Submission to the Productivity Commission Review of Bilateral and Regional Trade Agreements

**Prepared by the Winemakers' Federation of Australia**

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## Introduction

WFA is the national peak body for the wine industry with voluntary membership representing more than 95% of the wine produced in Australia. It develops policies and programs for the whole industry on a range of political, social, environmental, trade and technical issues with both a national and international dimension.

## Background – the Australian wine sector

Wine is an important industry in Australia, contributing significantly to a number of regional economies and directly employing some 28,000 people in both winemaking and grape growing (2006 Census), with further downstream employment in retail, wholesale, hospitality and tourism industries. The Australian wine industry is comprised of approximately 8,000 wine grape growers supplying over 2,000 wineries. In 2007, the total vineyard area reached almost 164,000 hectares. Wine grapes are grown in all states of Australia, with South Australia, New South Wales and Victoria accounting for the majority of production.

The rapid expansion of wine production in Australia over the last decade combined with a small domestic market has seen the Australian industry become increasingly export oriented. Australia exports wine to 104 countries, and has an eight per cent volume share of global wine exports. In 2007 wine exports totalled a record 787 million litres with an estimated value of $2.9 billion which accounted for around 10 per cent of Australia's agricultural exports. These wine export volumes currently represent almost 60 per cent of Australian wine sales and make Australia the world's fourth largest wine exporter. This is despite Australia's wine production accounting for only four per cent of total world production. Approximately half of Australia's wineries currently export to overseas markets.

<u>Today's challenges</u>

In May 2007, the Australian wine sector launched *Wine Australia: Directions to 2025* as an industry strategy for sustainable success. Following a decade of unprecedented change in global wine trading conditions, *Directions to 2025* was developed to reassess the priorities and challenges facing the industry. It is founded on the firm conviction that Australia must become a more significant participant in the regionally distinct and fine wine market, and its target is to increase the value of Australian wine trade over the next five years by a cumulative $4 billion.

The wine industry faces a number of interlinked challenges and issues that it will need to overcome, if it is to maintain strong growth and continue to increase the substantial contribution it makes to the Australian economy and society in general. These challenges and issues, as identified in *Directions to 2025,* include:

- a structural imbalance between the cost of production and the price opportunity;
- grape and wine supply and demand fluctuations;
- retail consolidation driving downward pressure on pricing and margin;
- slow domestic growth and a tougher market for export growth;
- a resurgent Old World and better resourced New World competitors;
- greater environmental and sustainability challenges and responsibilities, particularly exacerbated by climate change;
- changing social concerns; and
- changing demographics and consumer expectations.

*Directions to 2025* has identified the potential for the Australian wine sector to sell an extra $4 billion worth of wine over the next five years – lifting cumulative domestic and export sales for the period to $30 billion, rather than the $26 billion expected based on current production levels and consumer trends. The gains will come through a combination of new marketing based on regional and fine wines and a clearer identification of niche market opportunities

*Directions to 2025* represents a comprehensive plan for the Australian wine sector to transform itself from a volume-driven approach to one that delivers a more sustainable and profitable business environment for more growers and producers. That is it is a shift from a volume growth to a value growth strategy. This requires improved performance in penetrating high value export market segments and emerging markets.

The past decade has seen unprecedented growth in the international trade in wine. Increasing competition for wine, the slow growing domestic market and limited established export markets for Australian wine has increased the need to reduce international trade barriers to facilitate trade.

The Winemakers Federation of Australia is an unapologetic advocate for free trade in wine and strongly supportive of the Australian government initiatives to enhance market access. Our vision for the industry is to ensure wine can be traded freely on the international market.

Consistent with *Directions to 2025*, the Australian Wine and Brandy Corporation (AWBC) and Winemakers' Federation of Australia (WFA) work together to increase Australian wine exports by assisting the sector with market access issues and reducing trade barriers.

WFA encourages an industry and government partnership to:

- ensure and enhance market access through the removal of trade
- barriers and harmonisation of import requirements where appropriate;
- ensure that the quality perception, integrity of brand Australia , and industry competitiveness is not compromised through inappropriate government policy and/or regulation;
- promote free trade without subsidies;
- remove tariff and non-tariff barriers for wine;
- ensure that international standards are set on the basis of sound science and not used as an impediment to trade;
- recognise that a sustainable wine industry pivots on the economic growth that drives it, but ensure such growth should be achieved through sound environmental practices; and
- maintain the integrity of the current multilateral trade agreements under the auspices of the World Trade Organisation.

Specific activities undertaken as part of the WFA international trade strategy include:

- Monitoring trade issues and barriers;
- Negotiating arrangements to improve market access and streamline importing requirements;
- Providing advice and information to relevant Australian Government departments including support for free trade agreement and other negotiations;
- Building relationships with regulators in our key export markets and making representations as necessary;
- Providing a response capability in the event of adverse developments arising;
- Developing a comprehensive understanding of the regulatory requirements in key export markets; and
- Assisting exporters to resolve specific market access issues (AWBC).

Such activities are pre-competitive often requiring collaborative international action with benefits accruing to the whole Australian wine industry. Our aim is to ensure that the Australian wine industry is able to respond unimpeded to customer demand for quality Australian wine exports where possible by delivering substantial and meaningful improvements in market access. We work to achieve significant new market opportunities by reducing trade distortions in the global markets.

***Issues***

The issues paper released by the Productivity Commission poses a number of questions. Some of these questions appear to be designed to test whether the era of multilateral negotiations is over and the day of bilateral and regional trade agreements has come. The view of WFA is that market access improvements need to be pursued in both forums.

### *What are the prospects for further multilateral liberalisation through the Doha round? How broad or deep is such liberalisation likely to be?*

WFA remains a strong and active supporter of Australia's negotiations in the Doha round. However, we are under no illusions that when the negotiations are concluded that the wine industry will be significant beneficiaries in terms of improved market access. WFA actively consults with the Australian government on the WTO negotiations. We consider there will be no significant direct benefits to the wine industry in terms of reduced tariffs from the WTO negotiations, with the possible exception of India. However, the negotiations will remove 'water' from tariffs and act as a deterrent to future tariff increases aimed at increasing protectionism.

Multilateral trade negotiations are slow and painful, but even incremental progress is better then no progress at all.

What factors have lead to the growth in trade agreements? Is ongoing growth of trade agreements inevitable?

Trade agreements have always been an attractive target as they give a preferential advantage to the countries involved in the agreement. Countries like Chile have pursued trade agreement aggressively with their major trading partners. The successes of their negotiations have put added pressure on other countries to also pursue agreements so that one country does not gain a significant advantage over another. Once one of your competitors concludes and agreement, the pressure is one you to do likewise. Even a small reduction in tariffs or improvement in market access translates into substantial market share. For example, Chile's FTA with South Korea had an immediate positive impact on imports of Chilean wine which have nearly doubled since implementation to USD$15.4 million *(Source: Korea Trade Information Services)*;

Once market share is taken it becomes much more difficult to get it back, even if the playing ground is leveled.

This strategy pursued by Chile has been interesting in that they do not seek to pursue comprehensive agreements but concentrate on their major offensive interests. They recognize that their future is through export, and therefore do not seek to maintain market support or trade barriers to disadvantage imports based on the arguments of historical lobby groups.

### *What developments within our trading partners' economies or the regional and global economic architecture, more broadly, have implications for Australia's approach to trade agreements?*

In November 2008 the Government announced that it would participate in negotiations for a Trans-Pacific Partnership Agreement (TPP). The TPP will expand on the current Trans-Pacific Strategic Economic Partnership Agreement between Brunei Darussalam, Chile, New Zealand and Singapore (which entered into force in 2006) to also include the United States of America and Peru.

The Government announced on 18 August 2009 that Australia would commence negotiations on a new regional trade and economic integration agreement with the Pacific Forum. Known as the PACER Plus negotiations, these will involve Australia, the Cook Islands, the Federated States of Micronesia, Kiribati, Nauru, New Zealand, Niue, Palau, Papua New Guinea, the Republic of the

Marshall Islands, Samoa, the Solomon Islands, Tonga, Tuvalu and Vanuatu. Australia's stated primary objective with PACER Plus is a more sustainable and prosperous Pacific.

Both of these initiatives have great potential for Australia. Increasingly, it is to be hoped that bilateral FTA's can be expanded into regional FTAs.

**Apart from trade agreements, what are the key elements of the regional economic architecture?**

**How do these currently impact on Australia?**

**How are they likely to evolve and what will their implications be for Australia in the future?**

WFA believes that APEC remains an important part of the regional architecture with substantial opportunity for Australian industry. In our view there needs to be better integration across government with a clearly defined strategy of the opportunities and direction we wish to take within APEC. Currently, many industries do not understand the potential of this forum. WFA has been an active participant in APEC for some years.

For example, at the First APEC Sub-Committee on Standards and Conformance (SCSC) Meeting held in Lima, Peru from 25-26 February 2008, the SCSC endorsed the establishment of a Wine Regulatory Forum (WRF) and its Terms of Reference.

The Committee noted that there are currently no standards for wine makers developed by CODEX or other internationally recognized bodies. The establishment of the WRF will allow economies which have an interest in better regulation of wine and facilitating trade in wine to work together, exchange information and examine areas where useful and productive capacity building activities could be undertaken. In particular these experts will share experiences and knowledge, in particular in relation to involvement and obligations with the various relevant international forums, including *inter alia*, the Codex Alimentarius Commission, World Trade Organisation (WTO), International Organisation of Wine and the Vine (OIV), and the World Wine Trade Group (WWTG). This consultation would also look at the benefits for APEC Economies and the APEC region, in particular the benefits to consumers by improving consumer protection through better wine regulation.

A key thrust of these consultations will be to provide capacity building in the area of wine regulation. This activity complements the Food Safety Forum. The Food Safety Forum has produced a strategic approach for SPS activities that has four key strands, including one on *Food safety regulatory systems*, with a sub-theme: *Legal and technical drafting to support the development of food laws and regulations harmonized with international standards*. This activity, which links the wine industry engagement with food regulators fits within that strand.

To progress the sentiment of the SCSC, the APEC Wine Regulatory Forum will:

- ❖ Strengthen regulatory cooperation among member economies;
- ❖ Develop capability among regulators in the region; and
- ❖ Enhance the regulatory capacity by sharing information on standards and practices in the region and in major producing and consuming economies.

In our view this activity is a model case study for capacity building with a view to regulatory alignment, where you have an industry that is keen to foster trade, and governments keen to protect consumers, rather than use regulation as a form of protectionism. In accelerating progress towards these outcomes, the goal of the Forum is to:

- examine options to simplify and harmonise wine regulation across the APEC region, reduce technical barriers to trade and protect consumers; and
- share information and build capacity in wine regulation across the APEC region.

With a relatively small government investment, activities like these could give a foothold into regulatory reform in key export markets.

***What liberalization of trade in goods can be attributed to countries' involvement in trade agreements? How has this varied across products or sectors?***

Despite recent setbacks over the past two years, with volatile exchange rates, challenging climatic conditions, water management issues, hungry international competition and reducing profitability the wine sector remains a very important contributor to Australia's economy.

The Wine Restructuring Action Agenda announced in November 2009 outlines a plan to address the difficult position the sector now finds itself in. However, given the increased global competition and more difficult trading environment for Australian wine exports, securing improved market access for Australian wine exports is critical to the industry's ongoing export success.

Although our largest markets at present are in North America and Europe, we see enormous potential in Asia. However, these markets present a number of barriers to trade in Australian wines and an ambitious trade policy towards Asia and the Middle-East is needed to support our growth plans. In particular, contrary to developed Western countries, emerging Asian economies are fiercely protectionist, and many impose very high import tariffs on Australian wine.

WFA is a strong and public supporter of the Australian government's initiatives in increasing market access and facilitating trade in multilateral and bilateral forums.

Bilateral free trade agreements represent an important alternative mechanism for locking in meaningful market access gains for Australian wine exports. Under the Thailand-Australia Free Trade Agreement, for example, Australian wine faces an import duty of 28% from 1 January 2008 compared with the MFN rate ranging from 54.6 to 60% and as a result we have secured significant market gains although onerous domestic taxes continue to act as a heavy brake on further market penetration.

***ASEAN***

The negotiations between ASEAN, Australia and New Zealand for a Free Trade Agreement (AANZFTA) were concluded in Singapore on 28 August 2008. The benefits to the Australian wine industry were limited and restricted to tariff concessions from Vietnam and Philippines.

Indonesia – All wines are excluded from tariff commitments (currently 6 tariff lines at 90% and 7 tariff lines at 140%)

Malaysia – All wines excluded from tariff commitments (Champagne –RM 23/lt; Other wine – 5 tariff lines at RM 7/lt)

Philippines – All tariffs phase to 0% by 2015 (Sparkling wine at 5% eliminated in 2010; other wine – 6 tariff lines at 7% phase to 0% by 2015; grape must – tariffs at 5% on 2 lines eliminated at entry into force; tariffs at 7% on 2 lines phase to 0% by 2015).

Singapore – all wines and spirits tariffs bound at 0% at entry into force (same as SAFTA)

Thailand – All tariffs phase to 0%. (Wine 3 tariff lines at 54% and 3 tariff lines at 60% phase to 0% by 2020; spirits – 1 tariff line at 54%; 6 tariff lines at 60% phase to 0% by 2013). Tariffs are eliminated earlier in TAFTA (Thailand immediately reduced its previous 54% tariffs on wine to 40%, and will phase the tariff to zero in 2015. For beer and spirits, Thailand has reduced the previous tariffs of 60% to 30%, before phasing to zero in 2010.)

Vietnam – 2005 base tariffs - 11 lines with at 80% (wine – tariffs on 9 lines reduce to 20% in one step in 2022; tariffs on 2 lines (grape must) reduce to 40% in one step in 2022. Spirits – 22 tariff lines at 80% reduced to 40% in one step in 2022; 1 tariff line at 80% (vodka) phases to 5% by 2022)

*Gulf Cooperation Council (GCC)*

After a gap in negotiations of some 15 months, Australia hosted a delegation from the Gulf Cooperation Council (GCC) in Canberra from 24-26 February 2009 for the third round of our free trade agreement (FTA) negotiations. A large number of provisions in the Trade in Goods, Trade in Services and Customs Procedures texts have been agreed, but the Rules of Origin, Government Procurement and Investment chapter texts require considerably more work. The fourth round of free trade agreement (FTA) negotiations with the Gulf Cooperation Council (GCC) was held in May. Unfortunately, the GCC was unable to provide Australia with a goods market access offer in time for this round. We expect them to seek to exclude wine from tariff reductions.

*Malaysia*

Following the conclusion of the negotiations between ASEAN, Australia and New Zealand for a Free Trade Agreement (AANZFTA) in 2008, Australia has recommenced negotiations with Malaysia.

Under AANZFTA, Malaysia excluded all wine product lines from tariff commitments. We understand Malaysia's position is that it should not be required to grant preferential tariff treatment to alcoholic beverages, such as wine, in free trade agreements because a majority of its population are Muslim and therefore required to abstain from consuming alcoholic beverages.

We suggest, however, that Malaysia's position that alcoholic beverages should be excluded from free trade agreements on the basis of religious and cultural sensitivities is not sustainable. Not only is there strong consumer demand for wine in Malaysia, it does allow importation and is a significant domestic alcohol producer and this seems entirely inconsistent with their negotiation position.

Domestic producers of alcoholic beverages in both Malaysia continue to benefit from excessive import duties for imported alcohol, including wine. Malaysia has significant domestic beer industries with more than 90% of beer consumed in Malaysia over the last decade having been brewed, bottled and sold domestically.

In summary, given there is significant consumer demand for wine in Malaysia we query whether religious and cultural concerns are a legitimate basis for maintaining high import tariffs especially as there is significant domestic alcohol production.

Australia needs to continue to pursue a comprehensive agenda and not carve out negotiations on market access for wine. We understand the political difficulties this approach will cause, but the Australian wine sector is reliant on a strong government approach to maintain our profitability and ensure the prosperity of regional Australia.

***To what extent have agreements resulted in liberalisation of non-tariff barriers to trade?***

Unfortunately, this is an area that relatively little benefit has been received by the wine sector. Although in all our free trade negotiations we have raised these issues, and our government has actively pursued them, inevitable the FTA text is too high level to address specific non-tariff measures.

The world wine trade is a significant industry world wide. In the last 20 years, the global trade in wine has undergone enormous growth. Bulk and packaged wine is now bought and sold across international borders. The world's wine industries operate in a global market, in stark contrast to the regional production and consumption patterns of the past.

Over the past 100 years the international wine trade has been focused on the traditional large wine consuming nations - in particular Western Europe and the America's. However, consumption in Western Europe and South America has been either stable or declining over the past decade. Clearly, in the next decade (2010 onwards) increasing focus will be on the Asia Pacific region and to a lesser extent the Eastern European markets. This is forecast to accelerate from around 2025 onwards (Ruthven, 2004).

The key drivers of this growth will be increasing economic growth in the Asian region, leading to higher incomes, increased consumption of consumer goods and resulting in increased demand for quality wine products.

**Regulation of oenological practices as a barrier to trade**

The regulation of wine around the world has a significant real and potential impact on the trade in wine. The past decade as seen unprecedented growth in the international trade in wine. The biggest drivers of this growth have been Australia, New Zealand, United States, Chile, Argentina and South Africa. The increased competition arising from the increased presence of 'New World' wine in the market place, coupled with aggressive marketing and consumer friendly styles and labelling have left producers in Europe and the United States looking for answers in how to reclaim market share.

The simple response from producers has been to seek increased domestic support and/or impose technical trade barriers. Although the World Trade Organisation prescribes trading rules to minimise the growth in technical trade barriers, the reality is that the rules are imperfect and expensive to enforce.

There are a number of areas of trade barriers that are proliferating at present and appear to be part of a well orchestrated trade policy push from some major world players. These purport to relate to consumer protection / 'fair trade' and principally relate to product integrity systems, additives and processes and labelling.

Technical barriers to trade are a very real risk to trade in wine. Over the last five years there have been a number of regulatory developments internationally that have indicated that inappropriate regulation could become a major political football and consequently barrier to trade in the next decade. Serious impediments to trade arise from differences in regulatory philosophies for wine around the world. The major thrusts of the global regulation of wine concern **oenological practices, certification** and **labelling**.

For the wine sector, most of the initiatives to reduce non tariff measures have been through other forums such as the World Wine Trade Group (WWTG) and the Australian-European Union Agreement on Wine.

The World Wine Trade Group includes representatives from Argentina; Chile; USA; Canada; Australia; South Africa; and New Zealand. Observers from a number of other economies including Uruguay, Brazil and Mexico also attend meetings. This is an industry - government group that meets twice a year with the objective of enhancing world trade in wine.

In December of 2001, the New World Wine Producers signed the Mutual Acceptance Agreement (MAA) on winemaking practices. In this historic agreement, members agreed to recognize one another's winemaking practices and the regulatory and enforcement mechanisms of the signatory economies. This binds the 'World Wine Trade Group' of economies[2] to allow the importation of wines from each other provided the wine has been produced in accordance with practices legitimate in the country of origin, regardless of the legality of those winemaking practices in the country to which the wine is exported.[3]The introduction of new technologies is far less likely to disrupt trade under this 'mutual acceptance' approach than under the arrangements favored by the EU.

This agreement is intended to encourage free trade in wine, through setting a benchmark standard to ensure consistent quality for wines and guaranteeing consumer health and safety.

A WWTG Labelling Agreement was signed on 23 January 2007 as part of the WWTG Plenary meeting hosted by Australia (in Canberra). The Labelling Agreement requires a 'single field of vision' approach to wine labelling, whereby four key common mandatory items of information (product designation, content volume, percentage alcohol and country of origin) are deemed to comply with domestic labelling requirements if they are presented together in any single field of vision. Australian industry estimate that once in force the Agreement will deliver cost savings of almost $25 million each year (around one percent of the cost of production), in addition to marketing and distribution benefits. Compliance with the Wine Labelling Agreement will reduce

[2] Australia, Argentina, Canada, Chile, South Africa ,New Zealand and the USA
[3] There are exceptions allowed for reasons of human health and safety.

the production, application, warehousing and waste of labels. Efficiencies are gained in actual production of labels, the application of labels and in the reduction in the number of stockkeeping units of finished product.

It was believed that harmonised standards and conformance would facilitate the conduct of international trade, resulting in more rapid trade flows, reduced costs and greater integration of production networks in the region. It would also ensure conformance with international obligations under the WTO be reducing the inadvertent maintenance of trade barriers from disparate labeling regulations and food standards.

The WWTG is currently negotiating an MOU on Certification with a view to eliminating requirements for certification between WWTG countries (apart from those relating to sanitary and phytosanitary measures). Australia is supportive of progressing this initiative and has been instrumental in the development of draft text and progressing discussions on the initiative. Australian industry is not seeking a binding agreement and prefers to view this as more of a ‘strategic document’.

*Maximum Residue Levels (MRLs)*

A further issue of interest to the wine sector concerns the use of agrichemicals. Pesticides are used to protect crops before and after harvest from infestation by pests and plant diseases. A possible consequence of their use may be the presence of pesticide residues in food.

Maximum Residue Levels (MRLs) are set to reflect the highest amount of pesticide residue expected in food when pesticides are applied correctly (in accordance with approved conditions of use). MRLs are primarily trading standards, but they also help ensure that residue levels do not pose unacceptable risks for consumers.

Farmers, importers, distributors and retailers are responsible for ensuring marketed food complies with all statutory MRLs set. National authorities are responsible for control and enforcement of the MRLs. Checks entail taking samples, analysing them and identifying the pesticides and respective pesticide levels present.

In most cases MRLs for the raw agricultural commodity – grapes are set. Whilst MRLs for wine are not normally set, it is usually assumed that the MRL for grapes applies also to the wine produced from those grapes. Processing studies can be used to support a raw commodity MRL proposal and in some cases the setting of a processed commodity MRL.

MRLs differ between countries both in level and for approved use on commodities which has the potential to be a significant barrier to wine trade. In addition, for unapproved product use such as may occur from spray drift, policies differ on default MRLs. For developing countries due to limited capacity and resources, they are often unable to conduct independent risk assessments and are faced with often widely varying MRLs which cause issues for determining safety and for trade. They will often then use Codex MRLs as a default.

Other default positions include a blanket ban; a tolerance of 0.01 mg/kg or as in the case of China where there are some 136 agri-chemical for which MRLs have been established the food safety law that entered into force in June 2009 - stipulates that importing food for which there is no standard, the importer shall apply to the health agency and provide safety assessment material. Then the health agency will decide whether to permit or not, and develop relevant national food safety standard.

**MRLs are also set through the** Codex Committee on Pesticide Residues (CCPR).

While it appears a bridge to far to sign a mutual recognition agreement on MRLs within the WWTG, there are a number of initiatives that can usefully be progressed to improve the current situation:

- Create a database of MRLs
- Create a database of analytical methods used for residue tests

- Identify different or absent MRLs
- Identify what mechanisms are available to harmonise these
- Identify default MRLs, the relationship with Codex and mutual recognition.
- Develop as an action item within the APEC Wine Regulatory Forum

We should seek to harmonise MRLs for grapes within the WWTG countries. We should encourage our governments to support this.

We should seek to negotiate the following policy principles to be pursued in the relevant forums:

Imports:

Imported foods must meet the same MRL standards as domestically produced wine, i.e. the domestic MRLs. If there is no domestic MRL for a particular pesticide and food commodity, there must currently be no quantifiable residue.

In this situation, the corresponding Codex MRL is adopted, or in the absence of a Codex MRL, a default be adopted of 0.01 mg/kg (or the Level of Quantification, 'LOQ', if that is higher). If the default MRL is inappropriate; the domestic importer of produce should be able to apply to set an MRL ('import tolerance') at least on a case by case basis.

**Exports**: The importing country's MRL takes precedence for exports, because if the produce is not compliant with their MRL, the produce will not be accepted by the importing country, i.e. there will be no export. If the importing country does not have its own MRL, then the Codex MRL should apply (if accepted by the importing country). The LOQ should apply if the importing country has no domestic MRL for a particular pesticide and food commodity and does not accept the Codex MRL. If that is inappropriate, the exporting country's MRL should apply or an MRL be set by inter-government agreement.

For new pesticide chemicals or new uses for existing chemicals, the registrant should apply for a Codex MRL as soon as there is a relevant registration granted anywhere in the world. WWTG Governments should support urgent prioritisation of these new applications in the Codex MRL-setting process.

### *Best practice principles for bilateral and regional trade agreements*

The issues paper brings out some of the key questions concerning the negotiation of Free Trade Agreements. Rather then address each of these I will make some general comments.

Australia has a small number of very competent trade negotiators located in DFAT and other key Departments. However, one of the problems is that with the high turnover of negotiators in DFAT, we are finding that negotiators on a particular FTA are not fully aware of what has gone in other FTAs and sometimes are not aware that a particular position taken in another FTA may not be the optimal position for Australia. I would clarify this point by saying that it is not the case in all negotiations. This is not a problem within the line Departments which appear to have a more stable set of negotiators. The template approach of basing new negotiations on the AUSFTA is a case in point.

Australia has always taken an approach that they negotiate a comprehensive FTA. While in principle this is a good strategy, it sometimes has lead to a perceived inflexibility in Australia's position. We also know that Australia has compromised on the comprehensiveness of the FTA in many instances.

For the wine sector, Chile has always appeared able to obtain marginally better outcomes for their industry then Australia. They have also taken some creative and effective approaches to their negotiations. For example, it might be worthwhile considering an approach that Chile has taken in some negotiations ( most notably with the United States) where they have built in a MFN clause – that is, if some other economy gains a better deal on market access then those benefits will then automatically be passed on to Australia.

I would also point out that there are considerable benefits in technical cooperation with FTA partners. Under the AANZFTA a chapter on technical cooperation has been built in. This does not fit within the normal Australian 'template' but is a very useful adjunct to improve market access.

Australia has recently signed memorandum of understandings on certification issues with China and Hong Kong. A commitment to negotiate such an MOU with our trading partners would be a significant step forward. Ongoing dialogue is vital to reducing trade barriers, but most existing mechanisms set up under the FTAs do not appear to work well.

Australia also continues to have issues relating to different technical requirements between our trading partners and Australia. Again there would be considerable benefit in establishing a technical forum to discuss such issues through the FTA. We also believe that commitment to cooperate in regional forums such as APEC and in key international bodies such as the Codex Alimentarius Commission would of major benefit.

Questions are raised concerning prospective partners for FTAs. It appears to us that there is no coordinated plan on priority FTAs. WFA would strongly support priority given to extending current existing FTAs into a regional context such as the proposed Trans-Pacific Partnership Agreement and PACER Plus negotiations.

## Conclusion

WFA is a strong advocate for both multilateral trade negotiations and free trade agreements. Better market access remains a key issue for our industry and has enormous benefits for Australia. We would like to see more resources placed to support such negotiations and an increased emphasis on economic and technical cooperation in a bilateral and regional context.