



THE EFFECTS OF THE CENTRAL AND EASTERN ENLARGEMENT OF THE EUROPEAN UNION IN THE CHILEAN WINE MARKET: AN ANALYSIS OF TRADE PREFERENCES

RODRIGO CORTES LOBOS

**MASTER OF SCIENCE (M.Sc.) IN INTERNATIONAL AGRIBUSINESS
FACULTY OF AGRICULTURAL SCIENCES**

ABSTRACT

On May 1st 2004 the conformation of the Economic European Union will change through the inclusion of 10 countries from Central and Eastern Europe. This broadening represents an increase in the commercial exchange between the EU-15 and its new members, situation that will bring a readjustment in the agricultural market and especially in the wine sector.

The EU is a relevant market to Chilean wine exports. The principal objective of this study was analysing the wine trade market of the 10 next members of the EU and the 3 candidates for a future growth phase. To determine the wine competitor countries (PWCC), in order to assess a possible wine trade scenario on the EU market with Chile.

The competing potential of Chilean and PWCC wine were determined, through a study of trade preferences. The conclusions of the study are as follow: the PWCC are: Cyprus, Hungary, Slovenia, Bulgaria, Romania and Turkey. With Bulgaria and Hungary oriented to quality wine export and the other oriented to bulk wine export to the EU.

The PWCC have signed commercial agreements that reduce tariff rates and quotas. This agrees with the Product Coverage index obtained in this study where most of the countries were seen to have already internalized the tariff benefits, allowed them to enjoy a preferential tariff rate since the late 1990's that on average represents 10.7% of the total value of wine annually exported to the EU.

As for Chile, thanks to the commercial agreement signed with the EU had a PC of 67.8% for 2003 year and of 100% in the year 2007, one can expect a progressive increase in the Preference Margin, starting in 2003 with 2.2% of the

total value (CIF) of wine exported to the EU, to reach a maximum of 12.2%, which would represent a value of 103.5 million euros in the year 2007.

This new scenario represents to PWCC not only benefits like investment plan, but also commitments, such as the adoption of the CAP (Common Agriculture Policy) with restrict vine plantations.

To Chile, give a market opportunity to intensify its exports of wine to the new members of the EU, increasing its market participation in these countries, and in the medium term, keeping the development of the potential competitor under surveillance, who will have an arduous task of technologically transforming their local wine-making industries, in order to allow them to compete with quality wines.