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Australian Government

Australian Wine and Brandy Corporation

Our Ref.

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Dr A Southcott MP
Chairman
Joint Standing Committee on Treaties
RI-109
Parliament House
CANBERRA ACT 2600

Dear Andrew

Thank you for inviting the Australian Wine and Brandy Corporation to make a submission to the Joint Standing Committee on Treaties in connection with its review of the proposed Australia-United States Free Trade Agreement.

Please accept my apologies for being unable to attend Thursday's public hearing as I will be overseas at that time.

If you have any queries or require further information on this submission, please do not hesitate to contact me.

Yours sincerely

Sam Tolley
Chief Executive

Principal Office: Industry House, National Wine Centre, Corner Hackney and Botanic Roads, Adelaide SA 5000
(Entry via Hackney Road) Ph: 08 8228 2000 Fax: 08 8228 2022
Compliance Centre: 2nd Floor, 18 Dequetteville Terrace, Kent Town, SA 5071 Ph: 08 8228 2050 Fax: 08 8228 2066
Correspondence for both offices: PO Box 2733, Kent Town, SA 5071
Email: awbc@awbc.com.au Website: www.awbc.com.au

**PROPOSED AUSTRALIA - UNITED STATES FREE TRADE AGREEMENT
SUBMISSION BY THE
AUSTRALIAN WINE AND BRANDY CORPORATION
TO THE JOINT STANDING COMMITTEE ON TREATIES**

Introduction

The Joint Standing Committee on Treaties has called for public submissions and comment on issues relevant to the proposed Free Trade Agreement (FTA) between Australia and the United States (US).

The Australian Wine and Brandy Corporation (the Corporation) wishes to indicate to the Joint Standing Committee its overall support for the FTA in relation to those provisions relevant to the Australian wine industry.

The Australian Wine and Brandy Corporation

The Corporation is a Commonwealth statutory body established by the Australian Wine and Brandy Corporation Act 1980 (the Act). The functions of the Corporation established by the Act are:

- To promote and control the export of grape products from Australia;
- To encourage and promote the consumption and sale of grape products both in Australia and overseas;
- To improve the production of grape products in Australia;
- To conduct, arrange for, and assist in, research relating to the marketing of grape products; and
- Such other functions in connection with grape products as conferred on the Corporation by the Act or Regulations.

The Corporation performs its functions and exercises its powers for the purpose of achieving the objects specified in the Act. These are:

- To promote and control the export of grape products from Australia;
- To promote and control the sale and distribution, after export, of Australian grape products;
- To promote trade and commerce in grape products among the States, between States and Territories and within the Territories;
- To improve the production of grape products, and encourage the consumption of grape products, in the Territories;
- To enable Australia to fulfil its obligations under prescribed wine trading agreements;
- For the purpose of achieving any of the objects set out in the preceding paragraphs:
 - to determine boundaries of the various regions and localities in Australia in which wine is produced;
 - to give identifying names to those regions and localities;
 - to determine the varieties of grapes that may be used in the manufacture of wine in Australia;

- To advance the objects of the Act by helping to ensure the truth, and the reputation for truthfulness, of statements made on wine labels, or made for commercial purposes in other ways, about the vintage, variety or geographical indication of wine manufactured in Australia; and
- To regulate the sale, export and import of wine:
 - for the purpose of enabling Australia to fulfil its obligations under prescribed wine-trading agreements;
 - for certain other purposes for which the Parliament has power to make laws.

Importance of the US Market for Wine

Recently released figures indicate that Australian wine exports have reached A\$2.5 billion. Sales to the US accounted for A\$879 million of this A\$2.5 billion and 35% of Australian wine export sales.

The US market is currently the fastest growing export market for Australian wine. Primarily through the eventual elimination of tariffs for Australian wine entering the US, the FTA will be an important contributor to further export growth in the US in the long term.

Key Provisions

The key provisions in the FTA for the Australian wine industry are:

- The FTA provides for the phase out of tariffs on key types of wine in accordance with the attached table (Attachment 1). Despite the long phase out time (11 years) the phase out ensures that Australia receives the same treatment in relation to wine tariffs as achieved by Chile in its recent free trade agreement with the US.
- The Chapter on Agriculture provides for the restatement by the Parties of their commitment to the WTO agriculture negotiations. Export subsidies will be removed and not re-introduced on agricultural goods traded in each Party's market. Of particular interest to the Australian wine industry is Article 3.3.2. It appears to provide the opportunity for Australia to make a written request to the US for it to impose measures against wine from a third country that is being sold in the US and which benefits from export subsidies. Such a request would require the Parties to discuss and agree upon specific measures which the US may adopt to counter the effect of such subsidised wine. The US may then apply agreed measures.
- The Parties have restated their obligations to each other under the TBT Agreement, using international standards as a basis for their technical regulations. Of particular interest for the Australian wine industry is Article 8.5.1 which requires the Parties to give positive consideration to, accepting as equivalent, each other's technical regulations regardless of any differences between those regulations. If a Party does not accept a technical regulation of the other Party as equivalent it must give reasons. Parties may agree to further discuss the acceptance of each others technical regulations via the establishment of a Working Group which may identify bilateral initiatives that are appropriate for particular issues or sectors, including:
 - Regulatory issues such as convergence or equivalence of technical regulations and standards;
 - Alignment with international standards;
 - Reliance on a supplier declaration of conformity;
 - Use of accreditation to qualify conformity assessment bodies; and
 - Co-operation through recognition of conformity assessment procedures.

This is of particular interest to the Australian wine industry in that it gives it a clear formal avenue in which to raise issues surrounding wine technical regulations and standards with the US (including wine labelling). The FTA also provides for the establishment of several other Committees (under Articles 3, 7, and 21), providing the Australian wine industry with several forums to progress a number of issues of interest to it. These include the Joint Committee, the Agricultural Committee, and the Committee on Sanitary and Phytosanitary Matters.

- The FTA provides that each Party *inter alia* shall provide pre-existing trademark holders with an appropriate mechanism to oppose an application for a geographical indication as well as providing for cancellation. The *Australian Wine and Brandy Corporation Act 1980* (Cth) will need to undergo minor changes as a result of this provision.

Conclusion

The Corporation is supportive of the FTA with the US given the key provisions outlined above and also because of the support it provides to what is a very important government-to-government relationship.

The Corporation thanks the Joint Standing Committee on Treaties for the opportunity to make this submission, and would be pleased to elaborate further on any of the issues raised in this submission if this would be of assistance.

Attachment 1

Wine Type	Tariff Code	Current Tariff rate (US cents/litre)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
*Sparkling Wine	22041000	19.8 cents per litre	19.8	19.8	19.8	19.8	19.8	19.8	19.8	18.2	12.6	7.1	Free
Effervescent Wine (in containers not over 2 litres)	22042120	19.8 cents per litre	19.8	19.8	19.8	19.8	19.8	19.8	19.8	18.2	12.6	7.1	Free
*Tokay (not over 14% vol alc and in containers not over 2 litres)	22042130	6.3 cents per litre	6.3	6.3	6.3	6.3	6.3	6.3	6.3	5.8	4.0	2.2	Free
Wine (not over 14% vol alc and in containers not over 2 litres)	22042150	6.3 cents per litre	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	Free
*Marsala (over 14% vol alc and in containers holding 2 litres or less)	22042160	5.3 cents per litre	5.3	5.3	5.3	5.3	5.3	5.3	5.3	4.8	3.3	1.9	Free
*Wine (over 14% vol alc and in containers over 4 litres)	22042180	16.9 cents per litre	16.9	16.9	16.9	16.9	16.9	16.9	16.9	15.5	10.8	6.0	Free
Wine (not over 14% vol alc and in 2 - 4 litre containers)	22042920	8.4 cents per litre	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.1	5.6	Free
Wine (over 14% vol alc and in 2 - 4 litre containers)	22042940	22.4 cents per litre	22.4	22.4	22.4	22.4	22.4	22.4	22.4	22.4	22.4	13.0	Free
Wine (not over 14% vol alc and in containers holding over 4 litres)	22042960	14 cents per litre	11.7	10.5	9.4	8.3	7.1	6.0	4.8	3.7	2.6	1.4	Free
**Wine (over 14% vol alc and in containers holding over 4 litres)	22042980	22.4 cents per litre	18.7	16.9	15.0	13.2	11.4	9.6	7.8	5.9	4.1	2.3	Free

*Denotes those items that Chile currently does not pay a tariff on under the Generalised System of Preferences (benefit given to it by the US because of its developing country status).

**In this tariff line Australia has received a slightly more advantageous rate of reduction than Chile. In all other lines (except the denoted GSP lines) the reduction for Australia is the same as that for Chile.

