



NORTHWESTERN UNIVERSITY SCHOOL OF LAW

## Beber con Moderacion

# The Rise of the Argentine Wine Industry

## ITP Argentina

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## **Introduction**

The Argentine Wine Industry has undergone an amazing transformation in the last twenty years. In 2005, the Argentine wine industry exported a record amount, over \$300 million dollars of wine, to more than 50 countries.<sup>1</sup> While this amount does not surpass large wine producers, such as the United States or France, it is a remarkable achievement considering the obstacles the industry has overcome. While the history of the wine industry in Argentina dates back more than 300 years, it has only recently been able to competing in the global market. Until the late 19th Century, Argentine wineries produced mostly low quality table wines, and the industry was solely sustained by a strong domestic market. The steady decline of the domestic market in the 1980's, however, forced the wine industry to look to foreign markets and adjust the quality of wine it produced. During the 1990's, the wine industry capitalized on a strong peso and the easing of government regulation to modernize. Following the devaluation of the peso in 2001, the wine industry took advantage of it's cheap currency to greatly expand exports.

Today, Argentina is poised to continue increasing its share of the global market. The Instituto Nacional de Vitivinicultura (INV), which is a government agency established to regulate the Argentine wine industry, has made strides to improve the quality and reputation of Argentine wine. In addition, the INV and the Argentine government adopted the Strategy 2020 plan in 2003, which is an attempt to develop the Argentine wine industry into a global presence. The 2020 plan designates \$15 million for improved marketing and export promotion, and hopes to increase Argentina's global

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<sup>1</sup> Bill Cormier, *Wine Industry in Argentina Finding Blend for Success*, WASH. POST, Apr. 16, 2006, at A12.

market share to 10%.<sup>2</sup> The Argentine wine industry has overcome many obstacles to find itself in an ideal position to take the world by storm.

One of the keys to Argentina's success in the global wine industry is the country's ideal climate and environment for grape-growing. The grape-growing region in Argentina extends over 2,400 kilometers along the base of Andes Mountains. In general, the climate is very favorable for grape-growing with hot summers, little rainfall, and little threat of frost. Although the region generally receives little rainfall, there is "unlimited water for irrigation" from rivers and artesian wells.<sup>3</sup> The dry climate is ideal for grape growing because the winemaker can control the amount water the vine receives which will affect harvest-time, ripeness, and taste.<sup>4</sup> In addition, the dry climate prevents many devastating diseases such as mildew and fungus.<sup>5</sup> Finally, the vineyards in this area possess a wide variety of altitudes and climatic conditions which enable winemakers to grow the variety of grape that best suits the location.<sup>6</sup>

Professional winemakers understand that the environment in which the grapes are grown is essential to producing a distinct, quality wine.<sup>7</sup> Wine connoisseurs argue that it is possible to taste the distinct attributes of the region where the grapes were grown.<sup>8</sup>

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<sup>2</sup> Jaquelina Jimena, *Argentina Launches 'Strategy 2020'*, Decanter.com, Dec. 23, 2003, at <http://www.decanter.com/news/47474.html>.

<sup>3</sup> CHRISTOPHER FIELDEN, *THE WINES OF ARGENTINA, CHILE AND LATIN AMERICA* 18 (Faber and Faber Inc. 2003) (2001).

<sup>4</sup> Interview with Mariela Espinola, Manager of Tourism, Bodega Ruca Malen, in Mendoza, Arg. (Mar, 15, 2006).

<sup>5</sup> FIELDEN, *supra* note 3, at 18.

<sup>6</sup> *Id.* (Each grape variety has its ideal altitude, and the wine-producing region of Argentina has altitudes that range from 450 meters above sea level in Rio Negro to over 2,000 meters in Salta Province.)

<sup>7</sup> Linda Murphy, *Recognizing Wines' Tastes of Place*, S.F. CHRON., AUG. 4, 2005, at F1. Linda Murphy is the Wine Editor of San Francisco Chronicle. The only newspaper in the U.S. to publish a weekly, stand alone Wine Section. She is syndicated in 15 newspapers.

<sup>8</sup> *Id.* ("One of wine's finest attributes is that it can taste of the place where the grapes were grown. This taste is found in the minerality of a lean, lemony Chablis made from Chardonnay grapes grown in limestone soils in northern Burgundy. It's in the smoky, meaty notes of a Syrah from the Cote Rotie

Therefore, for many years winemakers from regions with these unique, ideal environments, such as Champagne, Burgundy, or Napa Valley, have fought to ensure that only wines produced from grapes grown in these regions can use the region name on the label. In 1935, France became the first country to enact legislation to protect the “geographic indications” of goods, such as wine, produced in certain regions of the country. In 1994, the members of the World Trade Organization signed the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) to establish “minimum standards for national legislation regarding intellectual property rights.”<sup>9</sup> Of particular relevance to the wine industry, TRIPS established standards to protect geographic indicators of source which participatory countries of the treaty must create national legislation to enforce. Argentina created the Law of “Denominacion de Origin” in 1999 to enforce TRIPS standards. By enforcing TRIPS standards, Argentina has taken steps to protect its superior wine-producing regions and their reputation in the global wine market.

This paper will analyze the transformation of the Argentine Wine Industry and the efforts by Argentina’s government to promote and protect its growth and reputation. The first section of this paper will explore the history of the wine industry and explain why it took so long for it to enter the global market. This section will discuss the obstacles that the wine industry has overcome and the reasons why it is poised for future success. The

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(“roasted slopes”) in France’s Rhone Valley. It’s in the pungently herbal character of a Sauvignon Blanc made in New Zealand’s cool, marine-influenced Marlborough region. It’s in the dark berry, pepper and spice in an old-vine Dry Creek Valley Zinfandel made in sun-baked Sonoma County. Climate, soils, drainage, elevation, slope, sun exposure, availability of water -- even air pollution -- affect how a vine grows and thus the wine it produces.”)

<sup>9</sup> Kimberly A. Czub, *Argentina’s Emerging Standard of Intellectual Property Protection: A Case Study of the Underlying Conflicts Between Developing Countries, TRIPS Standards, and the United States*, 33 CASE W. RES. J. INT’L L. 191, 191 (2001).



second section of this paper will analyze the Argentine government's efforts to promote the growth of the wine industry. This section will focus on the legislation passed by Argentina to comply with TRIPS, and compare that to other nations, such as the United States. In addition, this section will discuss the role of the Instituto Nacional Vinivicultural in creating standards and regulations to monitor the wine industry, and also the regulations passed by the U.S. to control importing.