



Scotch Whisky and Brexit

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Summary of key Scotch Whisky industry objectives:

1. A comprehensive trade deal with the EU that can adjust over time
2. An open trade policy, securing existing EU trade deal benefits and then developing an ambitious agenda of new and refreshed Free Trade Agreements
3. Frictionless and efficient customs procedures, minimising cost and complexity for exports to the EU27
4. Robust legal protection of Scotch Whisky in the UK, EU, and global markets
5. Business certainty and consistency through the Great Repeal Bill and other means
6. Pursuing reform opportunities to boost domestic industry after leaving the EU
7. A domestic tax and regulatory agenda that delivers a platform for international growth



An industry of strategic importance, Scotch Whisky is our global drink; a major manufacturing sector supporting 40,000 jobs, adding £5bn in value across the economy, and the single biggest net contributor to the UK balance of trade in goods.

However, industry success must not be taken for granted by government or policy makers. As we navigate the uncertainties of Brexit, the continued success of Scotch Whisky is a litmus test of the UK's exit from the EU. Whilst Brexit creates challenges, there are also potential opportunities if the industry's priorities are delivered.





To support jobs and growth after Brexit, the Scotch Whisky Association looks to the Government to prioritise:

1. A comprehensive trade deal with the EU that can adjust over time

Unlike traditional trade deals, the new partnership with the EU27 must recognise the existing, inter-linked nature of the UK-EU economic relationship. Our aim should be a comprehensive Free Trade Agreement (FTA) that acts as a living agreement, creating effective regulatory cooperation with the EU27, and which can evolve over time.

We seek an agreement that puts in place mechanisms that allow for regular dialogue, private sector consultation and dispute settlement. Recognising it will be difficult to achieve a comprehensive trade deal before March 2019, we will need transitional arrangements towards a UK-EU FTA on Brexit.

Competitiveness could be put at risk by tariffs on supply chain inputs, including glass bottles (3-5%), closures such as corks (up to 5%), distilling machinery (1.7%), and cereals (€93/1000kg on barley). The goal should be full tariff liberalisation, with default to 'WTO only' rules being the worst outcome for the sector.

2. An open trade policy, first securing existing EU trade deal benefits and then developing an ambitious agenda of new and refreshed Free Trade Agreements

Under WTO rules, Scotch will continue to benefit from a zero tariff on exports to the likes of the EU, USA, Canada and Japan. However, there is a risk of losing benefits, including lower tariffs, secured through the EU's bilateral trade deals with markets representing around 10% of Scotch exports.

Our first priority is 'transitional adoption' of benefits secured through existing EU trade deals, including lower tariffs in the likes of South Korea, Dominican Republic and Morocco. Second, the UK should negotiate its own ambitious FTA network, with trade priorities for whisky including:

- Major markets with long-term potential, such as India, China, and Brazil.
- Fast-growing markets with potential, including Kenya, Nigeria, Burma, and Vietnam.
- Established markets where further growth is possible, such as Australia and Thailand.
- An active and robust UK presence at the WTO.

FTA negotiations take time so we encourage the UK to identify short-term opportunities to open markets, tackling trade barriers with priority countries, such as India.

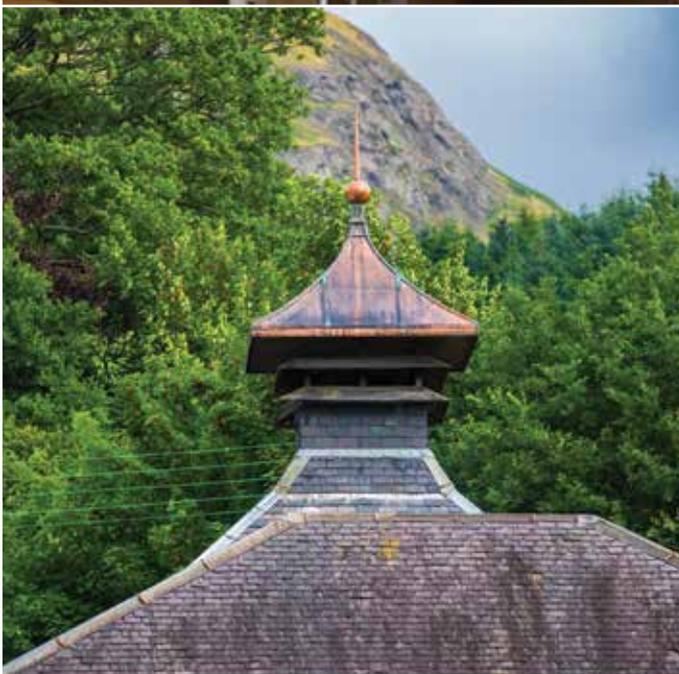


3. Frictionless and efficient customs procedures, minimising cost and complexity for exports to the EU27

Movements of duty-suspended excise goods, such as Scotch Whisky, to the EU are managed using the EU's Excise Movement & Control System. This computerised system has brought benefits to traders and fiscal authorities since its introduction in 2011.

We encourage continuation of the current system for intra-UK movements. On Brexit, all movements from the UK will become exports and be processed using an aging export and import declaration system (CHIEF). There are concerns that CHIEF will be unable to handle the additional trade volumes and it is vital that its replacement, the Customs Declarations Services programme, is fully operational from day one of Brexit.

Robust customs systems are vital so that spirit drinks can be exported as efficiently as possible.



4. Robust legal protection of Scotch Whisky in the UK, EU, and global markets

The industry places great value on Scotch Whisky's international reputation and legal recognition as a product that must be produced in Scotland according to traditional practice.

We need to ensure the transition from a protected EU Geographical Indication (GI) to a non-EU GI protected in the EU is as straightforward as possible. We recommend mutual recognition of UK and EU GIs, as well as the early creation of a UK GI register.

Government should preserve the protection of Scotch Whisky secured through existing EU trade deals, as well as promote certainty around the definition and presentation of spirit drinks through transposition of the EU Spirit Drinks Regulation into UK law.

5. Business certainty and consistency through the Great Repeal Bill and other means

The industry values a wide range of EU laws, which have been positive for businesses and consumers across the single market, not least those governing labelling, spirit drink definitions, and bottle sizes.

We support a 'Great Repeal Bill' that provides consistency and certainty, with all relevant EU laws transposed into UK law. Certainty can also be provided by arrangements that allow continued access to talent from across the EU, with the needs of related sectors such as tourism and hospitality recognised.

6. Pursuing reform opportunities to boost domestic industry after leaving the EU

The SWA believes Government should look closely at domestic reform opportunities to take a different policy approach outside the EU. These include:

- Supporting energy efficiency and competitiveness through a reformed Climate Change Agreement better suited to industry needs, outside the EU emissions trading scheme.
- A fairer approach to alcohol taxation not constrained by the EU excise structures directive.
- Re-introduction of duty-free arrangements for EU-related travel.
- Replacing EU funding schemes to promote food and drink GIs and rural development.



7. A domestic agenda that delivers a platform for international growth

The domestic environment is an important part of making a success of the Brexit jigsaw. Government must act to ensure that Scotch Whisky – a flagship domestic industry – is supported by fair and competitive tax and regulation at home.

The 2017 decision to raise excise duty on Scotch Whisky by nearly 4% was disappointing at a time when the sector faces the uncertainty of Brexit. The system should be fundamentally reformed.

A whole government strategy to support the industry would be helped by development of a 'sector deal' for Scotch Whisky as part of the new UK industrial strategy.

