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APEC Wine Trade and Regulatory Coherence

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APEC Wine Trade and Regulatory Coherence

Good Regulatory Practice Mechanisms to advance greater regulatory coherence and advanced shared objectives, such as food safety, consumer protection and reduced impediments to trade

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INTRODUCTION

- Wine sector is diverse and internationally there are significant variations in the regulation of winemaking and labelling which produce impediments to trade.
- Many approaches to wine regulation are deeply entrenched in the culture of the sector and the country. Others may be part of a wider set of regulations directed at consumer information or health and safety



INTRODUCTION

- Significant progress has been made in addressing regulatory differences through a number of international agreements such as:
 - WTO agreements
 - EU's Common Market Organisation for Wine
 - Bi-lateral agreements between EU and non-EU economies
 - World Wine Trade Group agreements
 - Regional free trade agreements – e.g. NAFTA, Mercosur, TTMRA



COMPONENTS OF THE REGULATORY FRAMEWORK

- In the wine sector, national regulations, the international network of trade agreements, treaties, inter-governmental organisations and industry organisations all contribute to the regulatory framework affecting wine.



INTERGOVERNMENTAL STANDARDS

- Before the WTO formation, international agreements adopted by bodies such as Codex Alimentarius serve as a catalyst & reference point for the formation of regional and national regulations, and often help solve trade disputes between member economies.
- Allergen and food labelling is an example of Codex stimulating member economies to include such provisions in regulations.



BI-LATERAL & MULTI-LATERAL AGREEMENTS

- Free Trade Agreements
- Commodity specific agreements – e.g. WWTG Mutual Acceptance Agreement on Oenological Practices
- Bilateral wine trade agreements – negotiated between EU and principal trading partners.
- All play significant role in global regulatory framework of wine.



GOVERNMENT REGULATION

- Can impose huge burdens on producers without commensurate benefits – acknowledged in proposed EU Wine Reform Package
- Led to 'Better regulation' concepts in Europe containing principles of general application:
 - Regulate as a last resort and not as a first resort
 - Regulate only after all other options have been excluded.
 - Be clear about the cost of regulatory proposals.
 - Regulate only when the overall benefit outweighs the burden and cost to individuals and businesses.



5 PRINCIPLES OF BETTER REGULATION

- 1) Proportionate – The remedy must match the risk
- 2) Accountable- To all stakeholders
- 3) Consistent – With other regulations and risks
- 4) Transparent – Keep it simple, clear and open
- 5) Targeted – Focus on the problem



INDUSTRY SELF-REGULATION

- Always a place for well constructed and targeted guidance documents e.g. Codes of Practice.
- Advantages include that they can be in greater detail and be prepared and revised easier and more rapidly than formal regulations
- Several FIVS Documents:
 - Guiding Principles for Advertising and Marketing Practices for Alcoholic Beverages
 - Good Fining Practice Guidelines
 - Global Wine Sector Environmental Sustainability Principles



RETAILER 'REGULATION'

- Retailers have begun to impose their own standards on suppliers as they extend distribution across national boundaries.
- The requirements are in areas such as Quality Management and Sustainable Practices but may also include Labelling to supply customers with additional data e.g. nutritional and health information



ISSUES

- Regulations continue to be developed and focused on individual national jurisdictions despite growing world economy.
- Potential issues include
 - Loss of consumer confidence in regulator's ability to act efficiently in global economy.
 - Risk of increased consumer harm due to poorly thought regulators' actions and inaction.
 - Regulators lack the capacity to compete with similar regulations in other economy.



ISSUES (continued)

- Poor crafted regulation creates trade & investment barriers, increased costs and lower consumer benefits and fails to support development of open & competitive markets.
- Manufacturers, service providers, retailers, SME's and farmers are often ignored by arbitrary, duplicative and opaque regulatory processes.
- Existing regulations often become familiar and politicised and thus become difficult for regulators to remove or amend outdated and unnecessary regulations.
- Conformance assessment requirements can be duplicative, unduly burdensome, and potentially protectionist.



REGULATORY COHERENCE

- Main goal is to facilitate movements of goods between APC member economies and stimulate growth using transparent, effective, enforceable and mutually coherent systems that are risk and science based and promote international best practices and APEC collaboration.
- To ensure regulatory coherence, regulators must:
 - See their actions in the context of other international regulatory frameworks.
 - Understand their actions may have significant unforeseen consequences if undertake in absence of knowledge.
 - Recognise that cooperation can enhance their enforcement mandate, whilst eliminating trade and investment barriers.



RESPONSE TO DIFFERENT REGULATORY FRAMEWORKS

- Producers claim that differing standards between markets force them to create multiple versions of their products which require duplicative testing leading to increased costs and inefficiencies.
- Overarching framework for communication is key to overcoming these barriers to trade. 3 mechanisms heavily promoted by industry groups:
 - 1) Harmonisation
 - 2) Equivalence
 - 3) Mutual recognition

HARMONISATION

- Involves the adjustment of two or more standards or procedures until they are the same.
- 3 ways to achieve harmonisation:
 - 1) **Upward harmonisation** – economies with lower standards strengthens it to a higher level, or together draft a new standard at a higher level.
 - 2) **Downward harmonisation** – economies with higher standards weakens it to a lower level, or together draft a new standard at a lower level.
 - 3) **Compromise harmonisation** – negotiating a new standard at an intermediate level
- Harmonisation may be done via bilateral or multilateral agreements or by international standard setting organisations, e.g. International Organization for Standardization (ISO)

EQUIVALENCE

- Does not necessarily involve the adjustment of any standards.
- Simply a recognition that two standards address similar regulatory objectives despite not being identical.
- Standard of closeness can be either articulated as being 'sufficiently comparable', whereas in other cases the standard must be articulated in a list of criteria against which a system or procedure can be assessed.



MUTUAL RECOGNITION

- Regulatory cooperation based on harmonisation, equivalence or external criteria such as importing party's standards and international standards.
- Two parties will agree to recognize and accept each other's conformity assessment results, test reports, certificates, product standards, regulations, markings, quality assurance systems because they are harmonized or judged as equivalent or meet some external criteria.
- True harmonization is difficult to achieve, so MRA's to date are often based on equivalence or external criteria.



WINE SECTOR SPECIFIC REGULATORY ISSUES

- Labelling
- Composition (oenological practices)
- Maximum residue limits of agrichemicals
- Certification procedures
- Changes to regulations surrounding these issues are made to be consistent with international standards, meet policy objectives (e.g. consumer protection or public health), or a suite of broader regulation change.



MAXIMUM RESIDUE LIMITS FOR AGRICHEMICALS

- MRLs are used by governments to regulate the use of agrichemicals in various crops (commodities) and are set when they have passed a 3 tier thorough review.
- Includes examination of scientific data of the chemicals and residue trials, OH&S aspects of usage and results of exposure assesment studies.
- Usually expressed in a 'mg/kg' concentration.
- Does not automatically indicate amount of chemical in a product, simply the highest legally allowable limit, and is often much lower than any level that may pose a threat to customer safety.



COMPOSITION

- International agreements concerning Oenological practices often favour mutual recognition as parties are generally unwilling to cede control over their domestic production practices or future oenological practices.
- Mutual recognition recognises the legitimacy of different approaches to making and regulating wine, while retaining their own regulatory structures.
- Potential downside is that imported wine will be produced to different specifications, but must be viewed in context of overall benefits/detriments in the agreement.



LABELLING

- Labelling Issues that create barriers to trade:
 - Type of information that must appear on a label
 - The level of control over that information (mandatory, controlled, voluntary)
 - The placement of that information (front or back)
 - The presentation or content of that information.
- Approaches to labelling vary depending on what issue is being dealt with.



CONCLUSION

- Labelling, composition, sustainability, health labelling and food safety criteria are areas where harmonisation, equivalence and mutual recognition are especially valuable.
- Better regulatory coherence within APEC region will lead to significant benefits for producers and consumers alike.
- Consumers will have a higher degree in confidence that there are appropriate safeguards
- Regulators are better able to fulfil enforcement mandates.



CONCLUSION

- Regulators will have better access to information and best trade practices.
- Establishment of networks will help facilitate information flow if regulatory problems arise.
- Engaging with National and International Industry Associations, we will be able to identify regulatory frameworks that work well.
- As wine trade changes, innovative approaches that promote cooperation will be most important.