

Submission to:

The Joint Standing Committee on Treaties (JSCOT), regarding the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11)

April 2018

wfa Winemakers'
Federation of
Australia

Contents

| | |
|---|---|
| Winemakers' Federation of Australia..... | 2 |
| Wine and the TPP-11..... | 2 |
| TPP-11 Tariffs for wine | 3 |
| TPP-11 Non-Tariff Measures for wine | 3 |
| US withdrawal implications..... | 4 |
| Conclusion. | 4 |
| Contact | 4 |

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Winemakers' Federation of Australia

The Winemakers' Federation of Australia (WFA) is the national peak body for Australia's winemakers. Our objective is to represent the interests of Australian wine industry on national and international issues, through a single organisation. Australian wine industry includes 65 regions nationally with over 2500 wine businesses and around 8000 wine grape growers, contributing to growth of regional economies, exports, tourism and jobs.

Government recognition of WFA as a representative organisation is on the basis WFA represents the entire Australian wine industry, including members and non-members. WFA is recognised as a representative organisation under the *Australian Grape and Wine Authority (AGWA) Corporation Act*. WFA is incorporated under the *SA Associations Incorporation Act 1985*.

WFA voluntary membership represents around 80% of the national wine grape crush. WFA represents small, medium and large winemakers from across the country's wine-making regions, with each having a voice at the Board level. WFA Board decisions require 80% support so no one category can dominate the decision-making process. In practice, most decisions are determined by consensus. WFA works in partnership with the Australian Government and our sister organisation, Australian Vignerons (AV), to develop and implement policy that is in the wine industry's best interests.

WFA's activities are centred on providing leadership, strategy, advocacy and support that serves the Australian wine industry now and into the future.

We welcome the opportunity to provide the Joint Standing Committee on Treaties (JSCOT) with a submission on the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11) and its benefits for the Australian wine industry.

Wine and the TPP-11

The WFA has been highly active and supportive of the Australian Government strong trade liberalisation agenda including the finalisation of the TPP-11. This Agreement is a landmark agreement for the Australian wine industry and we encourage its bipartisan support and expedited ratification through the Australian Parliament.

The reduction of tariffs in key emerging markets for wine is of course a welcome inclusion within this agreement. While many of the TPP-11 countries already have existing agreements with Australia which provide schedules for tariff reduction the TPP-11 provides some additional reductions above existing agreements and also provides reductions in key markets for wine such as Canada and Mexico.

Tariffs are a key priority however the non-tariff barriers can very often prove more costly for Australian wine exports than the tariffs. The agreement is considered a landmark agreement by the wine industry as it is the first of its kind to specifically address wine-related technical barriers to trade through the inclusion of a Wine and Spirits Annex.

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TPP-11 Tariffs for wine

For Australian wine the key tariff benefits are outlined in the table below and should be read in conjunction with existing preferential treatment obtained via other bilateral agreements with TPP-11 parties.

| Country | Outcome for Australian Wine |
|--------------------|--|
| Brunei | NA - No alcohol sales allowed |
| Canada | Specific tariffs of 1.87 and 4.68 cents/litre ("nuisance tariffs") eliminated on entry into force. |
| Chile | Existing rate of 6% eliminated on entry into force, however already eliminated in Chile Australia FTA. |
| Japan | Existing rate of 15% will be eliminated in 7 stages, bulk wine already 0% under JAEPA and packaged product will be tariff free by 2021 |
| Malaysia | Tariff of between 7 and 23 Malaysian Ringgits per litre (depending on tariff line) eliminated over 15 years. No preferential rate under Malaysia Australia FTA. |
| Mexico | Existing rate of 20% eliminated in 4 stages over 3 years For "premium" wine (> \$5 per bottle). 10 year phase out otherwise. |
| New Zealand | Australia NZ existing FTA already eliminated tariff for Australian wine. |
| Peru | Existing rate of 9% eliminated on entry into force (for table wines). Under existing Peru-Australia FTA Tariff will be zero on entry into force. |
| Singapore | NA - There are no tariffs on wine in Singapore (for any trading partner) |
| Vietnam | Existing rates range between 50 and 59% and will be eliminated over 11 years. Previous FTA with between Australia and ASEAN countries (including Vietnam) reduces tariff only to 20% (in 2022) |

TPP-11 Non-Tariff Measures for wine

WFA is a strong advocate for harmonisation of wine technical requirements in support of trade facilitation. This is of particular importance in emerging markets and countries where wine is not traditionally produced. Wine is a highly complex and technical product throughout the supply chain and imposed technical requirements can sometimes result in unnecessary cost or barriers to trade of wine. A key means of addressing these technical requirements is the inclusion of technical wine annexes which seek to clarify, streamline, and remove technical barriers. For this reason, WFA has been, and will continue to drive the inclusion of technical wine annexes within all relevant Australian trade agreements.

Chapter 8 of the TPP-11 "Technical Barriers to Trade" includes a Wine and Distilled Spirits Annex (Annex 8-A), which addresses harmonisation of practices and technical requirements across the member countries. The annex will help remove Technical barriers to trade for Australian wine exporters in regard to:

- Streamlining certification requirements
- Mutual acceptance of Oenological (winemaking) Practices
- Labelling Requirements
- Tractability and fraud

WFA is working to ensure all relevant future Australian trade agreements include a wine specific annex addressing technical barriers to trade, which go further to liberalise trade of wine. The TPP-11 is therefore considered a landmark agreement as it is the first of its kind to include a technical annex for wine. It can be used as a basis for updated and expanded technical wine annexes in future Australian FTA negotiations.

US withdrawal implications

The US withdrawing from the TPP agreement is not necessarily considered a negative for Australian wine as US tariffs on Australian wine (specific rates of 6.3 to 16.9 cents/l) have already been eliminated under Australia's existing FTA with US since 2015. There are also currently minimal technical barriers trade for wine sold between Australia and the US.

Furthermore as a competitor in these markets, the US will not receive the benefits that will flow to the wine producing countries, particularly Chile, Canada, New Zealand and Australia. The TPP11 also means we will restore parity with the US in the Mexican market, where the US has the benefit of North American Free Trade Agreement.

Conclusion.

The TPP-11 is highly valued and considered very important for the Australian wine industry. The benefits it will provide industry are significant in both tariff reductions and removal of technical barriers to trade.

The WFA has and will continue to support the TPP-11 process and will strongly advocate for bipartisan support from the Australian parliament for its speedy ratification in Australia.

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