

## **spiritsEUROPE priorities on the future EU-UK relationship**

### **KEY MESSAGES**

- **Spirits trade flows between the EU and the UK are economically significant & long-standing. For EU and UK consumers and businesses it is vital that this trade is maintained.**
- **We need a living agreement between the EU and UK that preserves fair competition and maintains consumer confidence in our products. We therefore strongly urge the EU and UK to secure an ambitious partnership.**
- **The future partnership should entail:**
  - ✓ **a comprehensive customs agreement to avoid border tariffs, processing delays, conformity assessments and related administration costs;**
  - ✓ **an effective dispute resolution mechanism;**
  - ✓ **a strong level of mutual recognition and protection of GIs;**
  - ✓ **a commitment that, wherever possible, common rules should remain closely aligned;**
  - ✓ **a mechanism to ensure any divergence in rules by the UK or EU is reported, supported by a joint committee with industry input enabling both countries to raise formal concerns;**
  - ✓ **a clear governance structure that allows EU and UK experts to exchange on matters of relevance for the sector and to raise formal concerns**
- **We call on the EU and the UK to provide enough time for adjustments in order to prevent significant disruptions of supply chains. There are huge risks, particularly for smaller operators, many of whom will be facing procedures for the first time, to suitably prepare as they often lack the required resources.**
- **No deal would be an unacceptable outcome for our sector at the end of 2020. We call on both parties continued commitment to ensure a deal is sought. In case the EU-UK agreement negotiations or ratification are delayed, we urge both parties to be flexible and ensure an implementation period following the end of the transition that is predictable, pragmatic, and non-disruptive for business.**



## Introduction

The spirits sector, the jobs and communities which depend on its growth and export success, have benefitted enormously over the years from the creation of the EU internal market, and from the various bilateral and multilateral trade deals negotiated with third markets around the world. Our sector depends on the freedom of movement of goods, and also benefit from the freedom of movement of people and capital within the EU (including the UK).

Just under €2.7 billion worth of products are shipped between the EU27 and the UK each year.

- **UK spirits → EU27: €2.1 billion**
- **EU27 → UK: €631 million**

European spirit success is based on tradition, know-how and recipes handed down through generations. The existing 46 spirit categories like rum, whisky, vodka, etc and the +/- 240 geographical indications (GIs) registered in Europe, such as Cognac, Irish Whiskey, Polish Vodka, etc... are clear indications of a sector rooted in culture and tradition.

The maintenance of a close relationship between the EU and the UK is critical to our sector. We welcome all efforts to ensure that the future arrangements will minimise disruption to the trade flows between the EU and UK. We welcome the provisions of the agreed Protocol on Ireland/Northern Ireland which ensure continuing tariff-free movements of good between Ireland and Northern Ireland and which in turn protects important cross-border supply chains.

This paper sets out our requests and suggestions on the specific issues that affect our spirits producers.

## Preservation of rules affecting our sectors

spiritsEUROPE support the joint commitments made by the EU27 and the UK in the Political Declaration setting out the framework for the future relationship between the UK and EU.

For all spirits producers, the 'Spirit Drinks Regulation' 2019/787<sup>1</sup>, is of critical importance: it sets out rules on the definition, production and labelling of all spirits made, sold in, and exported from the EU. It provides certainty and confidence to consumers who know exactly what they are purchasing, without fear of deception. It also protects the quality and traditional production methods which are the basis for the sector's success in international markets and ensures the protection of spirits GIs.

---

<sup>1</sup> The alignment of the spirit drinks regulation 110/2008 was concluded on 17 May 2019 with the publication of the new spirit drinks regulation 2019/787 in the Official Journal.



EU food labelling laws apply to all spirits sold in the Internal Market and ensure consumers receive consistent and proportionate information about the foodstuffs they consume wherever they are purchased in the EU.

Within the EU, there are harmonised rules for the use of additives and flavourings. This includes maximum levels where appropriate and a standardised approval process involving the European Food Safety Authority (EFSA). This means consumers are protected and that producers all operate to the same rules.

- **A commitment that, wherever possible, common rules should remain closely aligned.**
- **Any new rules should be pragmatic, non-disruptive, and should allow businesses to continue trading in the knowledge that the rules will not change significantly overnight.**
- **To facilitate a smooth transition to label changes, we call on EU and UK to adopt temporary measures allowing for a grace period of at least two years, as part of an implementation period, so that companies can build this into their current label update cycle and incorporate all changes at a single time.**

## Customs

Our sector has benefited from EU-wide procedures and processes which help to make trade between Member States as smooth as possible. We welcome the provisions of the agreed Protocol on Ireland/Northern Ireland which ensure continuing tariff-free movements of good between Ireland and Northern Ireland and which in turn protects important cross-border supply chains.

- **We call for continued spirits tariff-free trade between the UK and EU. In addition, it will be important that tariffs and/or quotas are not introduced on the sectors' inputs, such as cereals, cream, point-of-sale materials, glass and other packaging materials.**
- **Priority should be given to addressing the risk of serious delays at EU27 and UK locations where there is currently no - or limited – access to carry out customs controls and clearances.**
- **It will be of utmost importance that mutual assistance and/or dispute resolution procedures should be made available.**

## GI protection and rules of origin

Spirits Geographical Indications are key pillars and assets for the trade of high-added-value spirits. The mutual recognition and protection GI spirits is fundamental for producers and consumers.



- **EU and UK should maintain the same level of protection for spirits GIs.**
- **We welcome the UK's commitment to establish a GI register providing equivalent protection for EU GI, PDO and PGIs in the UK, mirroring the EU system.**
- **The future FTA should establish equivalent rules for enforcement.**
- **A mechanism should be in place to review and notify any changes to the UK or EU register, and develop a joint process to enable both parties to raise formal concerns.**
- **The EU and UK should continue to ensure the legal integrity and economic potential of Ireland's three cross-border spirits GIs, by:**
  - ✓ **allowing Northern Irish spirits producers to label their products as 'Product of Ireland' (subject to other labelling requirements);**
  - ✓ **making appropriate cumulation provisions to ensure spirit products with components originating in both parts of the island of Ireland can continue to benefit from EU or UK trade agreements.**

## IP rights and protection

Currently, the UK applies the regional trademark exhaustion principle adopted by the EU. A national trademark exhaustion principle is needed. An international exhaustion principle would not only weaken the protection of trade-mark owners in the UK, of which many have invested into the UK spirits industry, but would also have repercussion in terms of spirits circulation - a key sector request. To prevent illicit parallel trade to flow within the EU, a firewall needs to be established that supports a proper customs and excise circulation differentiated system.

- **The UK to adopt a national trademark exhaustion principle. Failing to do so would allow parallel imports to flow to the UK, and for the UK to become a platform towards the EU27.**
- **The UK and EU27 should continue to cooperate to seize counterfeit goods.**

## Partnership for trade

Unlike traditional trade deals, the new partnership between the EU 27 and UK must deal with challenges linked to regulatory divergence over time, not convergence. That makes mechanisms for agreeing relevant changes in the rules, or disputes over the agreement, a key issue. There needs to be a clear process in place that guarantees effective collaboration between EU/UK policy makers *and* business when there are relevant changes to the rules or when disputes over the agreement arise. Our view is that the traditional FTA approach to disputes, namely State-to-State, will not be sufficient.



- **A process should be designed to enable both parties to raise formal concerns about trade-related issues in a joint forum – as in many trade agreements today – complemented by direct private sector access (associations and companies) to dispute settlement procedures.**
- **In addition, we support the creation of technical sectoral committees, that would allow EU and UK experts to exchange on matters of relevance for the sector. The committees should also be open to the participation of private sector experts from both sides.**

The EU27 and the UK spirits producers are champions of international trade and it will be important that a strong collaboration is implemented to facilitate the fair and smooth international trade of spirits.

- **Although tariff negotiations with third countries will be done separately, both EU and UK negotiators should work together to ensure that coherent regulatory requirements are established in third countries.**
- **We call for a mechanism to allow the EU27 and UK to cooperate closely to tackle market access barriers that arise in third countries as well as on future multilateral negotiations. We already work closely with our colleagues in the US, Canada, Australia and others when we encounter protectionist policies – we will strongly support the same collaboration between the UK and EU27.**
- **We call on the EU to ensure that will not lead to any negative consequence on the smooth and fair enforcement of the existing EU bilateral agreements in place with third countries and maintain all EU acquis.**