Submission to the Foreign Affairs, Defence and Trade References Committee regarding the Trans Pacific Partnership Agreement

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Introduction

The export market has always been critically important for the Australian wine industry. Around 60 per cent of the wine produced in Australia is destined to be exported to other markets. What we are seeing now, however, is a step change in the opportunities presented to winemakers as the burgeoning middle-class in many Asian countries starts to appreciate Australian wine.

The TransPacific Partnership Agreement (TPP) promises to level the playing field for Australian wine exports into the 12 signatory economies which in 2014 accounted for 45% of Australia's total wine exports – or around $837 million out of the total $1.9 billion in total wine exported in 2014.

Australian winemakers have already identified this opportunity and are working hard to exploit it. Whether it's through targeted marketing campaigns, building relationships with suppliers in key Asian markets or even making sure that the wines we are exporting are right for the market they are destined for the industry is proving itself nimble enough to take advantage.

Who we are

The Winemakers' Federation of Australia (WFA) is the national peak body for Australia's winemakers.

Our objectives are:

- to represent the interests of Australian winemakers and grape growers of all sizes on national and international issues affecting the Australian Wine Sector, through a single organisation;
- to actively promote and protect the reputation and success of Australian Wine and the Australian Wine Sector;
- to encourage unanimity of opinion and action amongst Members in all national and international matters pertaining to the Australian Wine Sector;
- to initiate legislative or other regulatory activity, or Government response or action, or otherwise facilitate any outcomes, deemed desirable by the Association for the benefit of the Wine Sector in Australia;
- to provide a medium through which opinions of Members may be ascertained or expressed;
- to provide relevant information to Members;
- to foster co-operation and goodwill between viticultural and oenological research and education bodies and all other bodies relevant to the Australian Wine Sector
- to encourage good practice and standards of winemaking and Wine business management within the Australian Wine Sector;

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- to administer funds collected from Members in support of the activities and objects of the Association;
- to protect and enhance community and Government support for the Australian Wine Sector;
- to promote economic, environmental and social responsibility in the production and consumption of wine in Australia; and
- to promote the interests of the Association and to do all such other lawful things as the Association may consider incidental or conducive to the attainment or advancement of the objects of the Association.

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

WFA membership represents around80% of the national wine grape crush and has over 370 wineries as members.

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 sector 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, Wine Grape Growers Australia (WGGA), to develop and implement policy that is in the wine sector'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.

Outcomes of the TPP

Overwhelmingly the TPP provides a significant opportunity for Australian wine exporters who will see trade tariffs drawn down. The 12 TPP countries are: Australia, the US, New Zealand, Canada, Mexico, Chile, Peru, Japan, Singapore, Malaysia, Brunei Darussalam and Vietnam. These provide major growth opportunities for Australian wine.

Our wines are already globally competitive so removing tariff barriers puts us on equal trade terms with some of our major competitors for the first time and that means being in a much stronger position to grow market share – it's a win-win for wine.

Under the TPP, the Australian wine industry will see:

- Mexico – elimination of tariffs on wine into Mexico (currently 20%) between 3-10 years;
- Canada – elimination of tariffs on wine upon entry into force (Australian wine exports to Canada valued at $174 million in 2014; current tariffs are between $1.87c/litre & $4.68c/litre);
- Peru – 9% wine tariffs to end within 5 years;
- Malaysia – removal of tariffs on wine within 15 years (valued at $34 million in 2014);

- Vietnam – removal of tariffs on wine within 11 years (valued at $5.4 million in 2014; currently subject to tariffs up to 54%).

As or more important then tariff reductions have been the inclusion in the TPP an annex that deals with technical barriers to trade.

Essentially food and agriculture non-tariff barriers fall in four categories:

- Labelling
- Compositional issues – including Maximum residue limits
- Certification
- Analytical and testing requirements

Differing requirements for these cause cost and trade disruptions for exporters. These issues are normally dealt with bilaterally on a case-by-case basis. However, a number of international institutions establish specific guidelines to try and reduce trade barriers in these areas. These include the WTO Agreements (principles based) Codex Alimentarius Commission (Advisory Standards based), APEC (Regulatory coherence) and for wine the World Wine Trade Group (Mutual Acceptance/harmonisation approach).

Failure to deal with these at the systems level leads to expensive and resource intensive approaches with limited success.

Normally Free Trade Agreement negotiations don't deal with technical issues, preferring to leave these to committees that can address SPS and TBT issues on a case-by-case basis. This approach fails to recognise that by improving regulatory systems and linkages will minimise these issues arising.

The TransPacific Partnership (TPP) negotiations have recognised this approach with the preparation of annexes dealing on commodity specific issues. The wine annex will provide the mechanism to harmonise some of these issues and is a potential game changer for the wine sector.

Conclusion

The TPP is a very good agreement, not only in immediate trade terms, but also as a building block to develop greater integration in the region. We would urge the government to proceed towards ratification as quickly as possible. We would be glad to expand on these comments if required.