



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

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## Spain

### Trade Policy Monitoring

**"Green Box" Subsidies? Why should U.S. Wine Producers Compete with Trade-Distorting European State Aid?**

### 2005

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**Report Highlights:**

While Spanish and Portuguese (Iberian Peninsula) wine exporters to the U.S. market will likely attain back-to-back export records for this past fiscal year, and again during the current fiscal year, Iberian Peninsula wine producers are set to receive record trade distorting subsidies that will make their wines even more competitive in the U.S. and other third-country markets.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Madrid [SP1]  
[SP]

The European Commission (EC) just granted the Spanish and the Portuguese Governments 151.5 (\$182.5 million) and 44.9 million Euros (\$54 million), respectively; to assist vineyard owners to restructure just less than 30 thousand hectares of grape vines during the 2005/2006 "campaign." The subsidies, which amount to about \$3,500 per acre, must be spent to replant vineyards with vines that produce better-quality, more-in-demand grapes for the production of higher-quality wines.

The EC notifies the restructuring program as "Green Box" in its annual subsidy notification to the World Trade Organization (WTO). Generally, "Green Box" programs cannot, and do not require a producer to plant any specific crop; but in this case, the potential subsidy recipient must replant his/her vineyard with vines from a specific EC-approved list, to be eligible to receive the state aid.

While the EC praises this effort as a "priority to give wine makers the help they need to adapt to changing demand," it is unclear why producers in the United States should be put at an ever-increasing disadvantage vis-à-vis Iberian Peninsula producers, as the result of a "Green Box" program. Rather, this type of state aid, if and when granted, should be notified to the WTO as "trade distorting," and reduced and/or eliminated as soon as possible, so that U.S. producers are not continually and perpetually kept at a disadvantage to Iberian Peninsula producers, in this case through "Green Box" measures.