

REMARKS OF MR. VILLAIN, DIRECTOR GENERAL FOR
AGRICULTURE,, COMMISSION OF THE EUROPEAN
COMMUNITIES, BRUSSELS

ADDRESS TO THE CALIFORNIA WINE INDUSTRY

(SAN FRANCISCO, 23.5.84)

DEAR FRIENDS,

I WOULD LIKE TO THANK YOU FOR YOUR WELCOME. (FEW REMARKS
ABOUT THE VINEYARDS VISIT).

"IN VINO VERITAS," SO TONIGHT I WOULD LIKE TO TELL YOU
BRIEFLY FIRST SOME OF THE ACTUAL FACTS ABOUT EEC WINE
POLICY AND SECONDLY SOME CONSIDERATIONS ABOUT OUR RELATION-
SHIP IN THIS AREA.

1) THE ACTUAL FACTS

FIRST OF ALL, LET ME SAY HOW IMPRESSED I AM BY THE PERFOR-
MANCE OF YOUR INDUSTRY. IT TOOK CENTURIES IN EUROPE TO
OBTAIN THE QUALITY STANDARDS WE NOW HAVE WHILST YOU HAVE
BEEN ABLE TO OBTAIN SUCCESSFUL RESULTS IN LESS THAN A
CENTURY. LEARNING FROM OUR EXPERIENCE YOU HAVE BEEN ABLE
TO CONSTRUCT A POWERFUL WINE INDUSTRY DURING RECENT YEARS
AND TO DEVELOP IN YOUR COUNTRY A MARKET WHICH WE CONTRIBUTED
TO CREATE WITH OUR FIRST WINE SHIPMENTS, AND THEN WITH THE
ESTABLISHMENT OF EUROPEAN SETTLERS WITH THEIR SKILLS AND
EUROPEAN GRAPE VARIETIES.

DURING THE PAST YEARS, US WINE PRODUCTION INCREASED LARGELY
UNDER THE INFLUENCE OF AN EXPANDING MARKET. THESE TRENDS
WILL CONTINUE IN THE FUTURE SINCE PLANTINGS OF WINE GRAPES
HAVE BEEN SUBSTANTIAL IN RECENT YEARS AND SINCE WINE

CONSUMPTION PER CAPITA IS STILL VERY LOW IN THE UNITED STATES COMPARED TO THAT IN MOST OF THE WINE PRODUCING NATIONS.

IN EUROPE WINE IS ONE OF OUR MAJOR AGRICULTURAL PRODUCTION. ABOUT 10 PER CENT OF OUR FARMS ARE PRODUCING GRAPES FOR WINE BUT, UNFORTUNATELY FOR US, IF WE EXCEPT HIGH QUALITY WINES OUR EUROPEAN WINE INDUSTRY IS LESS PROSPEROUS THAN YOURS. ACREAGE AND TABLE WINE PRODUCTION STARTED TO DECREASE A FEW YEARS AGO TO ADAPT TO THE CURRENT MARKET SITUATION. IN SPITE OF THE INCREASE IN WINE CONSUMPTION IN SOME MEMBER STATES LIKE UNITED KINGDOM AND DENMARK WHERE IT WAS VERY LOW, THE GENERAL TREND IS DECLINING.

THE AMERICAN CONSUMERS LEARNED FROM EUROPE HOW TO PRODUCE AND TO CONSUME WINES, WHILE YOUNG EUROPEAN CONSUMERS LEARNED RECENTLY FROM THE UNITED STATES HOW TO CONSUME SOFT DRINKS. THIS LATTER MARKET EXPANDED TO THE DETRIMENT OF WINE, PARTICULARLY IN THE YOUNG GENERATIONS.

IN ORDER TO ADAPT OUR WINE PRODUCTION TO THIS NEW TREND AND TO RESPOND TO THE CONSUMER'S NEEDS FOR A BETTER QUALITY IN THE TABLE WINE ^{SECTOR} AREA, THE COMMON MARKET HAS ADOPTED A SERIES OF STRICT RULES IN THIS AREA.

THE OBJECTIVE OF THE E.C. WINE POLICY SYSTEM IS TO MAINTAIN MARKET EQUILIBRIUM. ^{BALANCE} ~~EQUILIBRIUM~~ ^{STABILISATION} MARKET STABILISATION IS ESSENTIAL TO AVOID SHARP FLUCTUATIONS IN PRICES IN THE SHORT TERM, AS WELL AS TO LIMIT TOTAL PRODUCTION IN THE LONG TERM, PARTICULARLY THROUGH STRUCTURAL MEASURES.

IN THE SHORT TERM, THIS OBJECTIVE IS MET MAINLY BY PRIVATE STORAGE AID AND DISTILLATIONS. IN GENERAL TERMS, NO SELLING PRICE IS FIXED, ONLY A GUIDE PRICE WHICH REFLECTS WHAT THE NORMAL REVENUE OF A PRODUCER SHOULD BE, THE E.C. SUPPORT SYSTEM THUS RESPECTS THE FREEDOM OF THE MARKET.

DISTILLATIONS TAKE PLACE IN OVERSUPPLY SITUATIONS TO AVOID PRICE COLLAPSE ON THE MARKET. OF COURSE, THEY ARE PAID AT LOW LEVEL TO DISCOURAGE GROWERS FROM RELYING SYSTEMATICALLY ON DISTILLATION AS A NORMAL OUTLET.

IN THE LONG TERM, THE REDUCTION OF THE VOLUME OF PRODUCTION IS ACHIEVED THROUGH THE UPROOTING OF VINEYARDS PRODUCING LOW QUALITY WINE. THERE IS FURTHERMORE A BAN ON NEW PLANTINGS FOR PURPOSE OF TABLE WINE IN ~~THE E.C.~~ UNTIL 30 NOVEMBER 1986.

THE IMPROVEMENT OF WINE QUALITY IS DONE THROUGH THE IMPROVEMENT OF VINEYARDS AND WINERIES. ONLY A SMALL AMOUNT OF BUDGETARY RESOURCES ARE ALLOTTED TO THESE SCHEMES WHICH COVER ALL THE AGRICULTURAL PRODUCTS. IN OTHER WORDS, THE GOAL OF THE E.C. POLICY ON WINE IS TO PROP AND EVEN INCREASE THE QUALITY AND THE PRICE OF WINE FOR INTERNAL CONSUMPTION AS WELL AS FOR EXPORT.

AS A RESULT OF OUR POLICY, THE GRAPE ACREAGE HAS DECREASED BY ABOUT HALF A MILLION ACRES, OR TEN PERCENT OF THE TOTAL E.C. ACREAGE DURING THE PAST TEN YEARS MITIGATING THE UNAVOIDABLE PRODUCTIVITY INCREASES EXPERIENCED IN ALL AGRICULTURAL PRODUCTION.

BUT, THE LONG TERM POLICY WE STARTED IN 1976 IS NOT FINISHED BECAUSE IN SPITE OF ALL THESE MEASURES WE FACE DIFFICULTIES TO MAINTAIN A SOUND BALANCE BETWEEN SUPPLY AND DEMAND. AS IN MOST OTHER SECTORS OF AGRICULTURAL PRODUCTION WE HAVE TO INTENSIFY OUR PRODUCTION CONTROL; THEREFORE THE EUROPEAN COUNCIL HAS RECENTLY ADOPTED TOUGHER POLICIES IN THE WINE AREA. AMONG THE MEASURES DECIDED:

- THE NEW PLANTINGS WILL BE FORBIDDEN UNTIL 1990, INCLUDING ALSO THE QUALITY WINES;
- THE GUIDE PRICE FOR TABLE WINES HAS BEEN REDUCED BY 1% IN EUROPEAN UNITS OF ACCOUNT;

- THE DISTILLATION OPERATIONS HAVE BEEN MADE STRICTER.

AS I TOLD YOU BEFORE, YOUR SITUATION IS ~~MUCH MORE SATISFACTORY~~ ^{QUITE DIFFERENT} SINCE YOUR WINE GRAPE ACREAGE INCREASED BY MORE THAN 5% DURING THE SAME PERIOD AND YOUR AVERAGE PRODUCTION INCREASED BY ABOUT 15%.

2) OUR RELATIONSHIP IN THE WINE SECTOR

LET US NOW HAVE A QUICK LOOK AT THE EVOLUTION OF OUR RESPECTIVE FOREIGN MARKETS IN THE RECENT YEARS. IN ORDER TO MAKE A COMPARISON, WE MUST TAKE A RECENT PERIOD SINCE YOUR EXPORTS WERE QUITE INEXISTENT TEN YEARS AGO.

IF WE TAKE THE LAST FIVE YEARS PERIOD (1978 TO 1982), OUR EEC EXPORTS INCREASED BY ABOUT 37% AND THE GLOBAL SHARE OF IMPORTED TABLE WINE ENTERING THE US DISTRIBUTION CHANNELS WAS PRETTY STABLE (ABOUT 26% OF THE US MARKET). IN SPITE OF THE STRENGTH OF THE DOLLAR, OUR EXPORTS TO THE US MARKETS HAVEN'T BOOMED.

DURING THE SAME PERIOD, YOUR EXPORTS TO THE EUROPEAN MARKETS HAVE BEEN MULTIPLIED BY 20, IN SPITE OF THE DROP REGISTERED IN 1982 BECAUSE OF THE HIGH VALUE OF THE DOLLAR.

SO, IF THE FLOWS OF EXCHANGE HAVE NOT THE SAME MAGNITUDE BECAUSE OF HISTORICAL AND STRUCTURAL CONDITIONS, THESE FLOWS ARE RECIPROCAL, WHICH IS NOT UNFORTUNATELY THE CASE IN ALL AGRICULTURAL SECTOR EXCHANGES WITH THE US, SINCE OUR OVERALL AGRICULTURAL TRADE DEFICIT WITH YOUR COUNTRY IS AROUND 5 BILLION DOLLARS. FORTUNATELY FOR US, WINE IS ONE PRODUCT WHICH HELPS US TO PARTLY RESTORE OUR TRADE IMBALANCE.

THERE ARE TWO OPPOSITE WAYS TO ENVISAGE HUMAN RELATIONS: WAR OR PEACE. I HAVE ALWAYS FELT THAT PEACE WAS MORE FAVORABLE TO THE INDUSTRY'S EXPANSION AND TO THE CONSUMER'S

INTERESTS. IT IS WHY WE HAVE BEEN TRYING TO PROMOTE COOPERATION WITH THE US ADMINISTRATION IN THE WINE AREA DURING THE PAST YEARS, IN ORDER TO STIMULATE BOTH WAYS TRADE.

I WOULD LIKE TO REMIND YOU OF THE RECENT PROGRESS WE HAVE BEEN ACHIEVING IN OUR WINE RELATIONS BECAUSE OF OUR PEACEFUL NEGOTIATIONS:

IN 1970, THE EC IMPLEMENTED COMMON RULES FOR WINE. EC REGULATIONS GOVERNING THE PRODUCTION AND MARKETING OF WINE WERE MEANT TO APPLY TO IMPORTS AS WELL. IN ORDER TO FACILITATE TRADE, THE US GOVERNMENT ASKED THE EC COMMISSION TO ENTER INTO TECHNICAL DISCUSSIONS TO HARMONIZE EC AND US REGULATIONS. THESE DISCUSSIONS BEGAN IN 1973, AND LED TO PROGRESSIVE CHANGES ON BOTH SIDES OF THE ATLANTIC. IN 1983, A COMMON GROUND WAS FOUND ON OENOLOGICAL PRACTICES. THE EC AND THE US FORMALIZED A NUMBER OF COMMITMENTS IN AN EXCHANGE OF LETTERS WHICH TOOK PLACE ON JULY 6.

ACCORDING TO THE HONORABLE JOHN WALKER, ASSISTANT SECRETARY FOR TREASURY, "THE TALKS BETWEEN THE US AND THE EC HAVE ENABLED US WINE EXPORTS TO EXPAND FROM A FEW THOUSAND GALLONS TO MORE THAN TWO MILLION GALLONS ANNUALLY; THEY HAVE ENORMOUSLY IMPROVED US STANDARDS FOR AMERICAN WINES".

THE BILATERAL COMMITMENTS WILL ENSURE FUTURE MARKET OPPORTUNITIES FOR THE US AND AFFORD SIGNIFICANT OPPORTUNITIES FOR TRADE EXPANSION.

THE EUROPEAN COMMISSION IS CONVINCED THAT THE BEST WAY FOR DEVELOPING MUTUAL TRADE IN THE WINE SECTOR BETWEEN THE COMMUNITY AND THE UNITED STATES UNDER SATISFACTORY CONDITIONS IS TO IMPLEMENT ~~EXPEDITIOUSLY~~ ^{RAPIDELY} THE EXCHANGES OF LETTERS SIGNED BY BOTH PARTIES IN JULY 1983.

THE COMMISSION HAS THEREFORE DECIDED ON MARCH 12, 1984 TO PROPOSE A REGULATION FOR COUNCIL APPROVAL CONCERNING OENOLOGICAL PRACTICES IN LINE WITH ITS COMMITMENT UNDER THE AGREEMENT.

A COMPENSATORY TAX WAS LEVIED ON IMPORTS OF THOSE COUNTRIES LIKE THE US WHO HAD NOT TAKEN THE COMMITMENT TO RESPECT A REFERENCE PRICE. THE COMMISSION HAS ALSO DECIDED TO REDUCE, ~~IN THE LIGHT OF EXISTING CONDITIONS,~~ ^{TO ZERO} THE LEVEL OF THIS COUNTERVAILING CHARGE ON IMPORTS OF WINE INTO THE COMMUNITY, INCLUDING THOSE FROM THE U.S., ~~TO ZERO.~~

IN ADDITION, THE COMMISSION RECENTLY APPROVED A REQUEST OF US WINE EXPORTERS TO ADD STICKERS TO IMPORTED WINE BOTTLES IN ORDER TO COMPLY WITH OUR LABELING REGULATIONS.

FINALLY, EC WINE DOES NOT BENEFIT FROM ANY EXPORT SUBSIDIES TO THE US WHATEVER.

THE COMMISSION BELIEVES THAT THESE DECISIONS WILL ASSIST THOSE WHO ARE RESISTING PROTECTIONIST TENDENCIES ON BOTH SIDES OF THE ATLANTIC IN ORDER THAT TRADE CAN CONTINUE TO BE DEVELOPED ON A MUTUALLY BENEFICIAL BASIS. I HOPE THAT SIMILAR EFFORTS WILL CONTINUE TO BE PROMOTED BY THE US WINE INDUSTRY. RECENT DEVELOPMENTS OF VARIOUS PRESSURES CONCERNING THE EEC EXPORTS IN THE USA HAVE SHOWN THAT THIS PEACEFUL WAY COULD BE ENDANGERED AND THE MUTUAL BENEFIT ~~C~~ ~~WOULD~~ BE JEOPARDISED.

FORTUNATELY THE INTERNATIONAL TRADE COMMISSION DECIDED VERY WISELY TO REJECT AN UNFOUNDED COMPLAINT WHICH TRIED TO BLAME ~~IMPORTS FROM EEC~~ ^{ON EEC EXPORTS} FOR THE PRESENT DIFFICULTIES OF GRAPE GROWERS.

THE SO-CALLED WINE EQUITY BILL IS ANOTHER EXAMPLE OF PROTECTIONIST PRESSURE WHICH IS DANGEROUS BOTH FOR EEC INTEREST, OF COURSE, BUT ALSO FOR US INTEREST IF YOU BEAR IN MIND THE IMPORTANCE OF AGRICULTURAL EXPORTS FOR THE US.

AND STRICT RECIPROCITY AS FORESEEN IN THE BILL WOULD NOT HAVE BEEN IN THE US INTEREST NOR IN LINE WITH ITS INTERNATIONAL COMMITMENT AS THE GATT. THE US ADMINISTRATION HAS UNDERSTOOD IT AND I HOPE IT WILL KEEP THAT LINE FOR OTHER SIMILAR ATTEMPT.

I DO NOT DENY OR IGNORE THE DIFFICULTIES FACED PRESENTLY BY THE GRAPE GROWERS AND BY SOME WINE PRODUCERS. HOWEVER, I DON'T THINK THAT THE SCAPEGOAT POLICY WOULD BE AN ACCURATE ANSWER. I AM FULLY CONFIDENT, BECAUSE I HAVE SEEN ALL THE POTENTIAL OF YOUR INDUSTRY, THAT YOU WILL FIND THE RIGHT MOVE FOR RETAINING THE PROSPERITY IN THIS SECTOR WHILE PERMITTING NORMAL TRADE TO GROW IN BOTH DIRECTIONS AND FOR OUR MUTUAL BENEFIT.

GENERALLY, WINE IS THE OCCASION TO PROPOSE A TOAST TO SOMETHING OR SOMEBODY ELSE, BUT FOR ONE TIME, LET ME PROPOSE A TOAST IN THE HONOR OF THE AMERICAN AND EUROPEAN WINES AND TO THOSE ENLIGHTENED SOULS WHO DRINK THEM.