



**Australian Grape & Wine
Submission to JSCOT on the
Indonesia-Australia
Comprehensive Economic
Partnership Agreement (IA-CEPA)**



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Who are we

Australian Grape and Wine Incorporated (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.

Australian Grape & Wine's voluntary membership represents over 75% of the national winegrape crush. 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.

Background

Australia and Indonesia signed the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) on 4 March 2019. As part of the usual process for ratification of an FTA, this agreement has been referred to the Joint Standing Committee on Treaties (JSCOT) for consideration by Senator the Hon Marise Payne, Minister for Foreign Affairs.

Swift ratification of IA-CEPA by Australia would provide a strong signal to the Indonesian Government of our expectation that Indonesia would also ratify IA-CEPA expeditiously, and strengthen our bilateral trading relationship. Australian Grape & Wine welcomes the opportunity to make a submission to the JSCOT inquiry into IA-CEPA and outline the benefits for the Australian wine sector.

Australian Wine to Indonesia

The Indonesian wine market was estimated by Global Trade Atlas at approximately 6 million litres in 2018 valued at almost USD\$18 million. Australia was overtaken by Italy as the dominant supplier (by volume) to the Indonesian market in 2018. Italy and Australia are followed by France, Chile, Singapore, USA and New Zealand as suppliers by volume. Australia is the number one supplier of wine to Indonesia by value. For the total market, around 80 per cent of wine sales are red wines although white wines are preferred in Bali.

In 2015 Australia exported 393,843 litres to Indonesia valued at \$3.5 million. This was an almost 21 per cent increase in volume over 2014, while value remained steady. Export value peaked in 2011 when \$4.75 million of wine was exported to Indonesia. The average price per litre declined from \$8.93 to \$7.44 and the average price for



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bottled wine decreased from \$9.82 per litre to \$7.55. No bulk wine was exported to Indonesia in 2015; however, nearly 65,000 litres were exported in 2014, growing to represent 16 per cent of the total for that year. Wine packaged in glass bottles accounted for 98 per cent of exports to Indonesia in 2015. Red wine increased from 47 per cent of the export mix to 65 per cent in 2015 as fortified wine experienced a decline to 130.5 litres. White wine represented almost 30 per cent of the export mix while sparkling wine decreased to just under 2 per cent in 2015. 53 per cent of all exports occurred below \$4.99 per litre while the \$10.00 and over price point accounted for 17.5 per cent of volume sales and 45 per cent of the total value.

Indonesia is a predominantly Muslim country and alcohol cannot be consumed under Islam. In general, Indonesians are fairly tolerant towards alcohol and do not pose any significant barriers to the market. Alcohol sales and distribution are strictly controlled and excise duties are high. The non-Muslim population is predominantly Christian and of Chinese origin. This sector of the population is also recognised as having the disproportionate share of the wealth, so has the capacity to purchase a higher percentage of the alcoholic beverages available.

Around 87 per cent of the population adhere to the Muslim faith which means that potentially there is still a total available market of 33 million people. Growth in the alcoholic drinks market has been slow but fairly steady in Indonesia driven by wealthy Indonesians, the expatriate community and tourists. Alcohol is heavily taxed by the Government in order to discourage consumption and raise revenue. Consequently, a significant black market exists.

By all reports, the wine market is expected to continue its steady growth into the future as Indonesia's economy grows and develops. By 2050, PWC estimates Indonesia will be the world's 4th largest economy¹, presenting significant opportunities for Australia on the basis of geography and our reputation for clean, green food and wine.

IA-CEPA and Australian Wine

Whilst there are a number of areas which could be improved in the interest of Australian wine trade with Indonesia, Australian Grape & Wine recognise that the cultural and religious sensitivities make FTA outcomes for alcoholic beverages much more challenging to achieve. As such resulting elements negotiated through IA-CEPA had limited reference to wine. Despite this Australian Grape & Wine strongly support and acknowledge the broader benefits of IA-CEPA as a mechanism for liberalising trade and strengthening bilateral relations.

Trade agreements are a highly important avenue for building bilateral relationships as they establish cooperation across a broad range of regulatory, technical, social environmental and economic areas. Australian Grape & Wine is therefore highly supportive of FTA activity in general which seeks to improve trading relations and results in greater cooperation.

Australian Grape & Wine is a strong advocate for building greater relations with our trading partners and strongly support IA-CEPA and swift ratification by the Australian Government.

Conclusion

¹ <https://www.pwc.com/gx/en/issues/economy/the-world-in-2050.html>



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The IA-CEPA agreement is an important step in strengthening the Australia-Indonesia relationship and may provide future benefits to the sector in removing tariff and non-tariff barriers for the wine sector over time.

Australian Grape & Wine strongly support the IA-CEPA process and advocates for bipartisan support for its speedy ratification by the Australian Parliament.



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