

International
Food & Agricultural Trade
Policy Council



Writing the Rules for 21st Century Trade: New Solutions for Old Problems in the Trans- Pacific and Trans-Atlantic Negotiations

To Act or Be Acted Upon – Innovations in Regulatory Cooperation

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WINE IS A UNIQUE AGRICULTURE PRODUCT

- Highly regulated
- Excise taxes generate government revenue



Impact of Government Policy and Regulation



- Predominately small and medium sized producers
- Low risk product
- Grapes grow in dry poor soil
- High value crop



REGULATORY CONTROLS “ACTED UPON”

- PURPOSES
 - Revenue
 - Social
 - Consumer protection
 - Health and safety
 - Market protection and trade policy
- WINEMAKING AND VITICULTURAL PRACTICES
 - Definitions
 - Processing aids
 - Mrls
 - Quality standards
 - Environmental



NEED FOR REGULATORY COHERENCE

- WINE CONSUMPTION INCREASING WORLD-WIDE
 - Nearly 2 billion more bottles of wine will be consumed in the world between 2010 and 2015
 - In 2010, total world wine consumption reached 2.640 billion 9-liter cases, equivalent to 31.68 billion bottles, a 4.5 percent increase compared to 2006 (IWVSR)
 - U.S. largest consumer with 13 percent of total consumption
 - One bottle out of four consumed somewhere in the world is imported. Between 2006 and 2010, the volumes of imported wines consumed grew by 7.83 percent, reaching 639 million cases by the end of the period



NEED FOR REGULATORY COHERENCE

- More than 180 countries consume grape wine
- More than 40 produce grape wine in commercial volumes
- Behind the border non-tariff barriers to market access also increasing
 - European Union
 - BRICS
 - ASIA
 - LATIN AMERICA
 - AFRICA



EXISTING OPPORTUNITIES FOR REGULATORY COHERENCE

- WTO MULTILATERAL AGREEMENTS
- BILATERAL AGREEMENTS
 - Preferential Trade Agreements
 - Memorandum of Understanding
- REGIONAL ORGANIZATIONS
 - APEC
- MULTILATERAL ORGANIZATIONS
 - WTO
 - CODEX ALIMENTARIUS COMMISSION
- PLURILATERAL AGREEMENTS
 - NAFTA
 - CAFTA
 - TPP



OPPORTUNITIES FOR INNOVATION “TO ACT”

- OBJECTIVES
 - Wine Specific
 - Wine producers
 - Public-Private Partnership
 - Common goals
 - Coherence through mutual acceptance
 - Template for efficient and effective wine regulation



NEW APPROACH TO ACHIEVING COHERENCE

- Public-private partnerships that include all stakeholders are proving beneficial in the **delivery of government services** (see Public-Private Partnership (PPP) Alliance of the United Nations Economic Commission for Europe)
- Drawing on experience of U.S. Customs Modernization Act and international efforts to facilitate trade
- Created new public-private partnership of new world wine producing countries



NEW APPROACH TO ACHIEVING COHERENCE

PRINCIPLES AND HISTORY OF THE WORLD WINE TRADE GROUP

- The World Wine Trade Group (WWTG) is an informal group of government and industry representatives working together with a mutual interest in facilitating international trade in wine and avoiding the application of unnecessary obstacles to that trade
- The WWTG held its first organizational meeting in Zurich in 1998
- Since then, member countries Australia, Argentina, Canada, Chile, New Zealand, South Africa, the U.S. and, most recently, Georgia, have met twice a year to discuss approaches to reduce barriers to the global wine trade and to reduce the regulatory burdens imposed on WWTG members resulting from existing national regulations among them



WWTG ACHIEVEMENTS IN REGULATORY COHERENCE AND BEYOND

Mutual Acceptance Agreement on Oenological Practices (MAA) – 2001

- A treaty based on the concept of equivalence set forth in TBT 2.7; all signatory countries to the MAA accept the winemaking regulations/practices of the exporting signatory, thus eliminating the need for testing of imported wines
- Consumer health and safety protections are governed by members' domestic regulations
- **Agreement on Requirements for Wine Labelling – 2007**
 - Reduces the costs of production, application and warehousing of wine labels by allowing placement of four items of mandatory information, within a single field of vision, anywhere on a wine label, effectively establishing a “world” label
 - Placement of national mandatory and other information is flexible, but misleading and deceptive practices are prohibited



WWTG ACHIEVEMENTS IN REGULATORY COHERENCE AND BEYOND

- **MOU limiting certification requirements**

To reduce the need for routine certification requirements, while protecting the rights of each participant to require certification for health and safety reasons. Participating countries should not require certification related to vintage, varietal or regional claims for wine unless they have legitimate concerns about such claims. If participants find certification to be necessary, the MOU encourages them to accept certificates issued by the official certification body or by an officially recognized certification body of the exporting country

- **Phase II Labeling Protocol**

Labeling provisions concerning alcohol tolerance, vintage, variety, and wine regions

- **Ongoing Work Program**

- Mutual Recognition of Sustainability Program
- Endorsement of Industry's Principles
- APEC Wine Regulators Capacity Building



World Wine Trade Group Industry Section's *Regulatory Principles* as a Reflection Of International Best Practices

1. Avoid the establishment of limits that stimulate unnecessary and costly analyses. (e.g., Zero salmonella in 25 ml wine even though wine will not support growth of salmonella; Pesticide MRLs for wine in addition to MRLs for grapes.)
2. Harmonize or mutually recognize limits where there is no scientific justification for national or regional differences.
3. Give due regard to intergovernmental agreements and work done by other competent authorities when establishing new regulatory limits.
4. Adopt a common system of scientific units for expressing regulatory limits.
5. Express regulatory limits on a "per unit volume of wine" basis, rather than "per unit volume of alcohol" in the wine or any other basis.
6. Adopt a common way of expressing results where this is done in relation to a single wine constituent (e.g. for Total Acidity expressed in terms of one specific acid).
7. Consider the establishment of analytical "de minimis" values (or "action values") for substances or classes of substances in wine – i.e. values below which they will be deemed, to all intents and purposes, not to be present in the wine or not to require enforcement activity.
8. Allow suitable transition arrangements when limits are tightened, provided public health considerations so permit.
9. Conduct analyses of wine for compliance purposes in suitably accredited laboratories (or ensure they are overseen by appropriately certified analysts) that perform acceptably for the specific test methods used.
10. Use analytical methods for wine compliance purposes that are validated and/or have a demonstrably appropriate level of performance for wine.
11. Ensure that analyses for wine authenticity are conducted using methods for which the database of authentic sample results (with which test samples will be compared) is sufficiently comprehensive to avoid the mis-categorization of legitimate samples as fraudulent.
12. Ensure that Laboratories testing for compliance purposes supply measurement uncertainty information with their analytical results, and agree to take this information into account in interpreting analytical data.



WWTG WORK IN REGULATORY COHERENCE AND BEYOND

- **WWTG Regulators Forum**
 - Regulatory representatives from member countries meet concurrently with WWTG's annual meetings to share updates and exchange views on developments in wine trade regulations.
- **APEC Capacity Building Efforts**
 - WWTG is an active participant in the APEC Subcommittee on Standards and Conformance (SCSC) where it has established a Wine Regulators Forum to address non-tariff barriers in the wine trade. WWTG APEC members held regulators capacity building workshops in 2011 and 2012 and another is scheduled for November 2013 in Washington.



EFFECTS OF WWTG'S ACHIEVEMENTS

- Between the Group's inception in 1998 and 2005, WWTG's global share of wine exports rose over 70%
- The MAA marks the first plurilateral equivalence agreement, in any sector, fully compliant with the TBT Agreement
- The wine industry has struck a balance between reducing technical barriers to trade and maintaining health, safety and intellectual property protection
- The WWTG agreements foster trust and goodwill among member countries, provide low-cost, flexible structures for consumer protection, and encourage mutually beneficial cooperation between government and the private sector



WINE EXPERIENCE AS A MODEL FOR COHERENCE IN APEC

- Wine trade increased from US\$1.1 billion in 2000 to \$3.6 billion in 2010
- A growing number of unnecessary wine-related non-tariff barriers in the region reportedly cost businesses (primarily small and medium-sized or SMEs) close to US\$1 billion/year
- Much of the major costs that burden wine trade are differing standards and repetitive or unique conformity assessment procedures
- The elimination of trade barriers arising from certification and/or analytical requirements and the harmonization or mutual acceptance of compositional and other requirements (e.g., Maximum Residue Limits) will significantly reduce those border delays and costs and facilitate trade



APEC WINE REGULATORS FORUM

- WWTG discussed APEC's potential (2002)
- APEC Sub Committee on Standards Conformance (SCSC) reviewed wine trade barriers (2006)
- WRF endorsed by APEC SCSC (Lima, 2008)
- “*Seminar on Key Issues in Wine Regulation*” (San Francisco, 2011)
 - Participants from 18 economies
 - Created a compendium outlining export certification requirements for APEC economies
 - Agreed to build on existing int'l organizations and standards, including Codex
 - Work towards consolidating or accepting e-certificates
 - Hold quarterly regulator teleconferences



APEC WINE REGULATORS FORUM

- *“Dialogue on Risk Management in Wine Trade”*
(Auckland, 2012)
 - Participants from 15 APEC economies
 - Focus
 - Provided economies information on the low-risk profile of wine
 - Continued discussion on reducing the number of export certifications
 - Agreed to a future work plan supporting regulatory coherence, including proposed joint work with Food Safety Cooperation Forum on the possible topics of export certificates or MRLs
 - Outcomes endorsed by APEC SCSC during SOM I in Jakarta
 - Joint meeting with WWTG Regulators



APEC WINE REGULATORS FORUM

- Multi-year project proposal submitted by the United States to APEC (January 2013)
- 12 Co-sponsors: Australia, Canada, Chile, Indonesia, Korea, Mexico, New Zealand, Papua New Guinea, Peru, Russia, Viet Nam
- The project has received “in principle” approval
- Full proposal submitted May 2
- U.S. Hosting WWTG meeting and will host APEC Wine regulators in conjunction



APEC WINE REGULATORS FORUM 2013- 2014 GOALS

- Develop consolidated model export certificate for wine
- Initiate a pilot on e-certification
- Technical meeting in Washington D.C. November 4-5 followed by joint APEC/WWTG meeting November 6
- Expand Compendia of Certification Requirements to include market entry and product requirements
- Subcontractor to review existing databases on populating Compendia and building regulatory database



WINE EXPERIENCE AS A MODEL FOR TPP REGULATORY COHERENCE

- WWTG TPP negotiating parties, New Zealand, Chile, Australia and the U.S. cooperated to propose a Wine Annex to the TBT Chapter
- During all rounds of TPP talks thus far, the parties are negotiating a Wine Annex to achieve regulatory coherence as a key goal of the Agreement
- Regulatory coherence is a principal goal of the TPP process. In order to achieve true progress among so many trade parties with distinct regulatory schemes, the negotiators needed to believe that coherence can lead to measurable trade gains and will help to expand economic development and consumer acceptance in the Asia-Pacific region



TPP WINE AND SPIRITS ANNEX

- Definitions
- Labeling
 - Common mandatory
 - Use of trademarks
 - Allow supplemental labels applied in country of import
- Allow use of common names
- Use Codex guideline for conformance assessment certification
- No certification required for certain elements such as vintage
- Allow transition period to comply with new regulations
- Work toward mutual acceptance agreements



CAN THE WWTG EXPERIENCE BE ADAPTED TO OTHER SECTORS?

- WWTG and the TPP Agreement share common goals, and the wine paradigm has already proven successful in achieving those goals
- The wine industry, and WWTG specifically, have already developed a cross-cutting framework for regulatory coherence that has proven to increase wine exports while protecting health and safety concerns, preventing consumer deception, and advancing the goals of the WTO
- Wine is a unique product category which spans the regulatory structures existing in each trading partner: from plant/fruit material to production, packaging, labeling, intellectual property, national and local regulation, and special regulations related to consumer consumption. This breadth of regulatory structure over production and trade in wine makes its regulatory coherence paradigm easily adaptable to other commodities and services



CONCLUSION

- The Industry Section of the WWTG fully supports the TPP goals to develop a framework for regulatory coherence
- We encourage negotiators to utilize the experience of the WWTG to develop a regulatory coherence agreement among all trade sectors
- The wine experience can be replicated to other sectors

THANK YOU



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