The Scotch Whisky industry adds £5bn in value to the economy and supports 40,000 jobs across the UK. As a major exporter and the single biggest net contributor to the UK’s balance of trade in goods, the continued international growth of the industry will be a litmus test of the success of the UK’s exit from the EU.

The Scotch Whisky Association welcomes the opportunity to respond to the European and External Relations Committee inquiry on the Article 50 withdrawal negotiations. This response underlines the need for collaboration between governments and business, setting out the Scotch Whisky industry’s priorities in relation to the negotiations.

**Process**

The challenges and opportunities related to Brexit for businesses need to be understood by both the Scottish and UK governments. Effective consultation and collaboration between both governments is essential, as well as engagement and dialogue with a wide range of businesses and industry bodies.

More clarity would be welcomed as to the process by which this will take place, particularly with regard to the Repeal Bill and how industries will be consulted on any necessary secondary legislation as EU law is transposed into UK law. Ensuring that any challenges are worked through in a useful and collaborative manner is also important.

**Engagement**

Regular engagement between the Scottish and UK Governments and the Scotch Whisky industry is key to ensure that any challenges relating to Brexit are dealt with. Industry expertise on trade, intellectual property, and customs issues helps to identify challenges and potential opportunities related to Brexit. The SWA believes that collaborating and sharing information among officials from both governments is important, as is using a range of methods to engage with businesses and industry wide bodies to gather concerns and priorities.

**Scotch Whisky priorities**

As the uncertainties of Brexit are navigated, the continued success of the Scotch Whisky industry will depend on support for our priorities as the UK develops its independent trade policy. The Scotch Whisky industry must not be taken for granted by government or policy makers.

To support jobs and growth after Brexit, the Scotch Whisky Association looks for the prioritisation in the following areas.
A deep and comprehensive trade deal with the EU that is able to adjust over time

Unlike traditional trade deals, the new trade partnership with the EU27 must recognise the existing, inter-linked nature of the UK-EU economic relationship. Our aim should be a deep and comprehensive Free Trade Agreement (FTA) that acts as a living agreement, creating effective regulatory cooperation with the EU27, with the respective legislative environments mirroring each other where we agree that is appropriate. We seek an agreement that puts in place mechanisms that allow for regular dialogue, private sector consultation and dispute settlement.

We recognise it will be difficult to achieve a comprehensive trade deal before March 2019 and so support transitional arrangements towards such a UK-EU FTA on Brexit. Under WTO rules, Scotch will continue to benefit from a zero tariff on exports to the likes of the EU, USA, Canada and Japan.

Efforts should be made to ensure that competitiveness is not undermined by tariffs on important supply chain inputs, including glass bottles (3-5%), closures such as corks (up to 5%), distilling machinery (1.7%), and cereals (€93/1,000kg on barley). The goal should be full tariff liberalisation, with default to ‘WTO only’ rules being the worst outcome for the sector.

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 (EMCS). This computerised system has brought benefits to traders and fiscal authorities since its introduction in 2011.

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

It is vital that robust customs systems are in place and that spirit drinks can be exported around the world as efficiently as possible. We are considering the government’s recently published proposals on future customs arrangements and will feed in our views via the joint industry/HM Government Customs Brexit Group of which we are a member.

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.

**Business certainty and consistency through the EU (Withdrawal) Bill and other means**

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.

We support the concept of the EU (Withdrawal) Bill to provide consistency and certainty, with all relevant EU laws transposed into UK law. Further clarity is required to confirm from which date the EU (Withdrawal) Bill will come into effect, and the precise format by which retained EU law will be presented. At the same time, industry should be formally consulted when statutory instruments are used to amend or delete specific parts of existing EU regulations to make them relevant for 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.

**Conclusion**

The SWA looks forward to continuing to engaging with both governments throughout this process. Business stability, certainty and consistency must remain top of the agenda and we will be delighted to share our expertise regarding trade to help facilitate this.