



# Scotch Whisky and Brexit



## Summary of key Scotch Whisky industry objectives:

1. As open a trade policy as possible, securing existing EU trade deal benefits and then developing an ambitious agenda of new and refreshed Free Trade Agreements
2. Robust legal protection of Scotch Whisky in the UK, EU, and global markets
3. Business certainty and consistency, by transposing EU single market legislation of relevance to Scotch Whisky into UK law
4. Scoping out opportunities where a distinct UK approach could benefit domestic industry
5. A domestic tax and regulatory agenda that delivers a platform for international growth.



**An industry of strategic importance to Scotland and the UK, 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 balance of trade in goods.**

With annual exports of around £4bn to nearly 200 countries, the continuing growth of Scotch Whisky will be a litmus test of the success of the UK's exit from the European Union. Whilst Brexit creates challenges, there are also potential opportunities if the industry's priorities are delivered.



To support jobs and growth in the industry after Brexit, the Scotch Whisky Association looks to the Government to pursue five objectives:

**1. As open a trade policy as possible, first securing existing EU trade deal benefits and then developing an ambitious agenda of new and refreshed Free Trade Agreements (FTAs).**

Under WTO rules, Scotch will continue to benefit from a zero tariff on exports to the likes of the EU and USA. However, if we are outside the EU's network of bilateral trade deals, there is a risk of losing benefits, including lower tariffs, in markets representing around 10% of exports.

The first priority is therefore to negotiate the 'grandfathering' or transition of benefits secured through existing EU trade deals. Second, the UK should negotiate its own FTA network, with the UK having the maximum influence on its own trade policy. Priorities for whisky include:

- 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.

A continued effort to promote open markets and tackle trade barriers, outside Brexit related negotiations, will be necessary. Companies should be able to continue to enjoy simplified customs arrangements through the EU's 'authorised economic operator' scheme.

## 2. 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 creation of a UK GI register.

Government should grandfather 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 (which will require amendment to the UK's Scotch Whisky Regulations 2009).

## 3. Business certainty and consistency, by transposing EU single market legislation of relevance to Scotch Whisky into UK law.

The industry continues to value a wide range of EU laws, which have had a positive impact on the business environment across the single market, not least those governing labelling, spirit drink definitions, and bottle sizes. A pragmatic, non-disruptive transition will be fundamental, balancing influence, access, and opportunities.

We support a 'Great Repeal Bill' that provides consistency and certainty, with all relevant EU laws transposed into UK law. Arrangements for future trade with the single market - and transit to other countries through the EU - must minimise cost and complexity.



## 4. Scoping out opportunities where a distinct UK approach could benefit domestic industry.

The SWA believes there are areas currently subject to EU law where there is a positive case to be made to take a different UK approach in support of domestic industry. 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.
- New duty-free arrangements for EU-related travel, reflecting the importance of travel retail as an international showcase for Scotch Whisky.
- Creation of agricultural schemes more suited to domestic conditions, including abolition of the 'three crop rule'. Government should replace existing EU funding schemes, supporting the promotion of GIs and rural development.

## 5. A domestic tax and regulatory 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 the Scotch Whisky industry – a flagship domestic industry - is supported by fair and competitive tax and regulation at home.

It is time, for example, to address the fact that Scotch Whisky still faces a 77% duty burden in its home market. A reformed, fairer system would encourage growth and investment by home-grown producers, boosting government revenues.

