Trade costs as a determinant of global trade competition might play significant role mitigating distances between origin of goods and demands for goods at different locations. Literature has classified few factors that determine trade costs and their different significance over time. Geographical, historical, language and cultural factors have been often specified as explanatory variables of trade costs in gravity equation models. One strand of literature underlines the effects of the reduction of trade barriers and free trade agreements on the greater increase of trade in differentiated goods than for homogenous ones due to the greater reduction of trade barriers for the former. Another strand of literature explains the increase of trade in differentiated goods by the decrease in transportation costs. The most recent studies diversify gravity model equations underlining few other factors causing changes towards reductions in different components of trade costs due to the advanced information and communication technologies and improvements in infrastructure leading to decreasing communication and transaction costs. Recent empirical research emphasises the role of internet trade (e.g. Fink et al., 2002; Freund and Weinhold, 2004; Tang, 2006, Bojnec and Ferto 2011) and agri-food trade (Bojnec and Ferto 2010).

The wine market a good candidate to investigate the impact of communication costs due to several reasons. Wine is differentiated good which subject to increasing marketing activities. Internet is a good tool for wine traders to reach potential niche markets. Increasing tendency in international wine trade can be observed in the last two decades. Large producers’ export orientation are strong. (Mariani et al, 2012) Several reasons make the wine market more intensive. New wine producers such as USA, Chile, Australia or South Africa, reduction in wine consumption and distortion of trade barriers enforce a stronger competition in the world.
wine market. This market environment influences strategic decisions on international trade and determine targeted export markets for wine producer countries. (Carlucci at al., 2008)

The European Union (EU 27) has a leading position in the world market. Extra-EU trade balance is positive as a result of the continuous rise in value and lower, stagnate import value in EUR. Its vin-growing area is the half of the total area and represents 60 per cent of the world wine production. On the basis of the figure distributed by reporter countries wine must production shows a huge volatility in the last ten years in the EU27.

The first five largest wine producer countries in the European Union have the most intensive export activities within the EU. France as the first in the wine producer order exports its wine product to United Kingdom, Germany, Belgium and Netherlands. Italian export wine product absorbed by German, English, Danish, Dutch and French markets. Spanish export goes to Germany, United Kingdom, France, Netherlands and Belgium. On the basis of these three examples wine export statistics show an intensive export activities in a limited number of market groups. It seems that countries with a large wine production capacity as well as export destinations have more intensive export activities than in other groups of the EU member states.

Export markets are relatively far from the exporter countries, but geographically all these export markets are closed to each other. While neighbour country represents a higher share in the export market, longer distances should be an obstacle in front of the export. Not only economic indicators of a country but cultural similarities such as common languages impose on the export intensity. Despite of growing international trade in wine market, the research on this field is still limited (eg. Dascal et al. 2002, Fleming et al. 2011).

The aim of the paper is to investigate the impact of communication costs on the wine export focusing on the EU27 for the period of 1998-2011. More specifically, we analyse both the level of IT development and similarity of IT endowment on wine trade. We employ standard gravity model with special emphasis on recent specification issues including fixed effects and zero trade values. Consequently, we apply various specifications to check the robustness of results from Tobit models, Heckman selection models to Poisson models.

The trade data are based on Eurostat COMEXT database, while trade costs variables are coming from CEPII database. The variables of particular interest are the level of communication costs (IT) including number of fix telephone lines per 100 persons, number of mobile phones per 100 persons and number of internet hosts per 10000 persons and GDP and GDP per capita from the World Development Indicators database.

Our results confirm the validity of standard gravity model variables like market size, trade costs and cultural similarity (common language and colonial links). Although various
communications variables perform differently, we find weak evidence on positive role of communications on wine trade. More importantly, we find similarity in IT endowment is an important factor to explain the wine trade. Interestingly, we have not found selection bias probably due to relatively low share of zero value in total trade (below 10 per cent). In line with findings by Linders and de Groot (2006) the simple solution may produce acceptable results; although the sample selection model is preferred theoretically and econometrically.