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Introduction

Australian Grape and Wine Incorporated (Australian Grape & Wine) strongly supports the establishment of the National Foundation for Australia-China Relations (the foundation) and believes Australia's grape and wine sector has a role to play in further strengthening this critical bilateral relationship. This approach builds on the excellent work of the Australian Foreign Policy White Paper, and the government's commitment to driving opportunities for Australian businesses in China, and throughout the Indo-Pacific region.

Australian wine businesses export around 65 per cent of production, and China is Australia's most significant wine export market. The market has grown from \$27 million in 2006 to \$1.1 billion in 2019¹, and Australia has now overtaken France as China's biggest wine supplier by value² – an incredible development in less than 15 years.

While we recognise this high-level of growth will not last forever, it is clear Australia has established its reputation as a provider of high-quality wines with consumers. China represents a long-term commercial opportunity for Australian winemakers and exporters, and these benefits flow through the supply chain to grape growers. However, we are not the only producers of quality wine, and other exporting countries are working hard to capture market share. We are working to cement our position and enable future growth through the Australian Government's \$50 million Export and Regional Wine Support Package and individual company efforts.

However, we also understand that our focus on China carries risk. Geopolitical tensions, trade and security issues and other irritants in the bilateral relationship mean that our position in the Chinese market is not guaranteed. While in any relationship, bilateral tensions can arise from time to time, Australian Grape & Wine remains alert to the fact that in recent years these tensions have become more frequent and high-profile, creating potential commercial problems for Australian wine businesses. Mitigating against these government-to-government tensions is critical, and we hope the establishment of the foundation can help achieve this end.

As well as building intergovernmental relationships, building relationships outside of government, and harnessing Australia's soft power credentials should be an important focus of the work of the foundation. As noted in the Winemakers' Federation of Australia's submission to the Australian Government's Soft Power review, Australia's wine sector is a soft power asset. Australia's world-class food and wine tourism offering is part of what makes Australia attractive as a destination for people, investment and ideas, and each bottle of Australian wine sold in China can tell a story, providing a unique perspective of Australia. Increasing the number of Chinese tourist visitors to Australia enables us to harness our natural assets, our culture and our people, to shape positive perceptions of Australia which are brought home to China and shared. Enabling better links between Australian and Chinese business people, scientists and researchers should be another focus for the foundation, some specific recommendations to achieve this are included in this submission.

To future proof the Chinese market for Australian wine businesses, and strengthen Australia's bilateral relationship with China, we must do more to build relationships and reduce sovereign risk. By building robust foundations to expand new business opportunities in the China market, we can maintain a competitive edge and continue to ensure Australia is viewed as an attractive and dynamic tourist destination.

¹ www.wineaustralia.com

² https://vino-joy.com/2019/06/10/chinas-wine-imports-continue-to-slide-as-australia-overtakes-france/

³ Note. The Winemakers' Federation of Australia and Australian Vignerons Amalgamated on 1 February 2019 to form our new organisation, Australian Grape & Wine.



What additional activities would aid in promoting practical cooperation with China?

The Australian Government's \$50 million Export and Regional Wine Support Package (the Package) has bolstered the sector's engagement in promotional activities in China, including through Wine Australia's coordination of a China Influencer Media & Trade Visit, a China Sommelier Visit and a China Key Opinion Leader (KOL) Influencer Visit. Further to this, the fortnight-long China road-show, which took 80 Australian wineries to cities across China helped promote our wine offering and educate Chinese consumers about our wines, regions and people.

These events have shown great promise for helping to expand the Chinese market, however with the Package coming to an end by June 2020, further support will be needed to maintain this momentum to cement our gains. While promotional events are good at raising awareness at a commodity/industry level, practical cooperation is best done though collaborative events across multiple stakeholders. A good example of such an opportunity is the annual AFL game in Shanghai aimed at promoting AFL and more broadly promoting business, people-to-people and cultural exchange. Events such as this provide a centrepiece around which other events can be built, and promoting this as a "Festival of Australia" has significant potential to promote greater cooperation.

The greatest opportunity for promoting practical cooperation with China is to support improved cooperation between regulatory authorities. We know that both Chinese and Australian regulators are interested in improving regulatory cooperation to improve food safety and product integrity. Previous work that we have undertaken in plurilateral forums, including the APEC Wine Regulatory Forum (WRF) and the APEC Food Safety Cooperation Forum have resulted in strong participation by Chinese regulators and have shown that they are highly effective in addressing regulatory issues and barriers to trade through education and knowledge exchange. This indirect approach can encourage the removal of barriers to trade in a non-confrontational setting, without the need for more formal direct approaches which can often be met with resistance or even embarrassment.

To fully utilise the benefits of such a 'soft power approach', Australian regulators must be able to work collaboratively with Chinese regulators to build a system that provides consumers on both sides with surety about food safety and integrity. A good building block for this will be Australia's development of the Australian Wine Label Intellectual Property Directory (the Directory). The Directory will be a searchable intellectually property register for wine labels to allow businesses to monitor export wine labels, in order to ensure copycat products are identified and can be acted on. The next step will be to build a cooperative network with Chinese regulators to exchange information and then finally develop a joint regulatory system with checks and balances of the importing end of the wine supply chain in China. Using a staged process will build trust and relationships. This builds on a series of recommendations from a project undertaken by Australian Grape & Wine funded through the Agricultural Trade and Market Access Cooperation (ATMAC) programme. Such a system will increase Australia's competitiveness, build trust with consumers and mitigate sovereign risk when political tensions arise.

What events would you propose that would enhance leadership exchange?

The wine sector has already demonstrated the success of bringing together regulators from different economies through the APEC WRF. This allows regulators from across the globe to sit together and discuss best-practice wine regulation and promote harmonisation. We have seen great improvements in regulation and a reduction in non-tariff barriers through this forum within APEC and the model can be adapted on a bilateral basis with China.



One of our biggest opportunities lies in the area of technical and research and development (R&D) cooperation. Australia has a world class R&D system for agriculture, which has driven productivity, quality and sustainability across the sector, including in the grape and wine sector, boosting our global competitiveness and our appeal to consumers.

Cooperation in R&D with China could bring opportunities to reduce duplication of research efforts, test ideas and thinking, identify untapped funding sources and help improve technical and information exchange. This is likely to be beneficial to both Australian and Chinese grape and wine businesses, and in the end, be mutually beneficial to our global competitiveness. The R&D system should be used as a collaborative tool to build research partnerships and technical exchange. Australia's success has not happened by locking up Intellectual Property, but by implementing the results of R&D. China's investment in R&D and its burgeoning local wine industry makes it the perfect partner to help undertake and commercialise R&D. Our advantage will come from the speed and ability to implement change.

What activities could help to showcase the best of Australia?

As noted above, supporting the sector's promotional activities and initiating a "Festival of Australia" concept would help showcase Australia as a dynamic and attractive food and wine destination. It would also bolster our soft power credentials, improving cultural perceptions and understanding through sport, the arts and dialogue.

Technical exchanges between regulators would showcase our best-practice approach to regulation, while also strengthening Australia's reputation as a high-quality, sustainable and safe food and wine producer. Building on this, as noted above, R&D cooperation would also promote the best of Australia's cutting edge wine science in a country that is building a large domestic industry. A key opportunity for developing China-Australia cooperation and showcasing our best is to work with Chinese research and commercialisation organisations on mutually beneficial technological solutions to agriculture issues. Australia is already well developed in its relationships on education, but a great opportunity is available in the field of R&D. The wine sector is in a perfect position to lead a pilot in this area. The industry holds the policy position that Intellectual Property should not be locked up, but made available to industry, and cooperation with China could improve commercialisation and our R&D system.

How might the Foundation best engage the Chinese-Australian community?

The wine sector is a very good sector to engage with the Chinese-Australian community given the high level of involvement of the community in the export trade to China. In most other markets, our four largest companies dominate the export market, but in China, they only hold 40 per cent of the Australian category, with the bulk of the export trade through small, Chinese entrepreneurs. In 2018 there were over 2000 Australian based companies exporting wine to China.

Chinese exporters are actively trying to become part of the collegiate Australian wine and spirit export community. For example, the 2019 Adelaide Wine Festival and the 2nd China-Australia Wine and Spirit Forum were both held in June in Adelaide with over 1000 Chinese entrepreneurs and invited guests. Australian Grape & Wine spoke at this event, promoting the benefits of a strong regulatory system in protecting product integrity and building the value of brands. Australian Grape & Wine will continue to build on this ongoing relationship.

Another opportunity which Australian Grape & Wine has identified for broader engagement with broader Chinese-Austrian agricultural community is through the ChemLinked. ChemLinked are a service provider based in



Australia who provide regulatory information across their network on a user pays basis. The focus of their food division is on providing regulatory updates and advice primarily in China but also broader Asian markets. Each year ChemLinked run a Food Regulatory Conference promoted across their extensive network and this year Australian Grape & Wine will present at this conference, providing an opportunity to strengthen relations.

Providing support for industry-led events and initiatives with Australia's Chinese community, focusing on the supply chain, is another great way to build engagement. Soft power networking events with the Chinese community at the Chinese Embassy in Canberra or at the consulates in other states are another way of building relationships. Australian Grape & Wine are exploring these opportunities with other interested agriculture groups.

Non-government Chinese engagement is a critical part of our engagement strategy. We have identified key industry bodies and retailers we will work with who have strong links with Chinese regulatory authorities, in our efforts to protect brand integrity in China. In addition, there are a number of Chinese owned Australian wine businesses that have strong links back to their Chinese government authorities. These businesses have expressed interest in working with Australian Grape and Wine to help build links to the regulatory authorities, as it is important to their own business to have a strong and engaged Australian Chinese relationship.

Broader ongoing collaboration with Chinese retailers and Chinese owned Australian wine businesses, will be key to building relations and engaging the regulatory authorities through strong existing Chinese networks

Conclusions

Australian Grape & Wine believe that there are many opportunities to work collaboratively with China and we would be delighted to expand on these ideas if required.



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