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

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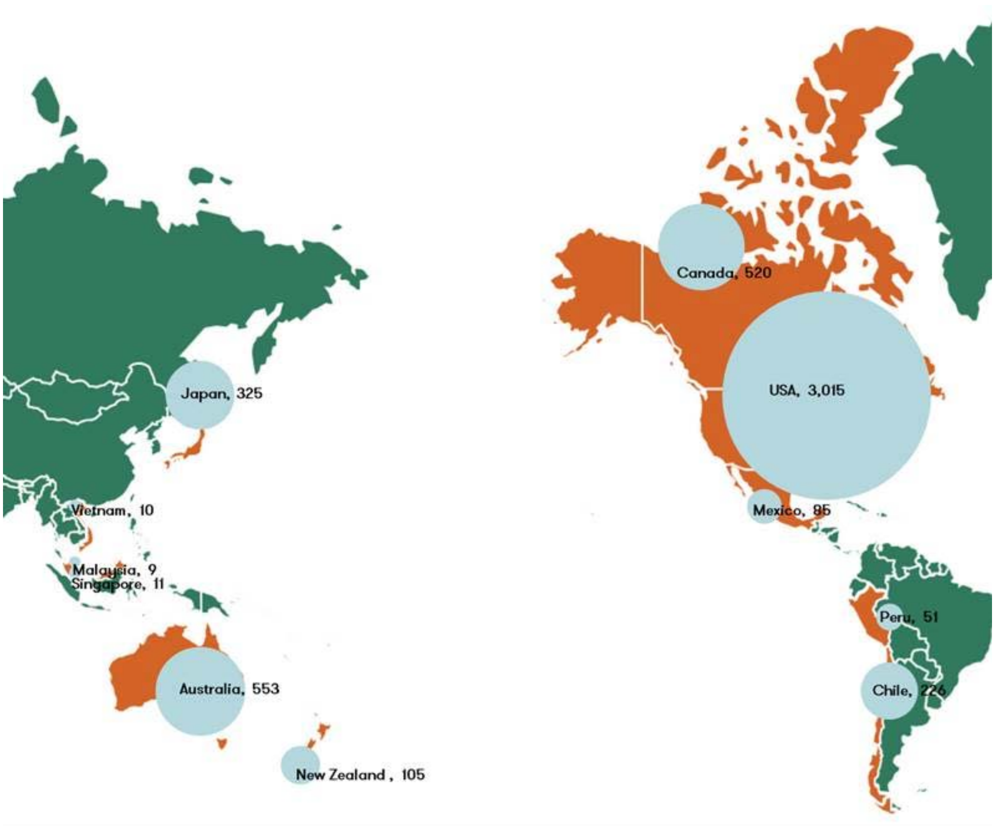
Wine Australia believes The Trans Pacific Partnership (TPP) will prove to be a landmark treaty that will support growth in Australian wine exports.

With the 12 signatory countries having a combined population of 800 million this is a globally significant deal. Consumption of wine across the region, albeit varying widely in per capita consumption from country to country, is a considerable component of the world market accounting for 4.9 billion litres or 26 per cent of global consumption. In 2015, total imports into the 12 countries of 3.2 billion litres were valued at US$9.1 billion.

Figure 1: TPP members and wine market size (million litres)



The four markets (Canada, Malaysia, Mexico and Peru) in which Australia will gain a competitive advantage, beyond that obtained through bilateral agreements, import a total of 493 million litres of wine annually, whereas the four markets where the US will improve competitiveness import only 341 million litres.

Australia's domestic wine market is our largest and therefore we also have defensive interests but we already have FTAs, eliminating Australia's 5% tariff, with the other major wine producing countries participating in the TPP.

We are particularly excited by the opportunity presented in Mexico. An imported wine market of 61 million litres will be opened up for Australia through the removal of the 20 per cent tariff, thus levelling the playing field with wines from Chile and the USA.

Assuming any political obstacles are overcome, the TPP promises significant benefits for Australian wine exporters. The potential tariff cuts are summarized in Table 1 below.

Table 1: TPP markets and outcomes for Australia

TPP Countries	Current tariff on Australian wine	TPP outcome
Brunei	Alcohol sale prohibited	No change
Canada	2.75 cents/litre or 4.68 cents/litre depending on alcohol content	Eliminated on entry into force
Chile	0% (FTA between Australia and Chile)	No change
Japan	11.3%, reducing to 0% by 2022 (FTA between Australia and Japan)	Phased out over seven years
Mexico	20%	Phased out over 3 years for wine > $5/bottle, 10 years for other wines.
Malaysia	7 ringgit/litre still wine, 23 ringgit/litre sparkling wine	Phased out over 15 years
New Zealand	0% (ANZCER)	No change
Peru	9%	Eliminated on still wine on entry into force, over five years for sparkling wine.
Singapore	0%	No change
USA	0% (FTA between Australia and the US)	No change
Vietnam	56%	Phased out over 11 years

In the case of Japan, our FTA is in force and already providing preferential tariff treatment so although competitor countries, particularly the US and New Zealand, will benefit from Japanese tariff reductions under the TPP, Australia will remain at least two years ahead on the elimination schedule.

The 15 year tariff phase out period in Malaysia may seem protracted, but given Malaysia's reluctance to provide tariff relief to wine through the bilateral FTA, this is a welcome outcome. Similarly the phase out period for Vietnam of 11 years extends tariff reductions beyond the commitment made in the earlier Agreement between Australia, New Zealand and the ASEAN countries.

There are also non-tariff related benefits that may flow from the TPP. The specific Annex applying to wines and spirits provides for the possibility of designing a single label that can be applied to a package of wine, and that package then being sold in all TPP markets.

Market-specific requirements would need to be displayed on additional labels, but the Annex provides that the supplementary label could be applied in the destination market.

Wine Australia particularly welcomes the work that has been done to secure the inclusion of an Annex dedicated to wine and spirits. We commend this initiative as a model to be further developed during future multilateral and plurilateral negotiating rounds since attempts to overcome technical trade barriers are at least as important as those seeking preferential market access.

Table 2: Key wine statistics for TPP members

	Total market (litres)	Total imports (litres)	Australian exports/ sales (litres)	Aust. market share	Aust import share
Australia	552,900,000	92,721,755	450,000,000	81%	na
Brunei	66,649	66,649	270	na	0%
Canada	519,900,000	413,387,432	63,721,730	12%	15%
Chile	225,700,000	2,123,192	24,458	0%	1%
Japan	325,200,000	280,068,995	13,309,185	4%	5%
Malaysia	8,800,000	9,928,790	4,488,919	51%	45%
Mexico	84,600,000	60,953,947	190,886	0%	0%
New Zealand	105,100,000	34,843,949	27,089,909	26%	78%
Peru	51,100,000	9,345,569	4,518	0%	0%
Singapore	10,600,000	31,118,062	5,193,597	49%	17%
USA	3,015,200,000	1,102,100,952	167,927,643	6%	15%
Vietnam	10,300,000	16,076,469	690,526	7%	4%
Total TPP	4,909,466,649	2,052,735,761	732,641,639	15%	36%

Source: Global Trade Atlas, Euromonitor & Wine Australia

Note: Singapore is particularly affected by transhipments to other countries. Hence, imports exceed actual consumption by 3:1