



## **REVIEW OF THE BALANCE OF COMPETENCES BETWEEN THE UNITED KINGDOM AND THE EUROPEAN UNION: FOREIGN POLICY**

### **Overview**

The Scotch Whisky Association (SWA) welcomes the opportunity to provide input to the UK Government's Balance of Competences review.

The SWA is the industry's officially recognised representative body, responsible for protecting and promoting Scotch Whisky both at home and abroad. The Association's members export to over 200 markets worldwide; in 2011 industry exports were worth around £4.23 billion, representing nearly 25% of all UK food and drink exports. (With member companies also owning the import and sales teams in many overseas markets, the real value to the industry and UK plc is far higher.)

Sales of Scotch Whisky within the 27 EU Member States totalled more than half a billion bottles, or about 42% of the industry's volumes. The EU is vital to the industry's long term sustainability, both as an internal market and as a strong voice in international trade negotiations.

The trade environment within the EU internal market, in which one set of common rules applies, is immeasurably simpler than the alternative in which 27 different regulatory regimes would operate. The EU rules, agreed with considerable and very helpful input from UK officials and MEPs, impact on almost every facet of trade in Scotch Whisky. These include: spirits definitions; protection of 'geographical indications' (such as Scotch Whisky); labelling; taxation; a standardised range of bottle sizes; holding and movement of excisable products; and environmental issues.

While the internal market is not perfect, the existing arrangements permit the UK Government to help shape the rules which govern it; they also greatly facilitate the resolution of problems arising from the inappropriate application of EU rules. Securing and maintaining an optimal trading environment requires a strong UK presence when legislation is being prepared or amended.

The influence of the EU extends well beyond the single market. The Commission, again with considerable input from UK officials, has been a strong and effective supporter of the industry's wider interests in international trade negotiations whether at the multilateral, regional or bilateral level. It has also successfully secured the removal of tax and other discrimination against Scotch Whisky in third countries using the World Trade Organisation's dispute settlement mechanism. Indeed, the EU's use of the dispute settlement process and WTO disciplines more generally has been of considerable benefit to the sector. As the world's foremost internationally traded spirit drink, Scotch Whisky derives enormous benefit from the EU's expertise and negotiating muscle in the areas of trade policy and market access globally.

Consequently, the SWA is a strong supporter of maintaining the UK's active involvement within the EU. In the fields of internal market regulatory harmonisation and international trade policy, we see no issues which require subsidiarity or to be repatriated to national level.

## Trade Policy and Market Access

The Association notes the three overarching priorities for the Foreign and Commonwealth Office (FCO) identified in the consultation document but will address only one of them in this submission, namely *'building Britain's prosperity by increasing exports and investment, opening markets, ensuring access to resources, and promoting sustainable growth'*.

This priority fits well with one of the principal purposes of the Association, which is to ensure that Scotch Whisky can be sold without undue restriction and on equal terms with all other spirit drinks by pursuing the removal of tariff and non-tariff barriers to trade in the industry's 200 export markets.

The Association maintains a close liaison with British Embassies and High Commissions in all of Scotch Whisky's most important markets, both within and outwith the EU, and invariably receives excellent support from them on the many trade issues confronting the industry. This can take the form of relatively low level direct action to help overcome customs problems at the port of entry, to lobbying at the highest level on fiscal or other regulatory issues impacting adversely on the sector. UK officials recognise that Scotch Whisky is a major component of the wider EU industry and, as a result, the importance of taking a lead on its behalf in EU matters. Separately, posts overseas have a key role in helping to promote British goods and services in world markets, and to attract foreign investment into the UK. It is essential to the Government's prosperity agenda that the FCO maintains the resources and expertise to act in this way on behalf of British commercial interests.

However, as the consultation document acknowledges, there are many occasions when it is in the UK's interest to act in concert with other countries, particularly EU Member States - the largest trading bloc in the world. This is certainly the case when it comes to international trade negotiations, where the huge additional leverage that the European Commission can command through acting on behalf of all 27 EU Member States, far outweighs the UK's negotiating 'muscle'. In this connection, the industry stands to benefit from significantly improved trading conditions in those countries with which the EU has already concluded or is negotiating free trade agreements. The negotiating clout of the EU delegations around the world is important, with that additional representation supporting the work of UK posts. Equally, the industry's trade issues in its key export markets are regularly and successfully addressed through the EU's market access strategy, most notably in the Market Access Advisory Committee where UK Government officials represent British commercial interests. In sum, we believe that the European Commission's exclusive competence in respect of the EU common commercial policy makes complete sense and should not be challenged.

Notwithstanding the foregoing, it is essential the UK Government retains its own trade policy expertise in order that Britain's interests can be strongly represented in the Trade Policy Committee (TPC), where all the key decisions affecting the EU's trade relations with third countries are taken. In addition to ensuring that British commercial interests are understood and taken into account at the TPC, the UK Government must champion free trade and provide an effective counterbalance to the protectionist tendencies of some Member States.

## Conclusion

The existing arrangements covering international trade work well for the UK. At the macro level, Britain benefits hugely from being part of the world's largest single market and from the negotiating power that this brings to the international trade arena. However, the UK is also able to pursue its own trade and investment agenda through its extensive network of Embassies and High Commissions overseas. The Association therefore sees no advantages in altering the current balance of competences in this area.