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**CEEV's response to the EU Commission's Communication on
"Trade Policy Review -
An Open, Sustainable and Assertive Trade Policy"**

— KEY MESSAGES —

- ▷ More than ever, trade is an essential part of the solution for a post-COVID-19 economic recovery. The EU to keep championing open trade and finding new markets for EU wines.
- ▷ The EU to secure trade relationship with key partners:
 - relaunching the Transatlantic Partnership is paramount for the stability of wine market exports.
 - the geographical scope of the trade strategy should be enlarged to include India and ASEAN economies.
- ▷ Ambitious trade targets must be set in the first place, contribution to other EU policies' objectives should be ancillary to the trade purpose.
- ▷ Revitalizing WTO is key.
- ▷ Trade tools must be created to compensate industries unfairly punished in unrelated WTO trade disputes.
- ▷ The promotion of EU and international OIV wine standards through trade agreements is best practice. It strengthens the EU's regulatory impact and enhances the competitive advantage for EU exporters.
- ▷ The centrality of implementation in the EU trade strategy must translate into the effective removal of longstanding hurdles resulting from poor enforcement of commitments.

ABOUT THE EU WINE SECTOR

The European Union is the world leader in production, consumption and exports of wine.

Wine is the most exported EU agri-food product, accounting for some €13.8 billion in 2020, which represents:

- 7.5% of total EU agricultural exports.
- 19.5% of the EU agri-food trade balance surplus.

EU wines are exclusively produced from grapes cultivated in the fabulous and diverse terroirs of the European Union. The intricate link with territory is best materialized 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 2 500 000 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.

CEEV COMMENTS ON THE COMMUNICATION

CEEV welcomes the publication of the new trade strategy and the commitment of the Commission to an open, sustainable, and assertive trade policy in the next decade. As set out in its communication, as a result of the openness of our trade regime, the EU is the world's largest trader of agricultural and manufactured goods and services and ranks first in both inbound and outbound international investments.

This result makes tangible the need to keep an open approach when it comes to trade, which has demonstrated being of great added value for many sectors, and in particular for the wine one, which is the EU's largest agri-food sector.

AN OPEN TRADE STRATEGY

▷ **The EU to keep championing open trade and finding new markets for EU wines.**

According to the communication, an open strategic autonomy builds on the importance of openness, recalling the EU's commitment to open and fair trade.

Among lessons to be learned from the COVID-19 pandemic, one is that it has confirmed the dependence of the EU wine industry on export. The COVID-19 crisis and related sanitary measures worldwide have caused an unprecedented decrease in global wine trade during the lockdown phase and reduced EU exports by -8,8% in value and -5,4% in volume.

More than ever, trade is an essential part of the solution towards a post-COVID-19 recovery and trade policy should be first of all "assertive" to this main objective, knowing that the restart of global consumption will arrive sooner outside the internal market (i.e. US economy is expected to grow by 6.4% in 2021, whereas the EU by 4,4%).

The resilience of the EU wine industry can be enhanced through further diversification of export markets. While EU exporters already benefit from a number of trade agreements that ease their worldwide sales and ensure a development of rural areas, there are still key markets with a significant growth potential to focus on, like Mercosur, India, ASEAN and African countries. As the largest exporter and importer of wine, Europe must keep championing open trade with the rest of the world and continue opening new markets for EU products. At a time of persistent trade tensions, it is of major importance to allow EU exporters to diversify their markets thanks to efficient trade deals.

In 2015, with the EU Trade for All strategy, the EU commission asserted that "*for EU trade policy to deliver jobs and growth, our priorities to open negotiations must continue [...]*". A few years later, we see a complete shift, with no focus on new bilateral deals with key partners, aiming only to finalize those already on track.

This new approach is quite concerning, as it might respond to the goal of "strategic autonomy" while missing the openness that is vital to many EU sectors, including the wine industry and trade.

We therefore call not only for the acceleration and final ratification of bilateral agreements, but also the initiation or reopening of trade negotiations with key partner countries, like India and ASEAN countries.

Finally, having in mind the need to tackle non-tariff barriers, where comprehensive trade agreements are not feasible in the short term, a renewed attention should be put on "sectorial" deals (wine agreements) to facilitate trade in wine, with those partners which have become wine-producing actors in the last decades (Brazil, Russia, China). In absence of a trade agreement, a greater convergence with EU and international OIV wine standards will prevent trade barriers related to winemaking standards, certification...etc.

▷ **The EU to secure trade relationship with key partners.**

There are also a number of countries the EU is not, for different reasons, in a position to negotiate a free trade agreement. This should not deprive the EU to find other ways to secure the trade relation and to avoid possible trade disruptions.

- **The transatlantic relationship**

We are pleased that the transatlantic relationship is featured prominently in the EU Communication as the US remains by far the first export market for EU wines. We welcome the commitment of the Commission to reset the trade relations with the USA and to engage towards a positive relationship. The stability of transatlantic relations is a priority for wine industry and we welcome the Commission's approach to reinforce this partnership, also in view of jointly reforming the WTO and relaunching the multilateral agenda. Parties should act together to face global challenges (subsidies, taxation of digital services ...) at multilateral level.

In that respect, the EU should envisage sectoral initiatives that could ease and strengthen the relationship between both partners:

First of all, we consider that the zero-for-zero tariff initiative, promoted by the wine industry on both sides of the Atlantic, could be a cornerstone to build this new trade relationship. This initiative could be seen as a key field of cooperation that the two partners (and member States) could promote at multilateral level.

Technical agreement between the EU and the US to support convergence of wine-related standards (i.e. organic wine standards, wine e-labelling) would also be of great help for EU exporters.

- **China**

China is a key and stable market for EU wine industry, in great part as a result of its relative openness. At the same time, a number of Chinese technical regulations related to food import-export, not always WTO-compliant, are in the pipeline and represent a threat for EU wine exports. If strictly implemented by Chinese authorities, they have the potential to close significantly the market to EU exporters.

In that respect, a stronger bilateral cooperation both at political and technical level, would be of utmost importance to secure market access and to improve predictability for EU exporters, especially regarding non-tariff measures.

- **ASEAN countries**

While several FTA negotiations were launched some years ago, they have failed to deliver so far. We are eager to find ways to foster such discussions with countries as diverse as Philippines, Malaysia, Indonesia, Thailand. Since the launch of the trade talks, many hurdles have blocked substantive progress. The recent ratification of the Regional Comprehensive Economic Partnership (RCEP) makes even more important to deepen further current talks and finalize the ongoing negotiations.

Technical cooperation with these countries on EU wine standards, but also on Geographical Indications, custom procedures and taxation, could also prove very efficient to open these markets for our products while bringing our economies closer.

- **African countries**

CEEV acknowledges the EU's willingness to deepen and widen trade relationship with African regional economic communities, as well as to strengthen the sustainability dimension of their bilateral relationship. We can only support EU's ambition to strengthen relations with this continent, where there is significant growth potential for our sector, albeit from a small base.

We believe that trade agreements with African countries should be symmetrical. Asymmetrical agreements prevent EU exporters from fully benefiting from new market opportunities. Trade agreements with African

countries should support rapid economic, social and environmental growth in developing economies, to enable them to take on fully reciprocal commitments. CEEV will stand ready to engage with the Commission and to secure tariff reductions and the inclusion of other trade facilitation provisions for wine in renegotiations of EPAs.

A SUSTAINABLE TRADE STRATEGY

Sustainability is a complex concept that encompasses three pillars: economic, social and environmental. CEEV strongly supports an EU trade policy that facilitates the transition to a greener economy while delivering economic benefits as a way to fuel economic growth and jobs for EU companies, citizens and regions. But to succeed, it is necessary to keep a balanced approach between these three pillars, to make it efficient from an environmental perspective, feasible from an economic one and acceptable from a social one.

▷ **Ambitious trade targets must be set in the first place, contribution to other EU policies' objectives should be ancillary to the trade purpose.**

We support a trade policy which sets higher ambitions in terms of prosperity and growth in the first place, while contributing to other EU policies' objectives such as the Green Deal. We are nevertheless concerned by the Farm to Fork strategy which does not take into account export markets and the value they add to EU producers. The Farm to Fork strategy should not be limited to "European forks" – or glasses – but extended to our consumers all over the world.

We applaud the commitment on sustainability criteria to be met by imports into the EU in the future, in so far such criteria are compatible with EU commitments at international level, thus fully WTO -compliant.

As it appears a strong political will to take into account new criteria that are meaningful to European citizens, such as climate or labour rights, it is the EU duty to bring its partners along these lines by negotiation and advocacy, rather than through a unilateral path that could bring more tension than cooperation.

We want to avoid any new EU requirement, imposed directly or indirectly on imported products, that could be considered as a non-tariff barrier in breach of EU international commitments, which in turn would pave the way to trade sanctions and countermeasures by third countries on EU exports.

In the current situation, where protectionism is on the rise, the EU should be careful to remain a fair-trade player, bringing partners on his side rather than moving on its own. There are currently a number of legitimate EU objectives like labour rights, climate change, Carbon Border Adjustment Mechanism, digital taxation, pesticides etc, which need to be addressed on a multilateral basis and implemented according to WTO rules.

The Strategy announces that future agreements will include a chapter on sustainable food systems. We look forward to hearing more details on this concept of 'sustainable food system'. In particular, we consider that any initiative around this chapter must remain fully consistent with WTO principles to avoid trade distorting measures and possible retaliations from trade partners: in that respect, EU wine industry's development is much related to international trade and it is of key importance to open – and keep opened – markets as part of a global approach on value creation and sharing, local development, GI protection, etc.

We believe it is important to recognize the Geographical Indications' contribution to sustainability and to give it a more prominent role in the trade strategy. Geographical Indications are a tool to promote sustainable development with trade partners all over the world as well as to ensure a fair local development for those involved in the production and trade of such products. This would ensure consistency with the longstanding Common Agriculture Policy's approach as the key tool to develop value, circular economy, local development (especially through employment or tourism).

A sustainable strategy on trade should be paired with other EU policies whose objective is to increase exports. From this stand, the promotion tool set by the Common Agricultural Policy should be seen as a fundamental instrument of an ambitious trade agenda. Within the recently issued Europe's Beating Cancer Plan, the

Commission proposed to revise the agri-food promotion program with the aim to reduce the funding to alcoholic beverages. This is inconsistent with the EU's AGRI and TRADE policies, as promotion enables wine companies to better convey the qualitative image of their products and the bonds with a particular territory, particularly in markets where the competition with wines from other countries is very tight. We call the European Commission to defend such tool since it is functional to the trade policy objectives and by no means it undermines the Commission's objective to reduce *harmful* use of alcohol.

Finally, 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. We encourage the Commission to support e-labels for the sake of trade facilitation.

SUPPORTING MULTILATERALISM AND RULES-BASED INTERNATIONAL ORDER

▷ **Revitalizing WTO is key.**

CEEV is a firm supporter of the multilateral trading system.

We warmly welcome EU initiative to improve the current WTO framework. We would like to put particular emphasis on some elements that should be part of that process:

- Reforming in depth the dispute settlement mechanism, including the appellate body, to make it operate again for and with the support of all WTO members.
- Reviewing the TBT notification procedure to make it more efficient, especially regarding rules implemented without being previously notified or total absence of consideration given by the notifying member to the comments from other WTO members;
- Reviewing the Trade Policy Review Mechanism, which is a positive stocktaking exercise but seems to lack of efficient follow-up that would bring a higher level of conformity with WTO disciplines
- Address digital trade and transformation: WTO reform will be incomplete without achieving limitations? on digitalization of trade. These rules should address issues like digital services and regulation of trade-related data flows. These challenges should be taken at multilateral level. In that respect, we fully support the EU stance to seek the adoption of a first set of reforms of the WTO focusing on enhancing the WTO's contribution to sustainable development and providing an agreed framework for digital trade.

▷ **Trade tools must be created to compensate member states / industries unfairly punished in unrelated WTO trade disputes.**

We share the political ambition of 'a stronger Europe in the world'. It must be accompanied by a safety mechanism to protect Members States, its economies – companies as well as workers and citizens –against the negative impacts and the retaliatory measures that this assertive approach may fuel.

2020 has witnessed a WTO dispute that has seriously disrupted wine trade. FR, ES and DE wine exports to the US have sharply declined affected by the 25% ad-valorem retaliatory tariffs imposed since October 2019 in the framework of the WTO aircraft dispute.

Suspending obligations in response to the failure of timely implementation is problematic because it is economically harmful for unrelated sectors and industries. The EU wine sector is highly exposed, as shown by recent examples in the US, Turkey (threaten of retaliatory tariffs on EU wine linked to WTO steel dispute) or Indonesia (in relation with palm oil).

To avoid undermining member states' unity as well as weakening EU economies and industries, like the wine business community's, we ask for the EU to create ASAP a new trade instrument - with a budget proportional to ambitious trade goals- to compensate countries and industries unfairly punished in unrelated trade disputes.

STRENGTHEN THE EU'S REGULATORY IMPACT

- ▷ **The promotion of EU & international OIV wine standards through trade agreements is best practice. It strengthens the EU' regulatory impact and the enhances the competitive advantage for EU exporters.**

The European Union is the world leader in production, consumption and exports of wine. We support its active role and leadership on international standardization through trade, when it comes to wine.

The promotion of EU and International Organisation of Vine and Wine (OIV) wine standards reduces the need for EU wine exporters to comply with different standards in different markets. We applaud the promotion of international OIV standards through bilateral agreements (Mexico, Mercosur, New Zealand, UK). The wine annex in the EU-UK TCA is best practice. We encourage the Commission to continue on this path for ongoing and upcoming FTAs negotiations.

The EU must promote OIV standards hand in hand with Codex Alimentarius' ones, to the benefit of its wine exporting companies. This is particularly important as food safety-related border procedures (pre-shipment inspections, counter-analysis, certification) are more and more erecting trade obstacles, increasing costs and red-tape for wine exporters. We invite the EU to explore through Codex Alimentarius how to alleviate this burden, by promoting a definition of "low-risk products" covering microbiological low-risk goods, such as wine.

STRENGTHEN THE EU'S FOCUS ON IMPLEMENTATION AND ENFORCEMENT OF TRADE AGREEMENTS, AND ENSURE A LEVEL-PLAYING FIELD

- ▷ **The centrality of implementation in the EU trade strategy must translate into the effective removal of longstanding hurdles resulting from poor enforcement of commitments.**

CEEV fully supports the ambition of the Commission to make the EU trade policy more assertive. We welcome the creation of the position of Chief Trade Enforcement Officer (CTEO), and the reorganization of DG TRADE services to further work on implementation of FTA and ensure that EU parties can enjoy the concessions arising from the deals.

While agreements already in application are delivering quite well for wine exporters, there are longstanding hurdles which require continuous engagement from the Commission years after conclusion, such as the discriminatory treatment to imported wine in Canadian provinces. We are confident that the centrality of implementation in the EU trade strategy will be translated into the effective removal of these obstacles, so that exporters can reap the gains that the EU has negotiated.

In this sense, it is worth pointing out the need of an efficient implementation of the EU-UK Trade and Cooperation Agreement. Nowadays, the UK is the second largest importer of EU wine by volume and by value, accounting for 18% of EU-27 wine exports and representing about € 2.45 billion in 2020. 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 and avoiding possible trade obstacles that make operations more burdensome and costly and create competitive disadvantages are of vital importance for the EU wine industry in the coming years.

In addition, the EU should be ready to effectively use trade dispute mechanisms, whether bilateral or multilateral, when needed, and including towards countries with which the EU has or look for trade negotiations.