Brussels, 13 November 2020

A renewed trade policy for a stronger Europe

CEEV response to public consultation

— KEY MESSAGES —

- Wine is the first EU agri-foodstuff in terms of exports, accounting for € 12.1 billion in 2019. It results from the wine companies' efforts to meet the consumers' demand worldwide combined with a trade policy that has opened markets and removed barriers for them.
- EU wines are entirely sourced and produced locally but increasingly consumed outside the EU borders. We call the Commission to ensure that the trade policy delivers benefits for this strategic sector as a way to fuel economic growth and to support jobs for SMEs in rural areas.
- Opening new markets -and keeping them open- must go hand in hand with a robust implementation and enforcement of agreed commitments. Given the value of the sector and the rise of technical barriers to wine trade, we also urge the EU to explore the possibility of sectorial technical agreements with our main trade partners to address specific concerns.
- The competitiveness of the EU wine industry is lessened by retaliatory tariffs measures in unrelated trade disputes. A key component of the trade strategy must be their quick ending, also as a way to enhance the trust of the business community and citizens in the multilateral system and the EU trade policy.

About the EU wine sector

Wine is the most exported EU agri-food product, accounting for some €12.1 billion in 2019. The European Union is the world leader in production, consumption and exports of wine.

EU wines are exclusively produced with grapes cultivated in the fabulous and diverse terroirs of the European Union. The intricate link with territory is best materialised through our wines with Geographical Indications. There are 1750 wine PDOs or PGIs in the EU, accounting for 67% of EU wine exports' in volume and 90% in value.

The EU wine sector is composed of an overwhelming majority of small producers located in rural areas. The EU accounts for 2 400 000 wine producing holdings which provide 3 000 000 direct fulltime jobs. Hence, the wine industry both supports rural development and secures the prosperity of wine-related jobs in several EU regions.

The socioeconomic dimension of the wine sector goes well beyond the agricultural activity in the vineyards and cellars as it also involves indirect economic activities linked to the wine production, such as specific machinery production, oak casks, containers, oenological products and the flourishing wine tourism.

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Facing a structural decrease of wine consumption in Europe, international trade has become the key driver for the EU wine sector development. EU wine exports towards third countries have increased by 80% in the last ten years (2010-2019).

QUESTION 1: How can trade policy help to improve the EU's resilience and build a model of open strategic autonomy?

The main elements for an EU trade policy that improves the resilience of the EU wine sector are:

— **A trade agenda that delivers ambitious benefits for exporting companies**

Today, about 40% of wine is consumed outside European countries, with an increasing influence of emerging markets. For instance, while the United States remain the first consumer and market destination for EU wines, China and Japan are now our second and fifth export markets respectively.

In this context, it seems clear that the growth prospects for the European wine sector are mainly outside the EU. Our exports have doubled in the last ten years and, while supporting trade agreements as a useful tool, the wine sector welcomes an assertive trade policy that keeps delivering concrete and ambitious economic benefits for exporting companies.

Given the trade value of the sector and the rise of technical barriers, we urge the EU to consider the possibility of sectorial technical agreements with our main trade partners to address specific concerns.

— **A level-playing field with competitors in key promising markets**

The increasing number of free trade agreements signed are quietly, but very surely, changing the face of the global wine industry. The impact for countries that have been able to conclude FTAs is enormous, particularly for those looking at making bigger inroads into the economic powerhouse of Asia, and China in particular. For example, China now accounts for 30% of Australia's total global wine exports thanks to the implementation of an FTA signed between the two countries in December 2015. So the dynamics of the global wine market are increasingly dictated by the FTAs in place between different countries.

We call for the acceleration or initiation of bilateral agreements with partner countries, not only with traditional wine-consuming markets, but also with emerging markets. We particularly look at markets that combine good GDP growth with a rapidly growing middle class, such as ASEAN economies or India but also some African countries. Also, because the EU's key competitors are in the process of negotiating ambitious agreements with many of these economies, it is crucial that a level-playing field be maintained to ensure EU wines' competitiveness.

These broader agreements might embrace or complement sectorial technical deals to solve specific concerns regarding standards relevant to wines in those countries, as mentioned above.

— **An effective implementation and enforcement of agreements**

Alongside opening new markets, it is equally important to ensure swift implementation and robust enforcement of international and bilateral commitments agreed with trade partners.

Public debates on EU agreements negotiated with Canada, Vietnam or MERCOSUR recently illustrated how such broad agreements are complex to understand for citizens and how important it is to promote a positive and objective communication on FTAs benefits for citizens and companies. Public debate around FTA should not lead to blocking or delaying the implementation process in a way that questions the EU's ability to negotiate with trade partners.

A quicker implementation is a key element to deliver real and concrete benefits to EU economy, companies, employees and citizens. Such measurable results would indeed avoid emotional reactions that are difficult to manage.

Effectively enforcing agreements is essential to ensure that those agreements actually deliver meaningful market access improvements and increased exports. It is the EU's responsibility to ensure trade agreements full implementation: such agreements are indeed legitimate because of the expected benefits. In addition, EU needs to be ready to effectively use trade dispute mechanisms, whether bilateral or multilateral.

— Focus on FTA implementation —

- FTAs must be ambitious and deliver on promised market opening.
- We welcome that the use of the Dispute Settlement Mechanism in bilateral FTAs is no longer taboo (while it has not been the case so far on wine related issues). A strong enforcement strategy should include monitoring of compliance with the commitments and the use of all bilateral/multilateral tools available to guarantee full enforcement.
- Concretely speaking, when measuring the success of FTA implementation, we suggest using:
    - 'market share' as an indicator, on top of the increase of trade in absolute terms;
    - a 'tracking table 'with the state of play of market access issues to be tackled by FTAs, so that progress can be transparently monitored regularly, in coordination with the concerned industry.
- When launching a negotiation with a third country, the EU should ensure a standstill that avoids new measures from being adopted/implemented by this trade partner. This is necessary to not undermine, directly or indirectly, expected benefits for the EU economy.
- We welcome innovative mechanisms to ensure implementation of agreements:
    - the figure of the Chief Trade Enforcement Officer (CTEO) that will work under the supervision of the Trade Commissioner. We expect the newly appointed CTEO to get the political legitimacy as well as the necessary administrative resources and power of decision to take effective action, to scrutinize and coordinate the work of the different DGs involved in the implementation of trade agreements and also to ensure the coherence of trade enforcement with all EU policies.
    - the conditionalities introduced in trade agreement, like the one used in the EU-Japan agreement to ensure that Japan will deliver on the authorization of additives in wine;
    - the 'focal points' included in the wine and spirits annex to the EU-Mercosur agreement, that will avoid the dilution of the responsibilities for implementation.
- More regular and systemic dialogue with business and Member States is needed. For example, by providing stakeholders and MS with the dates of upcoming implementation committees, a contact point and a deadline for submissions in advance, followed by a debriefing (similarly to what is done for TBT).
- Because wine is the sector facing the highest number of trade barriers, we encourage the creation of specific Market Access Teams (like the one in Canada).

— **Preservation of unrelated sectors from retaliatory measures**

The US is by far the first export destination for EU wines. Wine exports to the US are declining, affected by the 25% ad-valorem retaliatory tariffs imposed since October 2019 in the framework of the WTO aircraft dispute. Deescalating trade tensions with the US and finding a quick resolution to the WTO aircraft dispute is of strategic importance for the EU wine sector.

As a general statement, agricultural products in general, and wine in particular, should not be targeted with tariffs of any kind in unrelated trade disputes which have a dramatic impact on the sector in terms of economic resources and an artificial competitive disadvantage for EU products, ultimately outweighing the investment and efforts of the wineries in the previous years. The wine sector is highly exposed, as have shown the recent examples of China, US or Turkey.

QUESTION 2: What initiatives should the EU take – alone or with other trading partners – to support business including SMEs, to assess risk as well as solidifying and diversifying supply chains?

The EU wine business model has proved resilient. Contrary to other sectors, sourcing from third countries partners is not an issue for EU wines. They are exclusively produced from raw materials cultivated in the terroirs of the European Union. It is hard to imagine another food sector as much dependent on local production and that does not rely on the international market to get its raw material.

The intricate link with territory is best materialized in our wines with Geographical Indications, whose specific quality, reputation and characteristics are attributable to a concrete geographical origin where all the production takes place. There are 1750 wine PDOs or PGIs in the EU, accounting for 67% of EU wine exports' in volume and 90% in value.

On the grounds of the GI scheme, wine business cannot be relocated, and plays a fundamental role in maintaining activities and people in our rural areas.

To preserve the EU wine business model, the protection of GIs and the fight against its misuse must remain a key component of the EU trade policy.

QUESTION 3: How should the multilateral trade framework (WTO) be strengthened to ensure stability, predictability and a rules-based environment for fair and sustainable trade and investment?

CEEV is a firm supporter of the multilateral trading system. A global trading system, which is fair, predictable and based on common rules is imperative from a business perspective.

We applaud the EU's active engagement to modernize and enhance the role of the WTO. Global cooperation is critical for recovery, and the EU should pursue its leading role in the discussions on the WTO reform to ensure that the organisation remains the core forum to negotiate further liberalisation, establish international trade rules, monitor trade policy developments and resolve trade disputes. In particular:

- We see considerable value in the dispute settlement mechanism as we need a reliable and foreseeable system of interpretation of WTO rules;
- The TBT and SPS Committees are very commonly used to vehiculate our industry's concerns and have helped our sector to increase its export performance.
- Trade Policy Review (TPR) mechanism provides also unique opportunities to address some issues with

WTO members.

While the Appellate Body deadlock is not resolved, we very much support the alternative mechanism to resolve trade disputes that the EU, together with other trading partners, is putting in place.

— **Compliance with WTO rules**

First and foremost, commitments taken at WTO must be honoured. It is important that the EU walks the talk by keeping compliance with WTO rules and principles to avoid entering into dispute settlement and subsequent forms of retaliation. While we fully support EU stance for a multilateral rule-based trading system, including its dispute settlement mechanism, we consider the EU and its Member States should do their best to fully implement such rules as well as DSB decisions.

— **Preservation of unrelated sectors from retaliatory measures**

As mentioned above, to avoid undermining the wine business community's support to WTO, we plea for an EU commitment to keep agri-food products in general, and wine products in particular, out of retaliatory measures in unrelated WTO disputes.

QUESTION 4: How can we use our broad network of existing FTAs or new FTAs to improve market access for EU exporters and investors, and promote international regulatory cooperation–particularly in relation to digital and green technologies and standards in order to maximise their potential?

— **Alignment with international standards**

International standards are a powerful tool to reduce the need for exporters to comply with different standards in different markets. As such, we plea for the EU to put all efforts in aligning EU food standards with those set up by relevant international bodies such as Codex Alimentarius.

When it comes to winemaking standards, the International Organisation of Vine and Wine (OIV) has developed an extensive set of technical standards. OIV standards are the reference for EU winemaking regulations. We believe that the EU wine business would be better protected from the increasing panoply of unfair trading practices and technical barriers if OIV international wine standards were further embraced worldwide. This should include, at EU level, to avoid any decision that would differ from OIV standards and thus undermine their relevance.

We applaud the promotion of international OIV standards through bilateral agreements (Mexico, Mercosur, New Zealand). We encourage the Commission to continue on this path for ongoing and upcoming FTAs negotiations.

— **International regulatory cooperation**

Given the technical nature of the trade barriers that EU wines are increasingly facing in export markets (i.e. standards and products' definitions, labelling, export documentation, conformity assessments, IP protection-both brands and Geographical Indications…etc), we welcome any bilateral and multilateral avenue to foster dialogue and international cooperation in regulatory issues.

In particular, food safety-related border procedures (pre-shipment inspections, counter-analysis, certification) are lengthening customs formalities, significantly increasing costs and adding red-tape for wine exporters. We invite the EU to explore with trading partners the way to alleviate this burden for microbiological low-risk products such as wine. In that respect, Codex and OIV standards must be promoted hand in hand by the EU to the benefit of its wine exporting companies.

QUESTION 5: With which partners and regions should the EU prioritise its engagement? In particular, how can we strengthen our trade and investment relationships with the neighbouring countries and Africa to our mutual benefit?

While EU wines are competitive on external markets and large contributors to the EU trade balance, they are quite concentrated on a few markets. Below the key partners and regions.

Given the trade value of the sector, we urge the EU to explore the possibility of sectorial agreements with such trade partners to address specific concerns and secure trade flows. This might be embraced in or complementary to a broader trade deal that could include tariff liberalization.

— **US**

The US is by far the first export destination for EU wines, accounting for a third of EU wine exports. Similarly, the EU is the first wine export market for US wines.

To further support open access to each other's wine markets, the US and the EU wine industries have jointly called on their respective governments to remove all tariffs on wine (zero-for-zero) on an MFN basis. Traditionally, US and EU wine exporters have faced low tariffs in each other's markets. Eliminating these tariffs all together would show our mutual commitment to a peaceful and longstanding bilateral trade relationship.

— **UK**

Approximately 25% of EU-27 wine exports are shipped to the UK market, representing about € 2.8 billion every year. As from January 2021, the UK will be the second largest importer of EU wine by volume and by value. The UK is also seen as a window-market for the rest of the world, with a strong competition between "New World wine producers" (Australia, Chile, South Africa...).

Ensuring the best import conditions into the UK is of vital importance to the EU wine industry. The future trade relationship between the EU and the UK should not create any trade disruption that could be detrimental to EU-27 wine exporters. Facing the risk of a no deal scenario, we urge the EU to prepared a sectorial agreement on wine that would allow to keep current common standards on wine products, together with a management procedure to address future possible evolutions.

— **China**

As the second largest exporting market for wines, we support the initiative taken by the EU Commission to explore a wine and spirits technical agreement with China. We ask for fostering discussions on wine technical standards as a key element to secure our trade with this key partner, and by maintaining a positive dialogue with China to ensure the market remains open to EU wines and no trade-restrictive measures are implemented.

— **ASEAN economies**

We invite the Commission to accelerate FTAs with ASEAN economies, as they combine good GDP growth with a rapidly growing middle class.

QUESTION 7: What more can be done to help SMEs benefit from the opportunities of international trade and investment? Where do they have specific needs or particular challenges that could be addressed by trade and investment policy measures and support?

The wine sector is composed of an overwhelming majority of small producers located in rural areas. Hence, vine-growing and wine production both support rural development and secure the prosperity of wine-related jobs in several EU regions.

- Today there are around 2 400 000 wine-producing holdings. 97% of wine producers are SMEs and micro-enterprises.
- Wine generates 3 000 000 direct fulltime jobs, most of them in rural areas.

Our suggestions to help SMEs benefit from the opportunities of international trade include:

- When negotiating FTAs, the EU should ensure an even distribution of the benefits by placing SME-intensive sectors at the heart of negotiations;
- While many countries have slashed their tariffs in recent decades, the number of non-tariff barriers has sharply increased in the same period. Non-tariff trade barriers have increased the complexity of international business, and may push wine companies, notably SMEs, away from markets. Removing them is key to ensure that all exporters, regardless their size, get the trade benefit.
- Guidance and tools for SMEs to fully benefit from FTAs and to overcome Technical Barriers to Trade are also necessary. We refer to all kind of tools that help wine EU exporters to navigate FTAs and to understand and comply with formalities and regulations that apply in third country markets, from technical webinars to contact points where concrete questions can be addressed.
- We recognize the importance of ensuring that there are greater resources allocated to, and within, DGs TRADE and AGRI for this purpose. Currently, we believe there are insufficient resources and that staff and means must be increased to meet the EU trade ambitions.
- We would welcome resources from the wine CMO – run by DG AGRI – being devoted to overcome third countries' technical requirements.
- Finally, the promotion policy for wines – that is run by DG AGRI – has proved efficient and decisive to help wine business find new export markets and/or increase their presence in markets already open. Similarly, we recognize the benefits of DG TRADE SPS seminars to promote the EU food safety system in third countries. Promotion policy shall remain a strong pillar of EU trade policy, and its budget shall remain significant.

QUESTION 8: How can trade policy facilitate the transition to a greener, fairer and more responsible economy at home and abroad? How can trade policy further promote the UN Sustainable Development Goals (SDGs)? How should implementation and enforcement support these objectives?

CEEV strongly supports an EU trade policy that facilitates the transition to a greener economy and that is consistent with WTO and with other EU policies. We believe that the first objective of the trade policy is to deliver economic benefits as a way to fuel economic growth and jobs for EU companies, citizens and regions. This will provide companies and public authorities capacities and resources to contribute to horizontal objectives and UN SDGs in the EU as in third countries but also at global level.

Therefore, we ask not to subordinate trade goals to other considerations. This would also avoid third country from backfiring this kind of conditionality against the EU and, more and more often, against our sector by closing their markets to wine products.

With this in mind, we would like to share the following thoughts:

— **Trade in organic wines**

Under the EU green deal, the area under organic farming will significantly increase in Europe. This strategy can only be successful if it meets an increasing consumer demand for organic products.

From a global perspective, the importance of worldwide market for organic wine products is growing strongly, and we remain confident that this trend will continue, albeit with variations from one country to another.

However, exporters of EU organic wines are often confronted with a lack of equivalence between the EU and third countries organic standards, which leads to burdensome and costly certification procedures. In certain cases, it makes it impossible to market and label wines as organic in certain third countries. For example, some 30% of EU organic wines cannot be marketed as organic in the US due to inconsistencies with the US National Organic Program.

We urge the EU to find relevant and appropriate ways to define strong standards for its internal market while not preventing EU product from accessing third countries by accelerating the upcoming negotiations between the EU and third counties on trade in organics to ensure appropriate equivalence solutions that foster the exports of EU organic wines worldwide.

— **Carbon Border Tax – Digital Tax**

While we support the overarching principles behind the upcoming EU Carbon Border and Digital Taxes, we suggest both taxes to be WTO-compliant and well explained to trading partners, to avoid them being perceived as disguised protectionism that might lead to retaliatory measures.

More broadly, we urge the EU institutions to fully take into account the export dimension and the resilience of the agri-food sectors when adopting and implementing the Farm to Fork Strategy and the Green Deal.

— **Health and social considerations**

Enhancing the protection of consumers is our goal and we are actively committed to promoting moderation and a responsible consumption culture for those who choose to appreciate wines. We support the right of every government to regulate the alcohol market in a fair and non-discriminatory way, implementing proportionate, evidence-based public health policy measures. However, such measures must not be arbitrary, constitute unjustifiable discrimination, or be disguised restrictions to trade.

Some trading partners attempt to use health, social or religious pretexts to exclude wines from the scope of negotiations. Such attempts, which tend to provide disguised protection to domestic products, should be firmly rejected by the European Commission. In particular, any country that allows production or sale of alcohol on its territory should not be allowed to selectively restrict market access for European wines.

We invite the European Commission to firmly reject any disproportionate attempt to restrict the trade in wines.

QUESTION 9: How can trade policy help to foster more responsible business conduct? What role should trade policy play in promoting transparent, responsible and sustainable supply chains?

Wine companies are already very aware and involved in corporate and social responsibility. Trade policy can support them when developing/implementing their commitments, in areas like consumer protection, sustainable production, etc.

A key element lies in the role the EU – and the wine sector – could develop in term of promoting wine standards (such as OIV ones) to ensure both consumer protection and fair competition for wine trade. Such cooperation should embrace a large range of issues including standards and definition, quantity and quality control, tax policy, rural policy and GI development, tourism, etc. This would also help to address the issue of counterfeited products as well as illicit trade.

QUESTION 10: How can digital trade rules benefit EU businesses, including SMEs? How could the digital transition, within the EU but also in developing country trade partners, be supported by trade policy, in particular when it comes to key digital technologies and major developments (e.g. block chain, artificial intelligence, big data flows)?

— **Digitalisation of trade procedures**

Digital technologies have the potential to reduce trade and transaction costs, including those related to certification, proving compliance with standards and quick and efficient customs procedures[1]. By filling information gaps, digital technologies may facilitate the implementation of trade regulations by providing more automatic checks for compliance with standards and a more transparent and efficient trade regulatory environment.

Digitalisation has proved to be a significant enabler to trade during the coronavirus crisis in Europe. The coronavirus outbreak has brought an increased uptake in electronic certification tools, and the industry has shown its readiness to electronic certification and transmission of documents. The use of digital tools in trading operations has contributed to increase the efficiency and reliability of customs management and the trade logistic chain as well as the improvement of the information flow and consequent reduction of trade costs. The implementation of reciprocal trade facilitation measures by all trade partners, including the global acceptance of electronic transmission for all export certifications and facilitations (e.g. customs, origin, organic, and any other certification) has significantly facilitated trade operations.

It is clear that digitalization of export procedures including export documentation is of great help. But a meaningful digitalization will only deliver if, ahead of it, there is a harmonization / mutual recognition or acceptance regarding the content of such documents, as a preliminary and necessary step that can be, again, promoted through trade agreement or cooperation policy.

The use of digital tools to offer product information to customers worldwide is now being developed by industry, as a way to overcome the barriers imposed by different languages/ labelling requirements in different export markets.

[1] Source 'OECD Joint Working Party on Agriculture and Trade Digital opportunities for trade in agriculture and food sectors' https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/TC/CA/WP(2018)4/FINAL&docLanguage=En

We encourage the Commission to accelerate the dematerialization of import procedures and to support e-labels for the sake of trade facilitation.

— **Ecommerce**

Ecommerce has significatively grown in certain export markets during the Covid crisis, in conjunction with brick and mortar off-premises. Many countries that were caught short and whose alcohol ecommerce environment was not ready, have taken the opportunity to start expanding ecommerce platforms. Even though ecommerce is to slow as restrictions to brick-and-mortar locations ease, wine companies see a long-term opportunity in this channel to consumer. Thus, we ask the support of the EU to reinforce and protect this essential channel for wine exports.

At the same time, e-commerce of alcoholic beverages is proscribed in key export markets. As a way of example, Thailand has just introduced a ban on ecommerce of alcoholic beverages on public health grounds.

We invite the European Commission to support wine businesses exploring this avenue to reach export markets and to fight any disproportionate attempt to restrict the wine trade through e-commerce in export markets.

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