

Agreement establishing the International Organisation of Vine and Wine

Background¹

- 8.1 The International Vine and Wine Office (the Office) was established in Paris on 29 November 1924. It is an inter-governmental organisation that, among other things, makes recommendations to its members on aspects of winemaking and viticultural practices. The Office recommends international standards for the wine industry including law, regulation, processing aids, maximum residue levels and labelling. It is not mandatory for members to adopt the resolutions of the Office. However, Office resolutions can have a significant influence on the world wine trade.
- 8.2 Australia has been a member of the Office since 1978. Australia's participation in the Office has increased over recent years in line with the greater export orientation of the Australian wine industry.
- 8.3 Australia and a number of other non-European wine producing countries have had growing concerns that the Office did not adequately represent the views of all members. The dominance of major European wine producing countries in the voting structure enabled resolutions to be passed that furthered the interests of some countries at the expense of

1 Unless otherwise specified the material in this and the following section was drawn from the National Interest Analysis (NIA) for the *Agreement establishing the International Organisation of Vine and Wine*. The full text of the NIA can be found at the Committee's website on www.aph.gov.au/house/committee/jsct.

others and that resolutions were not always totally scientifically and technically based.

- 8.4 In 1996 Australia initiated an extensive review to update the operating and financial structures of the organisation. The results of the review are largely reflected in the proposed International Organisation of Vine and Wine (the Organisation). While the new Organisation provides the same functions as the current Office, the revisions are so extensive that the Department of Agriculture, Fisheries and Forestry – Australia (AFFA) is seeking to withdraw from the old treaty and to replace it with the new one.²
- 8.5 The Agreement was signed by Australia on 31 July 2001 and will enter into force on the first day of the year following the deposit of the 31st instrument of acceptance, approval, ratification or accession. There are around 45 members of the current Office. As of 12 July 2002 ten or eleven of these had lodged instruments with the French government acceding to the treaty. The Agreement is expected to enter into force on 1 January 2004.³

Proposed treaty actions

- 8.6 Some key features of the proposed Organisation include:
- consensus is to be the main basis of decision making with individual countries gaining the right to veto resolutions (other than budgets and elections);
 - the inclusion of English as an additional official language;
 - an improved charter, with better definitions of the Organisation's role as an international standards setting organisation; and
 - more stable, transparent and accountable funding arrangements.
- 8.7 Minor regulatory action is required to provide for the Organisation's legal capacity under Australian domestic law. No other legislative changes at state or federal level are required.
- 8.8 Australia's annual contribution to the Organisation will increase from the current 1.5 to 1.7 percent of its annual budget. The 2002 contribution was

2 Michael Alder, *Transcript of Evidence*, 12 July 2002, p. 89.

3 Michael Alder, *Transcript of Evidence*, 12 July 2002, p. 90.

\$38,000. This is expected to rise to \$70,000 (depending on currency exchange rates) once the Agreement is in force.

Evidence presented and issues arising

Decision making and dispute resolution mechanisms

8.9 The new Organisation will make recommendations by the consensus of its members. These decisions are subject to veto by the individual parties. The Committee inquired into the form of dispute resolution available to parties in the event of significant disagreement within the new Organisation.

8.10 AFFA clarified the meaning of the consensus driven decision making procedure. In terms of the Agreement establishing the Organisation consensus is understood as:

The absence of sustained opposition rather than everyone fully agreeing to everything – then it is up to the president to bring the parties together.⁴

If mediation is unsuccessful, the issue can be deferred for one year. In the event that dissenting parties cannot resolve their dispute a party can block a vote by submitting a formal letter from the government involved.

Advantages of membership

8.11 The NIA noted that the United States of America is not a party to the current agreement that establishes the Office of Vine and Wine. The Committee sought further information as to why this was the case, what effect non-membership had had upon the wine industry in the United States and whether Australia would be affected similarly by deciding not to join the new Organisation.

8.12 AFFA explained that the United States withdrew formally from the Office in December 2001 because of its longstanding perception that the Office supported European interests. Michael Alder was not aware of any adverse impact that non-membership had had upon the wine industry in the United States, but pointed out that Australia was in a significantly different position to the United States with regard to its wine industry:

4 Michael Alder, *Transcript of Evidence*, 12 July 2002, p. 93.

Firstly, the United States is ... a ... larger economic and political force in international trade negotiations than Australia. Secondly, the European Union is a net exporter to North America and the US whereas Australia is a huge net exporter the other way. Thirdly Australia is the country that actually initiated the review and we did achieve most of the things we wanted ...⁵

In excess of 50 percent of Australia's trade in wine is with the European Union. Membership of the Office allows Australia to influence the European wine laws and recommendations from the Office early in the process.⁶

- 8.13 The Western Australian Government wrote to the Committee supporting Australia's ratification of the Agreement because, in its opinion, the Agreement gives countries like Australia more influence on issues affecting the international wine trade.⁷ The Western Australian Government urged Australian representation on the Organisation be used to maintain high industry standards for food safety and quality in keeping with the Australia New Zealand Food Authority's Food Standards Code.
- 8.14 The Winemakers Federation of Australia was very supportive of the review of the current International Wine and Vine Office initiated by Australia and supported ratification of the proposed Agreement establishing the new Organisation.⁸ While acknowledging the substantial improvement in Australia's ability to protect its interests under the new arrangements, the Winemakers Federation maintains that there is still room for improving the terms of the Agreement to better reflect Australia's interests.

Conclusions and recommendations

- 8.15 The Committee recognises the desirability of updating the current International Wine and Vine Office to acknowledge the increased involvement in the industry and trade of non-European wine producing countries such as Australia. It encourages Australian representatives on the new Organisation to press for continuing upgrading of the

5 Michael Alder, *Transcript of Evidence*, 12 July 2002, p. 94.

6 Michael Alder, *Transcript of Evidence*, 12 July 2002, p. 90.

7 Department of the Premier and Cabinet, Government of Western Australia, *Submission No. 8*, p. 1.

8 T. Battaglene, Winemakers Federation of Australia, *Submission No. 1*, p. 1.

Organisation by reflecting concerns expressed by the Australian Winemakers Federation.

- 8.16 It acknowledges the efficacy of maintaining membership of an organisation that facilitates the international wine trade – an industry that is becoming increasingly important to Australia.
- 8.17 Therefore, the Committee makes the following recommendation:

Recommendation 7

- 8.18 **In line with Article 1 of the *Agreement establishing the International Organisation of Vine and Wine*, which replaces the Office with the new Organisation, the Committee supports the withdrawal of Australia from the International Vine and Wine Office.**

Recommendation 8

- 8.19 **The Committee supports the *Agreement establishing the International Organisation of Vine and Wine* and recommends that binding treaty action be taken.**

Julie Bishop MP

Committee Chair

August 2002