of the United States, European Council, and European Commission. See also CRS Report R43450, *Sanitary and Phytosanitary (SPS) and Related Non-Tariff Barriers to Agricultural Trade*.

⁶² See U.S. Chamber of Commerce’s website, <http://www.uschamber.com/issues/regulatory/precautionary-principle>.

of Congress have called for “effective rules and enforceable rules to strengthen the role of science in the marketplace” to resolve international trade differences in the proposed TPP and T-TIP.⁶³

⁶³ Letter to USTR Michael Froman from Members of the House Agriculture Committee and House Ways and Means Committee, August 7, 2013. See also “Ways & Means, Ag Committee Members Demand SPS Enforceability,” *Inside U.S. Trade*, September 5, 2013. For more information on these trade negotiations, see CRS Report R43387, *Transatlantic Trade and Investment Partnership (T-TIP) Negotiations* and CRS Report R42694, *The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress*.

U.S.-EU High Level Working Group (HLWG) Regarding “SPS-Plus” and “TBT-Plus”

Sanitary and phytosanitary (SPS) measures are laws, regulations, standards, and procedures that governments employ as "necessary to protect human, animal or plant life or health" from the risks associated with the spread of pests, diseases, or disease-carrying and -causing organisms or from additives, toxins, or contaminants in food, beverages, or feedstuffs. Technical barriers to trade (TBTs) cover both food and non-food traded products. TBTs in agriculture include SPS measures, but also include other types of measures related to health and quality standards, testing, registration, and certification requirements, as well as packaging and labeling regulations.

Both SPS and TBT measures regarding food safety and related public health protection are addressed in various multilateral trade agreements and are regularly notified to and debated within the World Trade Organization (WTO). International trade rules recognize the rights and obligations of governments to adopt and enforce such requirements. These rules are spelled out primarily in two WTO agreements:

- **Agreement on Sanitary and Phytosanitary Measures** ("SPS Agreement"), which resulted from the Uruguay Round of the General Agreement on Tariffs and Trade (GATT); and
- **Agreement on Technical Barriers to Trade** ("TBT Agreement"), which also resulted from the Uruguay Round of GATT negotiations as a revision of the agreement of the same name that emerged from negotiations during the Tokyo Round that concluded in 1979.

As part of ongoing trade negotiations, a final report submitted by U.S. and EU trade officials as part of the so-called U.S.-EU High Level Working Group on Jobs and Growth (HLWG) to advise the Transatlantic Trade and Investment Partnership (T-TIP) negotiations recommended that the United States and EU seek to negotiate both an “ambitious ‘SPS-plus’ chapter” and an “ambitious ‘TBT-plus’ chapter.”

The HLWG recommendations call for:

1. an **“ambitious ‘SPS-plus’ chapter**, including establishing an ongoing mechanism for improved dialogue and cooperation” to address bilateral SPS issues by building on key principles of WTO SPS Agreement, including “requirements that each side’s SPS measures be based on science and on international standards or scientific risk assessments, applied only to the extent necessary to protect human, animal, or plant life or health, and developed in a transparent manner, without undue delay.”
2. an **“ambitious ‘TBT-plus’ chapter**, building on horizontal disciplines in the WTO [TBT Agreement], including establishing an ongoing mechanism for improved dialogue and cooperation for addressing bilateral TBT issues,” including the goals of “greater openness, transparency, and convergence in regulatory approaches and requirements and related standards-development processes ... , to reduce redundant and burdensome testing and certification requirements, promote confidence in our respective conformity assessment bodies, and enhance cooperation on conformity assessment and standardization issues globally.”

The “SPS Plus” and “TBT Plus” concept generally means building on and going beyond the rights and obligations of all WTO members through the WTO’s SPS and TBT Agreements. For example, this could mean that the EU and United States would provide for greater transparency and more timely SPS and TBT notifications than required by the WTO, along with—albeit more challenging—some form of “rapid response mechanism” for resolving stoppages of agricultural products at the border and adopting enforcement mechanisms or a dispute settlement process.

Source: HLWG, “Final Report of the U.S.-EU High Level Working Group on Jobs and Growth,” February 11, 2013. These recommendations were submitted to the Presidents of the United States, European Council, and European Commission. See also CRS Report R43450, *Sanitary and Phytosanitary (SPS) and Related Non-Tariff Barriers to Agricultural Trade*.

Implications for Ongoing FTA Negotiations

Trans-Pacific Partnership (TPP)

The U.S. wine industry generally supports the TPP negotiation, with the following objectives: (1) retain provisions in existing agreements related to wine and grape juice concentrate; (2) obtain the

longest phase-out possible for U.S. tariffs on wine from New Zealand; and (3) obtain immediate tariff elimination for wine and grape juice concentrate in Vietnam and Brunei.⁶⁴

Transatlantic Trade and Investment Partnership (T-TIP)

Regarding T-TIP, perhaps the principal interest of many in the U.S. wine industry is what becomes of the 2006 *U.S.-EU Agreement on Trade in Wine*. Recent public comments by European trade association groups, such as the European Wine Companies (CEEV)⁶⁵—one of the leading trade promotion and advocacy groups of the EU wine industry—are of concern to some in the U.S. wine industry. As part of the T-TIP negotiations, CEEV is advocating for an “ambitious” wine chapter to “eliminate tariffs, simplify certifications and administrative procedures, improve regulatory convergence, tackle discriminatory measures, pragmatically address other emerging opportunities and fix pending unsolved issues, including of course the *full protection of all wine GIs from both countries*” (italics added).⁶⁶ CEEV is also calling for a T-TIP wine chapter that “consolidates the 2006 Wine Agreement into the T-TIP.”⁶⁷

According to the Wine Institute, full protection of GIs could undermine some of the key provisions provided for in the 2006 Agreement, including the U.S. industry’s use of some “semi-generic” terms as well as some “traditional expressions,” and might require some provisions be renegotiated.⁶⁸ Napa Valley Vintners on the other hand supports incorporating the 2006 Agreement into T-TIP and using the opportunity to phase out use of the 16 semi-generic terms and provide wine regions with a multilateral system to protect their terms of origin.⁶⁹

Recently concluded trade agreements between the EU and other third countries, such as Canada and South Korea, complicate the issue as provisions in these bilateral agreements provide full protection of GIs in these countries. A country’s independent assessment of generic status for certain terms also recognized as GIs will not be accepted. As a result, U.S. wine producers who use the semi-generic terms in the United States are now using different generic terms when they export product to these countries. Such protections of GIs could restrict U.S. exports to these non-EU countries of some wine and food products that use certain “semi-generic” or “traditional” terms.

Some members of the U.S. wine industry believe that these agreements limit U.S. imports to third countries and will grant the EU a monopoly on certain wine and food terms that have been used by U.S. wine and food makers for generations.⁷⁰ However, some argue that industry trade data

⁶⁴ U.S. Wine Industry Submission to USTR and Public Hearing Concerning Proposed Trans-Pacific Partnership Free Trade Agreement, from Jim Clawson, JBClawson International, March 10, 2009.

⁶⁵ CEEV is known by its French abbreviation, CEEV (*Comité Européen des Entreprises Vins*); <http://www.ceev.be>.

⁶⁶ CEEV, “The European Wine Companies (CEEV) Ask for an Ambitious T-TIP Deal Improving the Wine Trade with the U.S.,” July 16, 2014.

⁶⁷ CEEV, “The European Wine Companies Committee (CEEV) Supports in Washington an Ambitious Wine Chapter in the EU/USA T-TIP Negotiations,” May 21, 2014.

⁶⁸ See, for example, comments submitted by JBC International on behalf of the Wine Institute, the California Association of Wine Grape Growers, and WineAmerica to USTR (Docket number USTR–2013–0019); and Wine Institute Remarks by Tom LaFaille, “TTIP Opportunities and Challenges for the U.S. Wine Sector,” T-TIP Stakeholder Forum, May 21, 2014.

⁶⁹ CRS communication with representatives of Napa Valley Vintners Association, February 26, 2015.

⁷⁰ Letter to Michael Froman, Deputy National Security Advisor for International Economic Affairs, from several U.S. Members of Congress and U.S. agricultural groups, December 20, 2012. See also CCFN, “CCFN and Allies Urge U.S. (continued...)”

suggests that some recent agreements may have had a *de minimis* impact on U.S. wine exports, given that sales of U.S. wine in the Canadian market, for example, appear to have increased rather than decreased since that agreement went into effect.⁷¹

High-end producers in the Napa Valley and in other fine wine-producing American Viticulture Areas are more focused on protecting their brand integrity from counterfeit and imitation wines, and are actively seeking ways to register their GIs in other countries.⁷² In addition to supporting more robust GI protections in the United States, they are actively pursuing a multilateral “wine registry” as a way to “protect international GIs and fill the gaps left by the domestic legal schemes.”⁷³ It is hoped such a registry—covering each country’s existing and also any newly registered GIs or trademarks—would help prevent disputes and provide a forum for dispute resolution regarding intellectual property protection, as well as further expand the TRIPS Agreement’s objectives. To facilitate implementing a wine registry, “they prefer to see the semi-generic fight resolved in favor of the EU through T-TIP because they believe that this issue has been the major stumbling block that has prevented the completion of a multilateral negotiation to establish an international register for wine GIs.”⁷⁴ This rift between winemakers could influence the T-TIP debate.

Concluding Remarks

USTR continues to consult with the U.S. Congress on a range of issues within both T-TIP⁷⁵ and TPP⁷⁶ negotiations. Both USTR and Congress have conducted public hearings on these negotiations and have consulted with key constituents. Members of Congress also continue to weigh in on a range of issues pertaining to these negotiations, including some of the issues addressed in this report.

In particular, GIs and SPS/TBT issues continue to be addressed as part of the ongoing TPP and T-TIP negotiations, but under different trade chapters. GIs may likely be included in a discussion of intellectual property rights (IPR), whereas SPS and related regulatory issues may likely be included as part of either an Agriculture chapter or a chapter on Regulatory Coherence issues. These discussions are ongoing.

(...continued)

White House to Handle EU GI Discussions with Care,” January 9, 2013.

⁷¹ CRS communication with representatives of Napa Valley Vintners Association, February 26, 2015.

⁷² Ibid.

⁷³ L. Zanzig, “The Perfect Pairing: Protecting U.S. Geographical Indications with a Sinoamerican Wine Registry,” *Washington Law Review*, vol. 88, no. 2 (June 2013), pp.723-757.

⁷⁴ “TTIP Debate over Semi-Generics Highlights Rift Among U.S. Winemakers,” *Inside U.S. Trade*, August 14, 2014.

⁷⁵ The Obama Administration formally notified Congress in March 2013 that it was entering into negotiations with the EU, launching the U.S.-EU trade talks. For more general information on T-TIP, see CRS Report R43387, *Transatlantic Trade and Investment Partnership (T-TIP) Negotiations*.

⁷⁶ Former President Bush notified Congress of his intention to negotiate with members of the Trans-Pacific Strategic Economic Partnership (Singapore, New Zealand, Chile, and Brunei) in September 2008, and with other countries, Australia, Peru, and Vietnam, on December 2008. For more general information on TPP, see CRS Report R42694, *The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress*.

Author Contact Information

(name redacted)
Specialist in Agricultural Policy
[redacted]@crs.loc.gov, 7-....

EveryCRSReport.com

The Congressional Research Service (CRS) is a federal legislative branch agency, housed inside the Library of Congress, charged with providing the United States Congress non-partisan advice on issues that may come before Congress.

EveryCRSReport.com republishes CRS reports that are available to all Congressional staff. The reports are not classified, and Members of Congress routinely make individual reports available to the public.

Prior to our republication, we redacted names, phone numbers and email addresses of analysts who produced the reports. We also added this page to the report. We have not intentionally made any other changes to any report published on EveryCRSReport.com.

CRS reports, as a work of the United States government, are not subject to copyright protection in the United States. Any CRS report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS report may include copyrighted images or material from a third party, you may need to obtain permission of the copyright holder if you wish to copy or otherwise use copyrighted material.

Information in a CRS report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to members of Congress in connection with CRS' institutional role.

EveryCRSReport.com is not a government website and is not affiliated with CRS. We do not claim copyright on any CRS report we have republished.