INTERNATIONAL PUBLIC POLICY REPORT
BOARD OF DIRECTORS MEETING
December 7, 2021

RETAIIATORY TARIFFS

United Kingdom: The Biden Administration has taken a number of important steps in recent months to rebuild US trading relationships with both the EU and UK. In addition to resolving the long-running Boeing-Airbus dispute over aircraft subsidies, the parties have also made significant progress to resolve the ongoing dispute over steel and aluminum tariffs. The UK has threatened to place a 25% retaliatory tariff on U.S. wine in addition to the current tariff on U.S. whiskey and bourbon. Given the importance of this market for U.S. wine exports, Wine Institute has been actively engaged in urging the Biden Administration to swiftly resolve the dispute before tariffs significantly harm U.S. wineries. The U.S. and the EU recently announced a resolution to the steel and aluminum dispute, and this is expected to pave the way for a similar deal between the U.S. and the UK. We will continue to monitor this issue closely and work to ensure U.S. wines are not targeted in this key market.

TRADE ISSUES

China: As a result of new food facility registration regulations, all wineries exporting to China must register their facilities by January 1, 2022 at https://www.singlewindow.cn All products entering into China must carry the registration number on the inner and outer packaging labels. There are major roadblocks in getting all exporters to register and the U.S. Embassy in Beijing along with representatives from Australia, Canada, UK, EU, Japan and Switzerland have asked China to halt and delay implementation until July 1, 2023. China has published no official guidance and has not responded to any questions posed by importing governments on behalf of foreign food producers, including Wine Institute’s. The U.S. Agricultural Office in Beijing has provided an English translation with screenshots of the process in a GAIN report. Wineries that register are advised to use the FDA Establishment Identifier (FEI) number when prompted for a facility number issued by a competent authority.

Columbia: Good news to report for exporters to Columbia. Due to Wine Institute’s and U.S. government efforts, Colombia will not require a Certificate of Good Manufacturing Practices (GMP) from U.S. wine exporters. After several meetings and interventions at the WTO, Colombia agreed that U.S. regulations sufficiently cover GMP and therefore exporters can use a

1 Overview of requirements. USDA Foreign Agricultural Service “Overseas Facilities Registration Regulation - Decree 248” https://bit.ly/3Cz9OHw
Certificate of Free Sale to fulfill the requirements. The proposal was problematic because there is no U.S. authority that will issue a GMP certificate, despite robust regulation of the wine industry.

Thailand: In another recent success, Wine Institute has secured the removal of a burdensome requirement in Thailand. The government of Thailand has agreed to remove an onerous certification and testing requirement. For all exporters to that market, they can now use the APEC Wine Certificate. Instead of lab testing, wineries can certify that the wine complies with certain substance limits using the APEC Model Wine Certificate. This will save approximately $1,000 per shipment to that market.

United Kingdom: Excise Tax Proposal – The British government announced proposed changes to the excise tax (“duty”) structure for wines, spirits, cider, and beer. The result is that many wines will see taxes increase, whereas other categories will remain the same or see the excise rate reduced. Sparkling wines are the exception and will have a lower rate. The current rate for still wine between 5-15% abv is £2.23 ($3.01). Wines in between 12-15% abv will see an increase from £2.33-2.91 ($3.15-$3.93). Wine Institute will work with FIVS and the UK’s Wine and Spirit Trade Association (WSTA) on a response.

United Kingdom: Certificates – Exporters to Great Britain will soon have less paperwork required when sending wine to the British market. On July 25, 2021, the British government announced plans to remove the requirement for wine import certificates. While the details and implementation date have yet to be published, Wine Institute considers the announcement to be a significant achievement after years of outreach to the British government. We will alert membership once the legislation is published and work with the UK government on processes to ensure that re-exports of California wine from the UK to the European Union can continue.

United Kingdom: Wine Institute and Fetzer Vineyards are participating in a case study in conjunction with the UK’s Customs and Revenue for seamless border clearance of a shipment of wine using Distributed Ledger Technology (Blockchain). The team includes Chainvine (the blockchain supplier), K&L Gates (legal), UK’s Food Standards Agency (wine regulators). Under the UK’s 2025 Border Strategy to use technology to modernize port procedures.

European Union: New Labeling Requirements – Wine Institute continues to closely monitor progress on new mandatory nutrition and ingredient labeling regulations for wine in the European Union (EU). The regulations, which encompass mandatory on label calorie disclosure and mandatory off label ingredient lists, are expected to come into force in the near future. Specifically, the EU wine industry has launched the https://www.u-label.com/ platform. The system will generate, for a fee, EU compliant electronic labels which European consumers can access by a QR code. The WITAC continues to study this development and the impact of e-labels on trade.

Grant-Funded Projects: Wine Institute administers several USDA Technical Assistance for Specialty Crops Grants to help with trade barriers in export markets.

1. International Wine Technical Summit. The grant supporting the IWTS expired on 11/30/201 and provided $650,074 over 4 years. With the funds Wine Institute created a dialogue with regulators in emerging export markets. The WITAC fully completed 9 project goals, partially completed 3, and was not able to work on one. The work generated changes in regulations by Kenya, Colombia, and Thailand.
   o The grant was amended to launch 3 separate projects providing funding to complete a scientific review of research related to smoke exposure in grapes,
launch the wine authenticity project, and revise the FIVS-Apace database of wine components.

2. *Crop Protection Products.* The USDA is providing $650,000 over 5 years to help California wine “preserve for today and protect for tomorrow”. Due to residue limit changes in export markets, the WITAC and EHS Committee are revising the project in order to hire technical experts in managing MRL changes in export markets.

3. *Wine Authenticity.* A new project is in the final stages of the USDA approval process. When signed, Wine Institute will receive $247,500 over 5 years to fund the collection and analysis of wine samples to build a spectral database of California wine to determine authenticity.

### International Organizations

**World Health Organization: Global Alcohol Action Plan** – The World Health Organization (WHO) continues work on the development of a Global Alcohol Action Plan (GAAP). The WHO Secretariat is in the process of finalizing the draft GAAP to be submitted to the WHO Executive Board for adoption early next year. Wine Institute continues to collaborate closely with U.S. industry colleagues, FIVS and IARD to ensure the U.S. government and other WHO Member States engage in the process and work constructively to ensure the final plan does not move away from a global strategy that is fully supported by Member States. The most recent draft of the GAAP continues to include a number of problematic policy recommendations including an unrealistic target for the reduction in harmful use, an exclusive focus on ‘best buy’ policies to the exclusion of other successful strategies for reducing harmful use, and references to an international framework convention for alcohol control. A copy of comments submitted by Wine Institute in response to the draft Action Plan are attached. We continue to engage with the U.S. government to urge them to question certain aspect of the draft plan as we prepare for the Executive Board meeting in January.

**World Wine Trade Group (WWTG):** Together with U.S. government colleagues, Wine Institute staff has begun planning for U.S. to assume the role of Chair of the WWTG next March. The WWTG is an effective forum for Wine Institute and the U.S. government to work with like-minded wine producing countries outside of the European Union in a public-private partnership. Each year the Chair of the group shifts from country to country setting the agenda and workstream for the year ahead. We are currently discussing technical, environmental, and WWTG membership projects with the WITAC, EHS, and the U.S. government. Agenda items likely to be advanced during the U.S. Chair year include electronic labelling, reducing certification burdens through electronic certification, and better understanding of areas of alignment in wine sustainability programs. During the host year, the U.S. is expected to host 2-3 in person meetings including a Fall 2022 meeting in northern California.
COMMENTS ON FIRST DRAFT OF THE WHO GLOBAL ALCOHOL ACTION PLAN 2022-2030

Wine Institute, the trade association representing over a thousand California (U.S.) wineries and affiliated businesses, submits the following comments as a part of the web-based consultation on the WHO’s first draft of the Global Alcohol Action Plan 2022-2030 to Accelerate Implementation of the Global Strategy to Reduce the Harmful Use of Alcohol. California is the fourth largest wine producing region in the world and our wineries are responsible for more than 80% of the wine produced in the U.S. and more than 95% of U.S. wine exported to more than 140 countries.

Within the broader alcohol sector, wine is a truly unique product in many respects including the manner in which it is produced, regulated, and consumed, and wine is inherently tied to its place of origin in a way that most other alcohol beverages are not. As a result, wine producers face a unique set of challenges from vintage to vintage and region to region. Challenges that have been exacerbated in recent years by unpredictable events such as climate change, wildfires and other natural disasters.

The wine sector is also unique because it is highly fragmented both in the U.S. and globally. In the U.S. there are more than 11,000 wineries spread across all 50 states. These wineries are supported by tens of thousands of individual winegrape growers and affiliated businesses that make wine one of the most sustainable, highly value-added agricultural products in the U.S. The overwhelming majority of these businesses are small, family-owned enterprises. Together they support nearly 1 million jobs in the U.S., generate tourism through 43 million annual winery visits and provide much needed economic support to rural communities across the country.

Since its beginning in 1934, Wine Institute has worked to support the California wine industry and enhance the environment for the responsible production and enjoyment of wine. Wine Institute’s ongoing social responsibility programs promote moderate consumption, environmental conservation and protection, and involvement with communities and social policy organizations that protect the safety and well-being of employees and consumers. A joint project of Wine Institute and the California Association of Winegrape Growers, the California Sustainable Winegrowing Alliance (CSWA) promotes the industry’s environmental stewardship and socially responsible relationships with employees, neighbors and local communities. CSWA was created to implement the educational Sustainable Winegrowing Program and help increase the widespread adoption of sustainable practices. A third-party certification program, Certified
California Sustainable Winegrowing, was initiated in 2010 for vineyards and wineries, and updated in 2017 to enable wine certification. The California Sustainable Winegrowing program is the most comprehensive and widely adopted in the world.

Wine Institute and its members remain committed to efforts to further reduce the harmful use of alcohol. One of the ways this is done is through the Wine Institute Code of Advertising Standards which ensures industry members practice responsible product advertising and marketing, including in export markets. The code has been upheld as a model of effective industry self-regulation. Since its inception in 1949, the guidelines have undergone regular review and revision to respond to changes in media platforms (including social media), advertising and wine industry practices. The Code includes numerous provisions to ensure that advertising reaches the intended audience of individuals of legal drinking age, portrays wine consumption in a responsible manner and encourages moderation. The guidelines apply to all active members of Wine Institute.

Wine Institute welcomes the opportunity to provide the following comments on the first draft of the Action Plan. The mandate from WHO Member States and the Executive Board was very clear with respect to the drafting of the Action Plan. The 146th Executive Board reaffirmed the Global Strategy as the WHO’s leading alcohol policy document and as such the Action Plan must remain consistent with the Global Strategy. Wine Institute is concerned that the draft Action Plan clearly deviates from the Global Strategy in a number of important areas.

1. **The Action Plan should remain consistent with the Global Strategy and the Member State endorsed mandate to focus on reducing the harmful use of alcohol.**

   The Action Plan should continue to focus on actions aimed at reducing the harmful use of alcohol as opposed to establishing new measures or targets. The draft Action Plan acknowledges progress that has been made in reducing harmful use in several key areas. Despite this, the draft includes a new Global Target 1.2 calling for a 20% relative reduction in alcohol per capita consumption by 2030. This new target is inconsistent with the Global Strategy and has not been endorsed by Member States. In addition, the Action Plan does not provide a basis for directly associating harmful use of alcohol with per capita consumption. This focus on alcohol per capita consumption fails to take into account available data on important metrics such as heavy episodic drinking, underage drinking and alcohol related mortality that are key and more direct indicators of harmful use. Wine Institute believes the specific target for a reduction in alcohol per capita consumption should be removed and the Action Plan should continue to use multiple different metrics in measuring progress on harmful use.

2. **The Action Plan should avoid an overly prescriptive and narrow focus on a limited set of policy options.**

   The Global Strategy includes a broad array of policy options aimed at combating harmful use and designed to provide Member States appropriate flexibility as they seek to
address harmful use in their local context. The Action Plan should build on this approach, however as currently drafted it seeks to significantly alter this approach by focusing on a very narrow set of policy recommendations. The Action Plan’s exclusive reliance on the limited set of policies within the SAFER Initiative is concerning on several levels. First and foremost is the fact that the SAFER Initiative was produced by the WHO Secretariat in 2018 without any input or endorsement from Member States. This runs directly counter to the Executive Board’s endorsement just last year of the full spectrum of policy recommendations included in the Global Strategy.

The draft Action Plan seeks to further prioritize the SAFER initiative as the sole policy option for Member States by establishing a target goal (Global Target 1.1) for its adoption as the only metric by which progress should be measured. This is despite the existence of ample data supporting the validity of numerous policy options outside of the SAFER initiative. This restricts a Member States’ ability to consider relevant factors at the national level as they determine the most appropriate policies. Ultimately, this will likely lead to a scenario where Member States which have taken important steps to adopt policies included in the Global Strategy, are none the less viewed in the eyes of the WHO as not having acted at all, simply because the policies fall outside the scope of the SAFER initiative. This would clearly be counterproductive to the overall goal of reducing harmful use.

3. **The Action Plan should refrain from promoting a global framework convention on alcohol control.**

The Action Plan as drafted includes a specific reference to the establishment of a global framework convention on alcohol control. In so doing, the draft suggests that the lack of a framework convention has hindered the implementation of the Global Strategy. This reference remains in the document despite the fact that just last year, the 146th Executive Board, in its deliberations on the Action Plan, considered and rejected an initiative to begin developing a framework convention on alcohol control. The Action Plan should remain consistent with the Global Strategy and only include those policy initiatives endorsed by Member States.

4. **The Action Plan should remain consistent with the Global Strategy and the 2018 UN Political Declaration by continuing to call for and support a ‘whole of society’ approach, including actions by the wine and alcohol sector, to address harmful use.**

As currently drafted, the Action Plan differentiates between the alcohol sector and all other stakeholders in a manner that is counterproductive to addressing harmful use. By limiting the sector to specific “measures” while calling on all other stakeholders and Member States to engage in a broad array of “actions,” the Action Plan seeks to minimize and restrict the constructive role the sector has and continues to play in addressing harmful use. The Action Plan also calls for the wine and alcohol sector to
have only limited engagement with the WHO and no engagement with other stakeholders and Member States. This approach runs directly counter to that embraced by Member States and clearly articulated in the Global Strategy. A true ‘whole of society’ approach to harmful use must recognize and encourage the positive contributions made by the sector.

5. **The Action Plan should avoid proposing work that is outside the scope of the WHO’s mandate and its core competencies.**

Wine Institute believes that the Action Plan should not recommend WHO engagement or work in policy areas that are clearly outside of the organization’s scope and core competencies. The following policy areas fall under the purview and competence of individual Member States as well as other multilateral international organizations and should be removed from the Action Plan:

   a. **Alcohol labeling** – The draft Action Plan calls on the WHO Secretariat to engage in work to establish an international standard for alcohol labeling. This is inconsistent with the Global Strategy which recognizes the flexibility that individual Member States need to consider local context. This issue is of particular importance to the wine sector due to the unique, prescriptive wine labeling requirements that already exist in most parts of the world. Additionally, it is important to note that ongoing multilateral work on alcohol labeling has been under way for some time at CODEX Alimentarius. Any effort by the WHO Secretariat to begin work in this area would be duplicative and counterproductive given CODEX’s history and expertise in this area.

   b. **Trade policy** – The draft Action Plan also includes action items for the WHO Secretariat regarding engagement in the area of international trade policy. Trade policy is a fundamental core competence of Member States and of the World Trade Organization at the multilateral level.

Wine Institute and its winery members appreciate the opportunity to participate in this process and provide these comments for consideration as the Action Plan is developed. We will continue to work with all stakeholders in support of a whole of society approach that emphasizes responsible consumption while continuing to make progress on reducing the harmful use of alcohol.