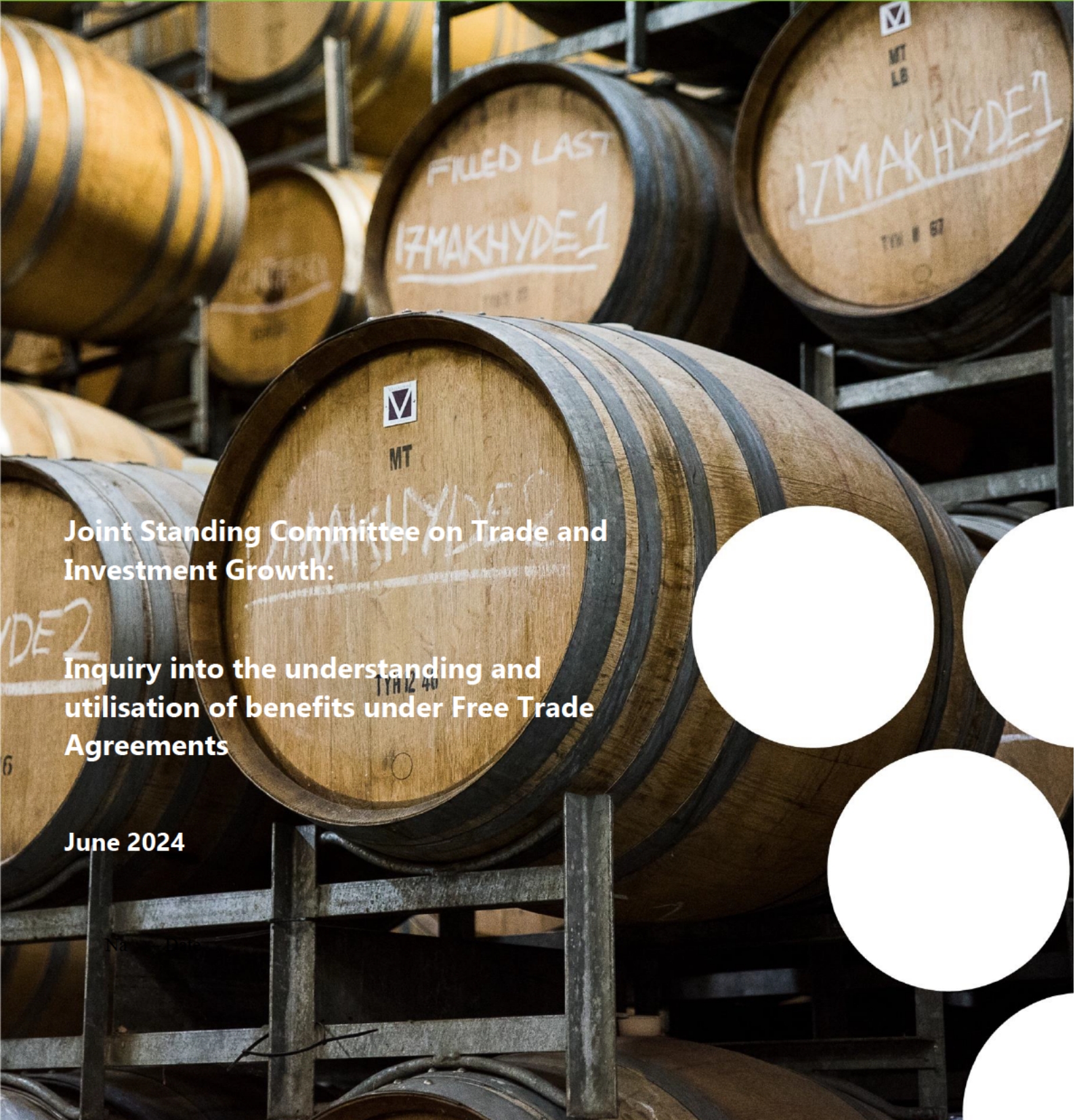




Joint Standing Committee on Trade and Investment Growth:

Inquiry into the understanding and utilisation of benefits under Free Trade Agreements

June 2024





FOR INDUSTRY, BY INDUSTRY

Contents

Terms of Reference	3
Who are we	3
Australian wine trade.....	4
Utilisation and benefits of Australia’s FTAs.....	4
Leveraging FTA’s for the Australian wine sector’s success.....	4
Tariff Measures.....	5
Most Favoured Nation treatment	5
Non-Tariff Measures	5
Sector specific annexes to address technical barriers to trade	6
Mutual acceptance for wine regulations and standards.....	6
Ongoing regulatory cooperation and joint dialogue outcomes.....	6
Factors which can negate benefits created by FTAs	7
Technical barriers to trade	7
Taxation.....	7
Geopolitical influences.....	7
Conclusion	8
Contact.....	8



Terms of Reference

The Joint Standing Committee on Trade and Investment Growth shall inquire into and report on the understanding and utilisation of benefits available to Australian industry and communities from trade, including under Free Trade Agreements (FTAs) entered into by the Australian Government:

- a) What level of understanding is present of the social and economic benefits provided by FTAs;
- b) The uptake of economic benefits to Australian businesses created by FTAs across Australia;
- c) To what extent regional, diaspora and First Nations communities take advantage of trade opportunities including the benefits created by FTAs;
- d) What difficulties are faced by Australian businesses, workers and communities in accessing the benefits created by FTAs, including non-tariff trade barriers;
- e) How the Australian Government monitors and measures utilisation of FTAs;
- f) How the Australian Government works with stakeholders, including States and Territories Governments, to promote trade including the benefits created by FTAs.

Who are we

Australian Grape & Wine is Australia's national association of winegrape and wine producers. Our activities focus upon the objective of providing leadership, strategy, advocacy and support that serves Australian wine businesses now and into the future. We represent the interests of the more than 2,500 winemakers and 6,000 winegrape growers working in Australia. Our role is to help forge a political, social and regulatory environment - in Australia and overseas - that enables profitable and sustainable Australian wine and winegrape growing businesses. These businesses make a significant contribution to underpinning regional economies by driving growth in jobs, regional exports and food and wine tourism. We represent small, medium and large winemakers and winegrape growers from across the country. Policy decisions by the Australian Grape & Wine Board require 80% support, ensuring no single category can dominate the decision-making process and guaranteeing policy is only determined if it provides significant industry benefit. In practice, most decisions are determined by consensus. Australian Grape & Wine is recognised as a representative organisation for winegrape and wine producers under the *Wine Australia Act 2013* and is incorporated under the *SA Associations Incorporation Act 1985*. We work in partnership with the Australian Government to develop and implement policy that is in the best interests of winegrape growers and winemakers across Australia.



Australian wine trade

The Australian wine sector has been a highly reliant, export orientated sector for many years with approximately 60% of its production being exported each year. Given the maturing of the domestic market, opportunities for growth are limited, making international market diversification crucial for further expansion.

Currently, the Australian wine trade is diverse, with approximately 1200 exporters exporting wine to over 100 markets. However, since 2020, several challenges have impacted exports, including temporary effective-closure of the China market, COVID-19, bushfires, a global decline in alcohol consumption, oversupply, and subsequent global economic pressures. According to the most recent Wine Australia export report, total Australian wine exports declined by 1 per cent in value to \$1.88 billion and 2 per cent in volume to 611 million litres, in the 12 months to March 2024.

While Australia's Free Trade Agreements (FTAs) have historically bolstered export growth and success, recent external factors have negatively affected the sector. Consequently, the focus has shifted towards recovery through diversification and the growth of key international markets. Efforts have been concentrated on resourcing and promoting top markets to maximise their potential and further capitalise on Australia's strong market position.

However, this reliance on a small number of key markets increases vulnerability to adverse trade impacts. For these reasons, a broad range of meaningful and effective FTAs is vital for the sector's future success.

Utilisation and benefits of Australia's FTAs

Leveraging FTA's for the Australian wine sector's success

As a mature export orientated sector, the main challenge for the Australian wine industry regarding FTAs, is not in understanding or accessing their benefits, but in ensuring they are fit for purpose for the wine industry and deliver meaningful economic impacts.

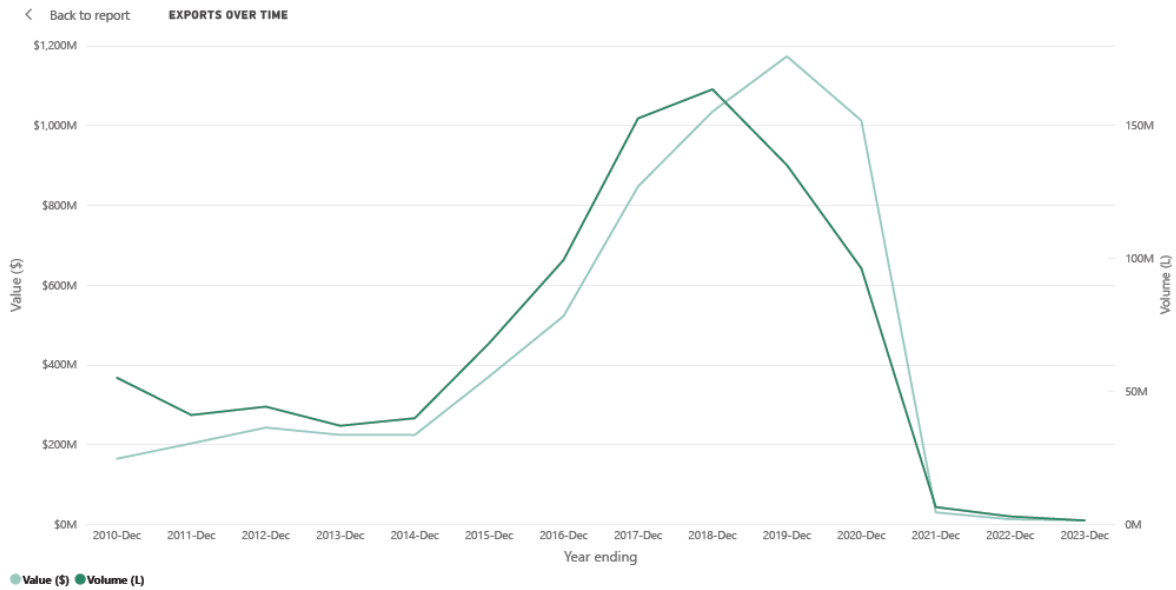
The sector relies heavily on and supports the Australian Government's efforts over many years to establish FTAs with a broad range of key trading partners. We strongly endorse the continued expansion and improvement of these agreements to support market diversification and growth of Australian wine. Over many years, Australia's FTAs have had a positive and direct impact on Australian wine exports, delivering genuine benefits when their provisions are effectively crafted for the industry.

A clear illustration of the utilisation and benefit derived by the wine industry from Australia's FTAs is the China–Australia Free Trade Agreement (ChAFTA), which entered into force on 20 December 2015. While the growth in value of Australian wine exports to China had already been increasing in the years leading up to ChAFTA, the agreement's tariff reduction, aspects of regulatory cooperation and improved trade relations directly supported further growth in this market. As is shown in Graph 1 below, Australian wine exports to significantly increased following the implementation of ChAFTA, rising from approximately \$370 million in December 2015 to a peak of \$1.2 billion within four years in 2019. Undoubtedly, the FTA contributed to and supported this extraordinary growth.

While the ChAFTA is the most striking example of the utilisation and benefits of Australia's FTAs to the Australian wine sector, there are many other agreements that have also played a significant role in supporting the growth of Australian wine trade over the years.



Graph 1 - Australian wine exports to China by volume and value over time.



Source [Wine Australia export dashboard](#).

Tariff Measures

Tariff reduction has often been the focal point of Australian Government negotiations for past FTAs, as reflected in announcements regarding market access and the agreements’ total value and benefits. We fully support maintaining tariff reduction as a primary priority in FTAs, given its significant advantages.

With numerous FTAs already in place already that either remove or systematically reduce tariffs in many of the key markets for wine, the sector is already utilising these benefits. Future efforts for tariff reduction in FTAs should concentrate on key markets with high tariffs, such as India, or on further reducing tariffs to help offset the cost of the products in these markets.

Most Favoured Nation treatment

Another priority that is underutilized but should be a primary focus when reviewing or implementing new FTAs is seeking Most Favoured Nation (MFN) treatment. These clauses ensure that Australian wine receives at least the same benefits as its competitors, and they should be relatively straightforward to negotiate since they are already being applied to other countries. Australia included MFN clauses for wine in the Australia-India Economic Cooperation and Trade Agreement (AI-ECTA), ensuring our wine cannot be undercut in that market. This provides valuable future security and certainty regarding market prospects. We recommend that, where complete tariff removal is not possible, MFN clauses for wine be included as much as possible in future Australian FTA negotiations.

Non-Tariff Measures

While the reduction and removal of import tariffs remain crucial for future FTAs, non-tariff measures (NTMs) often have a more significant impact on the utilisation and benefits of those agreements.

Wine, being a low food safety risk product due to its alcohol and acidity content, is also a complex and highly regulated product globally. Non-traditional wine markets often impose broad food regulations on wine, creating additional costs and technical barriers to trade. Even traditional wine markets have varying regulations, including unnecessary testing, certification, labelling or oenological practice requirements that do not align with Australia’s standards. These disparities increase compliance costs, making exporting less economically viable compared to



the domestic market.

Therefore, achieving regulatory harmonisation for wine should be the key priority in future FTA negotiations. Various mechanisms can be included in FTAs to support this harmonisation.

Sector specific annexes to address technical barriers to trade

Australian Grape & Wine supports the trade-liberalisation agenda pursued by successive Australian Governments in recent decades. One of the most effective mechanisms for liberalising regulation in past FTA negotiations has been the drafting of sector specific annexes to address technical barriers to trade. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was a landmark agreement for the Australian wine industry as it was one of the first to include a sector specific annex addressing wine technical barriers to trade.

The significant advantage of the CPTPP for wine in this regard was the inclusion of a sector-specific annex to address technical barriers to trade. The Wine and Distilled Spirits Annex (Annex 8-A), which specifically addressed technical barriers to trade. While tariffs are a key priority, non-tariff barriers often prove more costly for Australian wine exporters. The inclusion of this annex in the CPTPP was a significant achievement and Australian Grape & Wine will continue to support and advocate for its use as a model in future FTA negotiations.

The Annex helps to address technical barriers to trade for Australian wine exporters in relation to:

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

Expanding on these sector specific annexes and enhancing their content to address further TBTs, or integrating them into new FTAs, is a critical mechanism for maximising the benefits of FTAs for the Australian wine sector.

Mutual acceptance for wine regulations and standards

We advocate for prioritising mutual acceptance in Australia's FTAs for the wine sector. Australian wine already benefits from this principle through its membership of the World Wine Trade Group (WWTG). Since 2001, WWTG members have recognised oenological practices under the Agreement on Mutual Acceptance of Oenological Practices (MAA). Furthermore, since 2007, the group has aligned wine labelling requirements through the Agreement on Requirements for Wine Labelling.

There is ample opportunity for Australia's FTAs to further integrate aspects of mutual acceptance of wine with our trusted trading partners. This underutilised aspect deserves greater attention in future trade negotiations, enhancing the benefits derived from FTA provisions.

Ongoing regulatory cooperation and joint dialogue outcomes

Establishing mechanisms such as forums, joint dialogues, side letters or side agreements for ongoing regulatory cooperation is crucial for addressing technical barriers to trade effectively. These mechanisms are also more adaptive to unforeseen changes that may arise over time, which may not have been anticipated during the original drafting of FTA texts. Joint Dialogue aspects were integrated into the AI-ECTA, enabling industry and government to collaborate outside formal FTA negotiations to pursue further outcomes for the wine sector. This ongoing engagement is highly beneficial and strategically important for maximising the benefits of Australia's FTAs over the long term. We endorse future efforts to implement these mechanisms, which facilitate continuous regulatory cooperation and the resolution of technical barriers to trade.



Factors which can negate benefits created by FTAs

In addition to the areas where we believe FTAs can enhance benefits for Australia wine, there are also some additional factors that need careful consideration as they can negatively impact trade and often counteract these benefits.

Technical barriers to trade

As mentioned earlier, technical barriers to trade can pose a significant threat to trade viability, therefore affecting the utilisation and benefits of FTAs. While FTAs may not always directly address these barriers, mechanisms such as sector specific annexes, mutual acceptance and regulatory cooperation can help to mitigate their impact.

Taxation

Another critical factor impacting the effectiveness and utilisation of Australia's FTAs is the imposition of domestic taxation arrangements. Often these policies can offset tariff benefits achieved through FTAs and pose a major risk to the market viability of exports. For example, changes to alcohol duties imposed by the UK undermine the tariff reductions negotiated under the UK FTA.

While domestic taxation falls outside the scope of FTAs, and it is not typically a topic of discussion between trading partners, it is hoped that the positive trade relations fostered by these FTAs will encourage the Australian Government to engage with foreign governments on taxation issues that negate the benefits of FTAs in the future.

Geopolitical influences.

In recent years, we have witnessed the profound and immediate impacts of broader geopolitical influences on trade. These influences have the potential to undermine the utilisation and benefits of Australia's FTAs across all industries. For example, China's imposition of anti-dumping duties on Australian bottled wine, as illustrated by the steep decline in Graph 1 between 2020-2021, completely nullified the positive benefits of ChAFTA.

These issues cannot be directly addressed within Australia's FTAs. However, advocating for the rules-based international order and fostering multilateral cooperation in international forums could be pursued as part of Australia's trade negotiations. As a smaller trading nation relative to others, we heavily rely on the World Trade Organization and the rules-based order. Encouraging cooperation and solidarity in upholding these principles into Australia's future FTAs could directly or indirectly enhance the overall benefits of our trade agreements.



FOR INDUSTRY, BY INDUSTRY

Conclusion

Australian Grape & Wine strongly supports Australia's ongoing efforts to expand and implement its future FTA agenda, with a focus on meaningful outcomes for Australian wine sector. These FTAs should be strategic, flexible and responsive to changing global trade dynamics, continuously improving to maximise their impact and benefit to industries.

Meaningful FTAs, addressing both tariff and non-tariff barriers for the wine sector, are an important tool for liberalising trade and fostering continued support for regional economic growth and jobs creation in Australia.

Australian Grape & Wine welcomes the opportunity to support the Australian Government in future FTA negotiations, whether in updating existing agreements or advancing new ones. We welcome any questions or further engagement by the committee on the matters outlined in this submission.

Contact

For further information, please contact

Lee McLean

Chief Executive Officer

Damien Griffante

**Director, Strategy and International
Affairs**