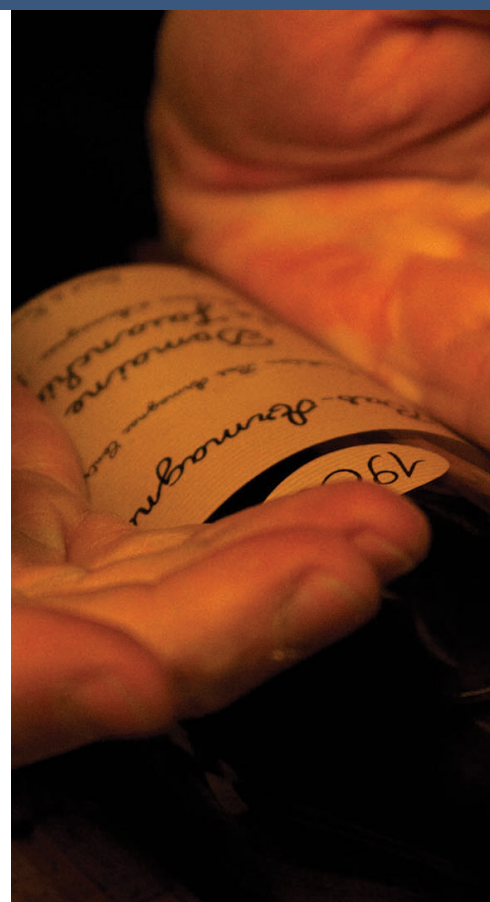


SPIRITS SUCCESS ABROAD

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# MADE FOR TRADE

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# FOREWORD

## COMMISSIONER PHIL HOGAN

in charge of Agriculture & Development



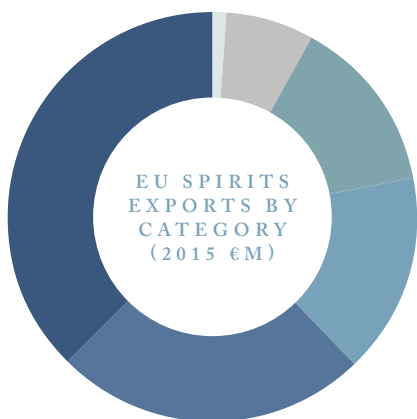
In Europe, we have always appreciated our spirit drinks. We enjoy them in every corner of the continent, and we enjoy them to enhance every occasion. From Single Malt Whisky in Scotland, to Limoncello in Italy, from Palinka in Hungary to Cognac in France, you won't beat European spirits for variety or quality.

And it's not just at home – our spirit drinks are a big hit abroad too! Through the EU's single market, we have established the largest agriculture trading bloc in the world, exporting €129 billion worth of food and beverages every single year.

The spirits sector is a major factor in this success. Indeed, through the hard work and dedication of the sector, the spirits industry has become one of the jewels in our crown. Our spirit producers have a well-deserved global reputation for quality and innovation. We have a presence in over 150 countries, selling millions of products every year. With over one million jobs in the industry, the European spirit sector is one of the biggest contributors to the agri-food economy in Europe today.

And I am confident that we can build on this success to achieve even more. New export markets are opening up, and more and more consumers are looking for high quality products. With smart promotion and the right support in terms of regulation and trade, European spirit sales will continue to play a leading role in the creation of growth and jobs.

### SPIRIT DRINKS REMAIN THE EU'S MOST VALUABLE AGRI-FOOD EXPORT



- 47% Whiskies
- 28% Cognac
- 10% Liqueurs
- 10% Vodka
- 4% Gin
- 1% Rum

Source: Eurostat 2015



- 33% Spirits
- 31% Wine
- 11% Cheese
- 11% Malt Beer
- 11% Pastries & Biscuits
- 3% Pasta

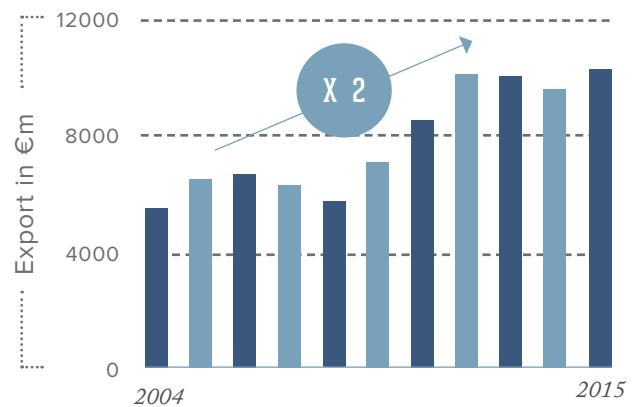
Source: Eurostat 2015

## TRADE BOUNCES BACK

Despite a weaker global outlook than in previous years, external trade has proven to be resilient with robust growth of 7% between 2014 and 2015.

IN 2015, THE  
SALE ABROAD  
OF HIGH VALUE,  
LOCALLY ROOTED,  
EUROPEAN SPIRITS  
GENERATED

**€10,273,502,711**



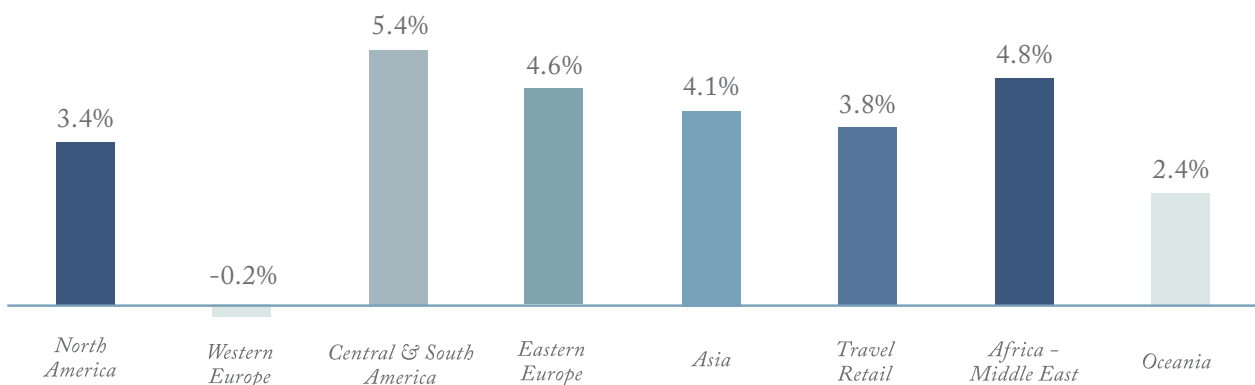
*“The Cartron distillery, located in Nuits-Saint-Georges is a family business I took over in 2011. We have 17 employees working with a range of 70 great liqueurs. More than 30% of our production is exported, half of it to countries outside Europe such as the US, Dubai, Japan, Russia, Australia. Any improvement in market access achieved by public authorities is key because we do not have the resources to monitor markets and defend our issues alone.”*

**JUDITH CARTRON**

CEO of La Maison Cartron, France

### EXTERNAL TRADE: VITAL DRIVER OF GROWTH FOR EUROPEAN DISTILLERS

Evolution in global spirits consumption  
by geographical region, 2004-2014



Source: Pernod Ricard Annual Report 2014

### TRADE BARRIERS

- High tariffs •
- Inappropriate standards •
- Inappropriate labelling rules •
- Counterfeit / Poor IP protection •
- Ad valorem taxes •
- Inward investment restrictions •
- Discriminatory advertising provisions •
- Abuse of state monopolies •
- Discriminatory licensing systems •



*“Key European export categories such as Gin, Vodka, Cognac and Scotch are all fundamentally very healthy while facing specific challenges. Whilst Scotch has experienced significant growth over the last decade, the news that shipments had declined in 2015, according to IWSR data, is modestly concerning. Certainly the category was hit by unfavourable macro-economic and currency events, but there is also a need to connect with the Millennial cohort. In that context, it becomes more critical than ever that the EU reaches a free trade agreement with India. The potential upside for Scotch producers arising from such a deal would be enormous.*

*Also, keep in mind that most of the big competing whisk(e)y styles have been highly supply-constrained.*

*Most companies within these sectors, with the exception of a handful of brands, have been largely focused on the domestic market. As investments in production come on-stream in the years ahead, they will become much more formidable international competitors. Cognac sales (+3.1% to €13.2m, according to the IWSR) hit a new record driven by surging US sales and a more stable performance in China.*

*There were some losers as well. The large vodka category struggled due partially to slowing growth rate for imports into the US and big declines in Russia, Ukraine, Poland and other Eastern European markets.*

*The growth of the craft spirits sector in the US has served to reduce the level of European vodka imports into the US. Europe’s liqueur and bitters exporters also saw growth slow. This was partially due to the competitive pressure from flavoured US whiskies – a relatively new sector. Overall, Europe’s producers are facing a much more competitive international climate. The high excise duties levied against spirits in many European countries, coupled with a burdensome regulatory climate, only serves to reduce the competitiveness of its leading exporting companies.”*

ALEXANDER SMITH

Editor-in-Chief of the IWSR Magazine



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## ENFORCEMENT IS KEY

We welcome the Commission's 'Trade for All' strategy, including a pledge to begin trade negotiations and to enforce trade rules. Much remains to be done. Allocating resources for policing external trade agreements would create jobs and growth. Large companies and SMEs alike would benefit.

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*"Spirits and wine face a great number of trade barriers. The EU must stick to an offensive agenda in trade negotiations so the sector can benefit fully from agreements on free trade and investment. But we must also prioritise implementation and enforcement of the commitments made by our trading partners, without which there will be no real, concrete benefits."*

MEP TOKIA SAÏFI

Vice-President of the European Parliament's INTA Committee

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### COLOMBIA CASE STUDY

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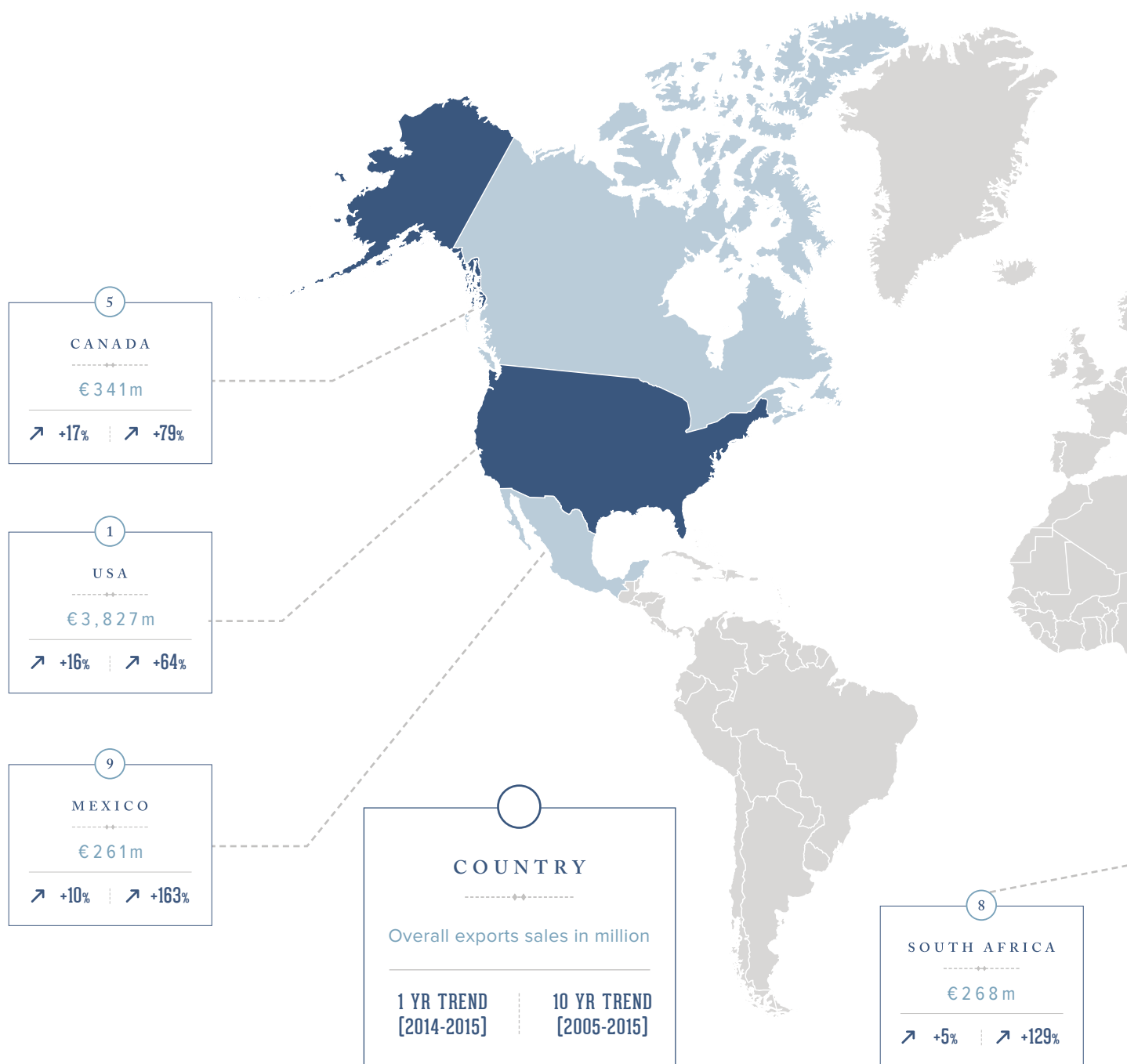
In 2016, the EU initiated WTO action to denounce measures which discriminate directly against EU spirits imports. If the Colombian government fails to eliminate the discrimination, we call on the EU to request the establishment of a panel to rule on the compatibility of Colombia's measures with WTO rules.



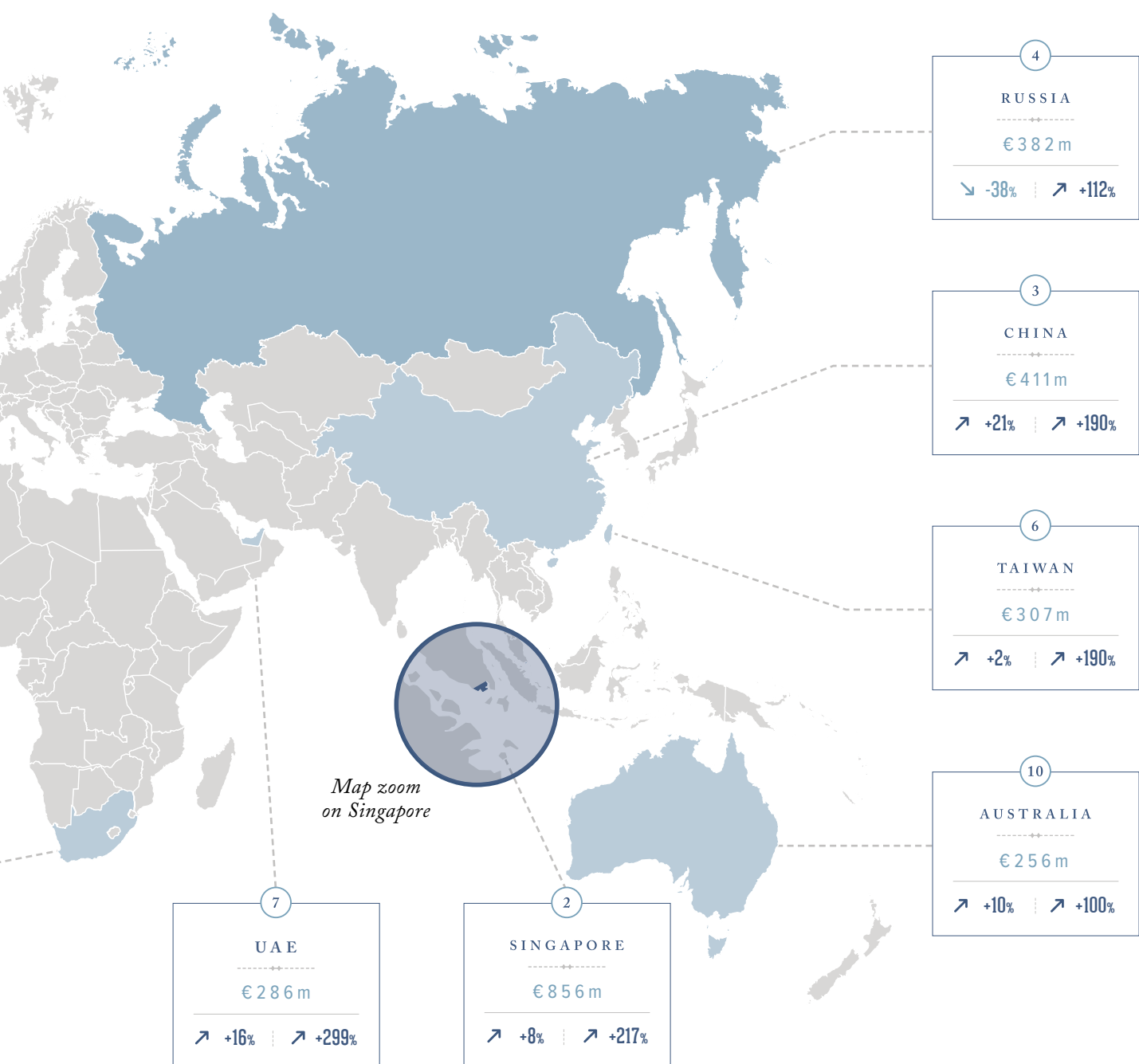
The adoption of the WTO Trade Facilitation Agreement (TFA) represents a significant step in supporting exporting companies. Effective implementation of the Agreement will require careful monitoring after it comes into force.

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## TOP TEN EXPORT MARKETS 2015



“GEOGRAPHICAL INDICATIONS ACCOUNT  
FOR 2/3 OF EU SPIRITS EXPORTS”



*"Today we need our business to be as flexible as possible to respond rapidly to market volatility. Our Singapore Supply Centre is one of Asia's largest and most technologically advanced distribution facilities enabling us to significantly improve service to our customers. The Hub's ability to apply market specific labels so far along in the supply chain allows us to quickly respond to changing consumer demand within the Asian markets. It also gives us the flexibility to customise luxury products for exclusive travel retail distribution as well as bespoke products for new distribution channels, such as our Johnnie Walker Houses."*

JOY RICE

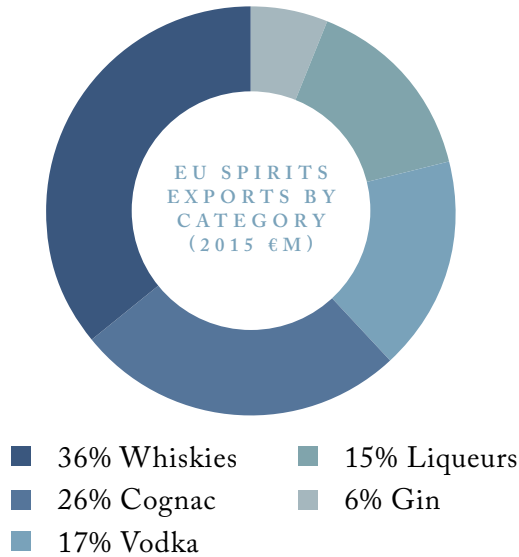
Supply Chain Director Global Travel and Middle East, Diageo, Singapore

## AMERICAS

### THE US

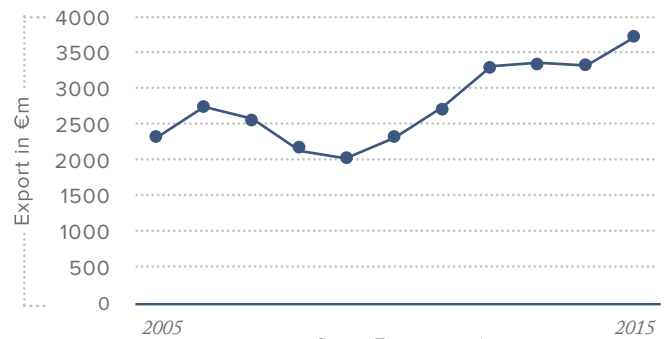
#### DRIVING GROWTH

With a value of almost €4 billion, the US remains the largest export market for the European spirits sector. TTIP would help to reduce costs arising from regulatory differences and promote protection overseas of EU spirits geographical indications (GIs).



Source: Eurostat 2015

EU spirits exports to the US



Source: Eurostat 2015

### CANADA

#### CETA RATIFICATION IS ESSENTIAL

Canada is an important market for EU spirits but remains a challenging environment. CETA, once implemented, will stimulate an increase of exports with a net gain in growth and jobs for the European economy. The agreement will bring better enforcement and dispute settlement, increased transparency, a reduction in unfair practices, and the abolition of all import tariffs.

EU SPIRITS TO CANADA : €341,000,000



*"Throughout my career, I have developed a passion for cocktails and the craftsmanship of cocktails. I've traveled the world to sharpen my skills and knowledge about the products, regions, and history of cocktails and spirits. I could not imagine working without the great variety of high quality spirits products coming from Europe and yet, with more than 40 spirits categories, I have not finished my training!"*

CHRISTY POPE

Mixologist in New York ([cuffsandbuttons.com](http://cuffsandbuttons.com))

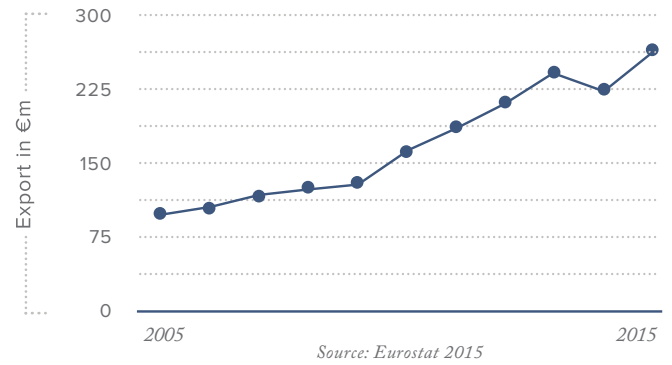


## MEXICO

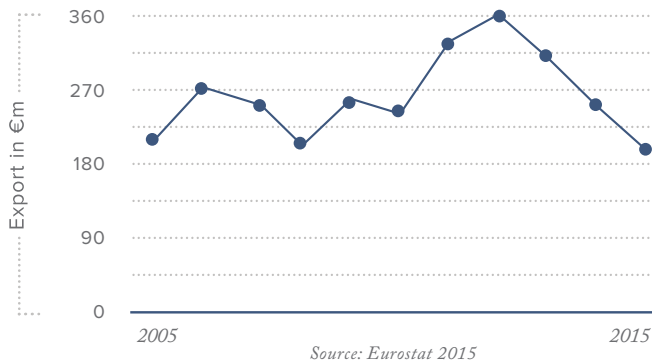
### NEGOTIATIONS TO BENEFIT ALL

Mexico is one of the largest export markets for EU spirits. It is also a very dynamic spirits market, with an iconic product: Tequila. In 1997, the EU and Mexico signed an agreement on the protection of GIs and this, together with the 2000 trade agreement, has boosted our exports significantly. We are supportive of the modernisation of this relationship, which can deliver further significant growth for our businesses.

EU spirits exports to Mexico



EU spirits exports to MERCOSUR

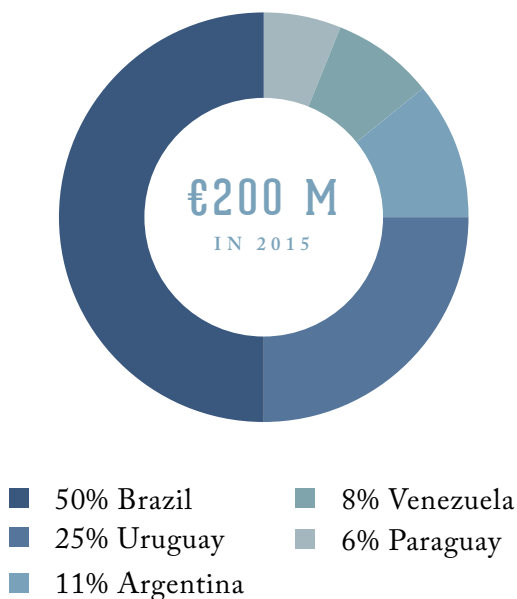


## MERCOSUR

### LEVERAGING THE MIDDLE CLASS

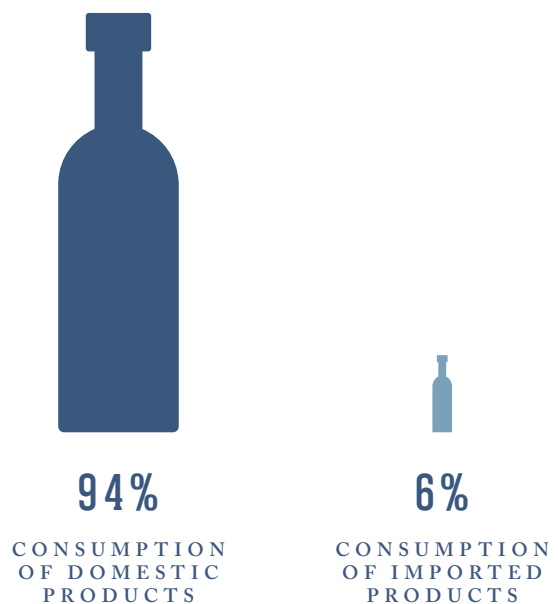
Despite a steady decline since 2013, the MERCOSUR countries offer significant export, with Brazil taking the biggest share. The size of these markets and the growing demand for quality European products require an ambitious trade agreement to solve a range of longstanding market access issues. spiritsEUROPE's priority issues are the elimination of tariffs, intellectual property rights protection, including recognition of European Geographic Indications and alignment of spirits definitions.

EU spirits exports to MERCOSUR by country in 2015



Source: Eurostat 2015

Brazil spirits consumption in 2014  
Local v Imported



(000s 9l cases)  
Source: IWSR 2014

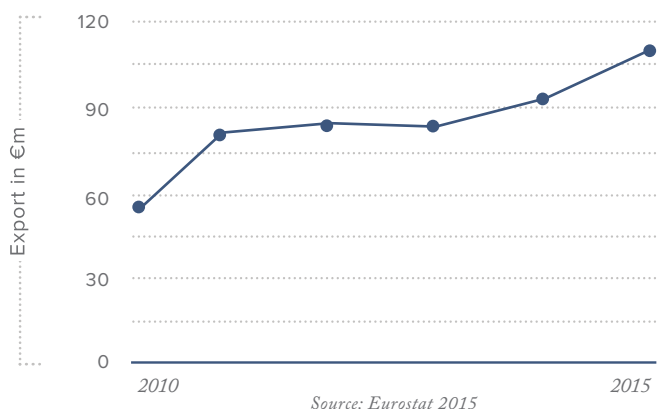
## CENTRAL AMERICA & ANDEAN COMMUNITIES

### SEIZING THE FULL OPPORTUNITIES OF FTAs

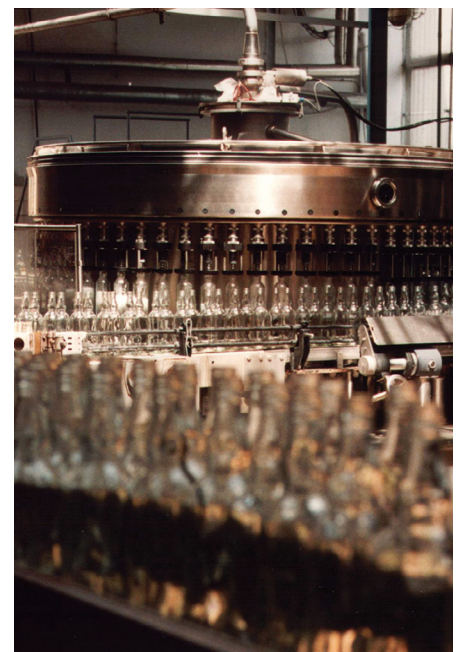
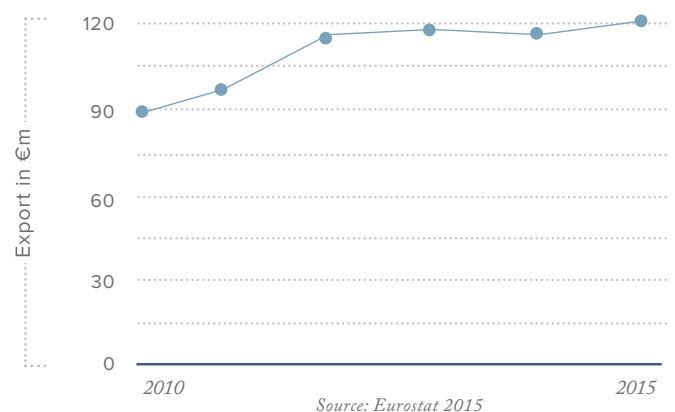
spiritsEUROPE is a strong supporter of the EU-Central American Association Agreement as well as the EU Agreement with Colombia & Peru. These agreements help to deepen integration and boost growth in both regions. With mixed results for direct exports to the regions in recent years, and imports representing a small part of the spirits market in these countries, there is room to grow our exports. The benefits for EU exporters will arise from full

implementation of the FTA. Central America's commitment to harmonise and streamline legislation procedures on technical regulations within a 5 year period is essential, most notably regarding labelling regulations on distilled and fermented alcoholic drinks. Removal of the discriminatory internal taxation in Colombia, Peru and Costa Rica would also create fair conditions for EU spirits exports.

EU spirits exports to the Andean Communities  
(Bolivia, Peru, Colombia, Ecuador)



EU spirits exports to Central America  
(Nicaragua, Panama, Honduras, Costa Rica, Guatemala)



## VIETNAM

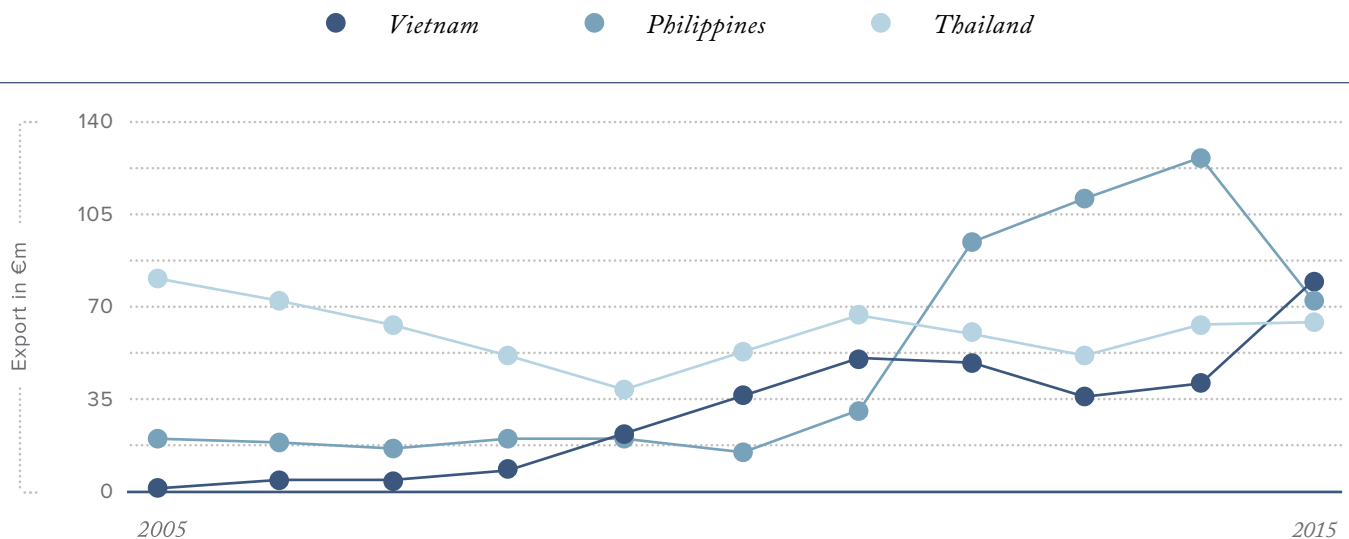
The EU-Vietnam trade agreement was signed in December 2015 and included elimination of the 45% import tariff after a period of seven years. Vietnam is a high growth market for European spirits, with a huge increase in exports over the last decade. Nonetheless, the full potential of the market, fuelled by the country's sustained economic growth and dynamic demographics, has yet to be unleashed. We are concerned by the volatile tax policy and excise tax charges since 2015. Vietnam changed the tax base for the calculation of excise duty of certain imported goods resulting in a considerable tax increase on imported spirits. Along with the previously adopted increase in excise duty rates (for imported spirits from 50% to 55%), this puts at risk the benefits expected from the liberalisation negotiated under the EU-Vietnam FTA.

## PHILIPPINES

We welcome the launch of the EU-Philippines Free Trade Agreement in December 2015. We are looking at an agreement that will include a broad range of issues including tariffs and non-tariff barriers to trade.

## THAILAND

High import tariff - at 60% - combined with complex, discriminatory tax and retail license structure, limit our potential to increase spirits exports. Our operators are also facing regulatory challenges in the field of labelling and poor enforcement of IPR rights. In this context, it is important to further strengthened cooperation with a view to resuming trade talks in near future (suspended in 2014).



Source: Eurostat 2015

## ASEAN, A POWERHOUSE FOR TRADE

In recent years, ASEAN has become a dynamic area of economic development and regional trade integration. There has been considerable growth in trade pacts concluded between ASEAN members and large non-ASEAN countries. While the agreements concluded are different in their scope and depth, they have an impact on the ability of EU exporters to fully exploit the growing economic power of Southeast Asia. For example, some of the agreements recently signed place EU distillers at a disadvantage with their competitors. A few years ago, under the ASEAN-Australia-New Zealand FTA, some of our key export markets such as Thailand eliminated their tariffs on

Australia and NZ spirits. Once implemented, the TPP agreement will benefit the US distilled spirits industry by opening markets for its products (including tariff liberalisation and protection of US names). It also includes a separate annex on distilled spirits, establishing certain best practices regarding labelling and certification requirements, which will create more predictable rules for exported US spirits. This logic might even apply to the regional Comprehensive Economic Partnership led by China. All these developments make the EU's efforts to conclude free trade agreements with various East and Southeast Asian countries and ASEAN more urgent than ever.

## INDIA



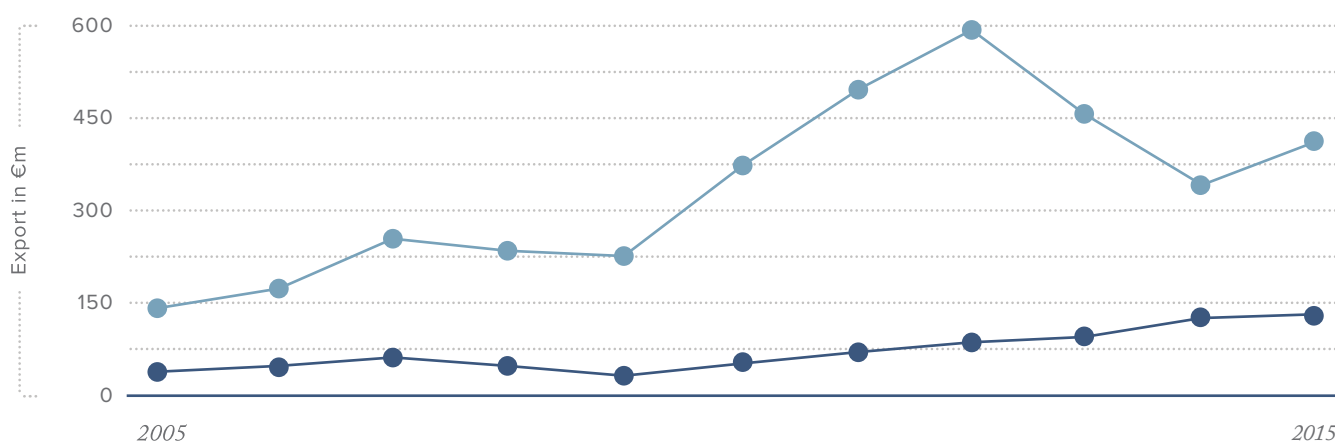
India remains a complex environment for trade due to significant import tariffs (150%) and its composition of 29 states with independent regulatory powers on alcoholic beverages. Despite a 210% increase in EU spirits exports over the last decade, only 1% of consumption in India is of imported spirits. This is why successful negotiations for a Free Trade Agreement are essential for further growth and development into this huge untapped market.

## CHINA



Despite a decrease in exports in previous years, China is once again our 3rd biggest export market. The development of this market continues to offer high opportunities for EU spirits but challenges remain. Future trends depend on market stability, transparency issues and government intervention. The market is important to the EU and dialogue must continue to prevent further barriers to trade.

● India ● China



Source: Eurostat 2015



*“Never a dull moment in the beverage alcohol industry in India : the spirits industry has a 10-year annual growth rate of 13% (in spite of being one of the largest spirits markets in the world), there are an estimated 1.75 million new consumers to the domestic liquor market each year, and the growing middle class is writing the ultimate premiumisation story with Scotch whisky imports to India growing 17% from a reasonable base and wine imports at 12% from a small base. All this in spite of the fact that the custom duty is still 150%! Just imagine for a moment what could happen if the tariff was liberalised.”*



AMRIT KIRAN SINGH

Chairman of ISWAI (International Spirits & Wines Association of India)

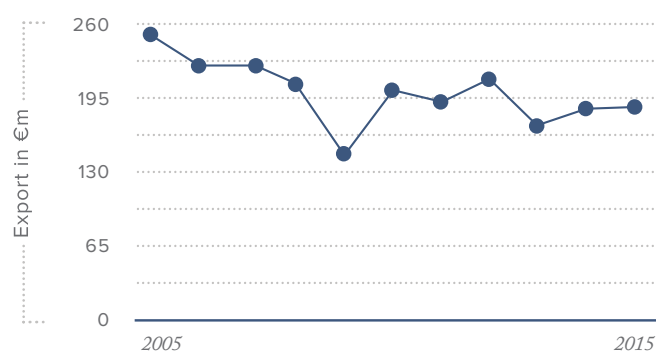


## SOUTH KOREA



The EU-South Korea Free Trade Agreement entered into force in 2011, eliminating duties on nearly all trade in goods. EU exports to South Korea have increased by 55% since the implementation of the agreement. A high level of commitment from both sides can ensure that growth continues and that it will remain an important destination for EU spirits. We hope that the EU and Korea will agree on an amendment to the rules of origin under the FTA to ensure that European products arriving in Korea - having transited through a regional hub en route - can still benefit from the preferential tariff.

EU spirits exports to South Korea



Source: Eurostat 2015



## AUSTRALIA & NEW ZEALAND



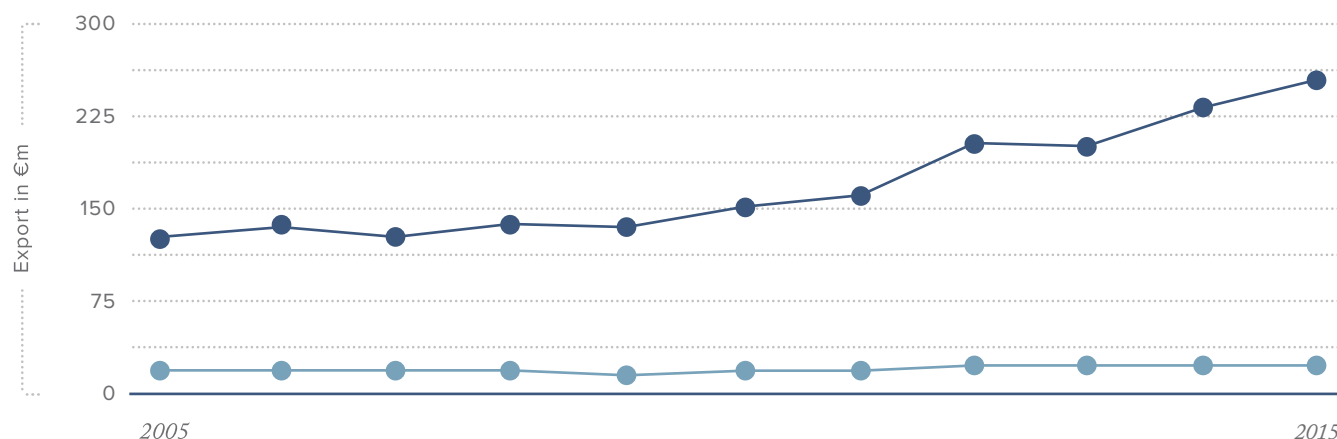
These two countries are among the top 20 markets for EU spirits exports, yet are markets with which the EU does not currently have a trade agreement. Australia's "nuisance" tariff of 5% places EU spirits exports at a disadvantage, given that key competitors such as the United States already have agreements in place. Australia and New Zealand are EU strategic allies when it comes to tackling discriminatory practices in third countries. We hope that FTA negotiations with these markets will look at ways to strengthen the existing cooperation in tackling market access issues and enforcement of international trade agreements in third countries.



*Australia*



*New Zealand*



Source: Eurostat 2015

## TURKEY

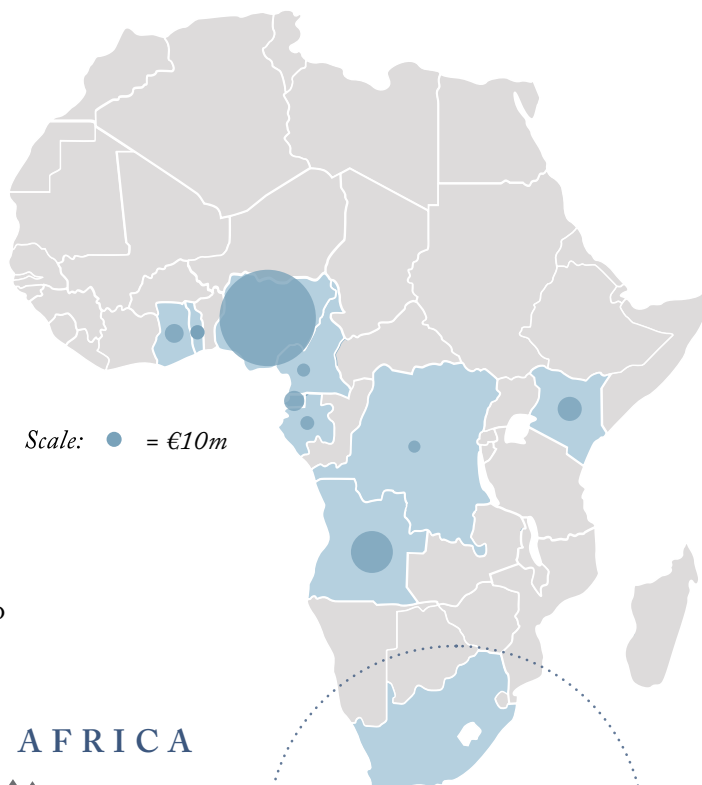
EU spirits trade in Turkey has developed significantly over the past 10 years, although barriers remain. The proposed modernisation of the Customs Union Agreement and implementation of the action plan on excise harmonisation are vital for further growth in exports to the Turkish market.

## RUSSIA

Difficult economic and political conditions in Russia have caused a significant drop in exports of European spirits; growth of 112% over the last ten years, however, shows that it remains an important market.

## TOP TEN SUB SAHARAN AFRICAN MARKETS

1	South Africa	6	Ghana
2	Nigeria	7	Togo
3	Angola	8	Gabon
4	Kenya	9	Cameroon
5	Equatorial Guinea	10	Democratic Republic of Congo



## SOUTH AFRICA

South Africa is the largest export market for EU spirits in Africa, and ranks 8th in overall export markets worldwide. Long term growth opportunities exist and operators will continue to invest in South African development. Opportunities also exist in other parts of Sub Saharan Africa including, but not limited to, Nigeria and Angola.



*“At Rémy Cointreau we have identified key markets in Africa, of which our two largest are Nigeria and South Africa, with our future stars Ghana, Kenya and Angola also performing well. Whilst Africa offers fantastic opportunities for international brands, it also comes with its challenges and it is important to keep in mind that it is not a homogenous entity but is instead made up of 54 diverse countries. Within each of these countries there are consumers who look for international brands to deliver status and with the widespread urbanisation these consumers are more accessible than ever.”*

## ANTOINETTE DRUMM

Director Africa, Middle East & India, Rémy Cointreau, South Africa



## WE URGE THE EU TO:

- ✓ Ratify and implement CETA.
- ✓ Conclude an ambitious agreement with the US that will create the necessary level playing field for EU exporters.
- ✓ Intensify its ambitious trade negotiating agenda with the ASEAN region, including the forthcoming FTA with the Philippines and early ratification of the agreement with Vietnam.
- ✓ Seek ambitious agreements with emerging high-growth markets such as India.
- ✓ Help business to seize opportunities in the growing African markets.
- ✓ Continue to be a leading voice in the WTO and support the day-to-day work of the WTO in developing & enforcing international trade rules.
- ✓ Enforce existing trade rules more vigorously and resist non-compliant practices.
- ✓ Devote the necessary human resources to deliver effectively on its trade agenda.

**We remain committed to an ambitious EU trade policy that makes trade easier.**





€10 273 502 711

*Export sales outside the EU*

€ 23 065 560 000

in excise duties & VAT for  
exchequers in EU-28

1 000 000

EU JOBS IN PRODUCTION & SALES

140 +

PREVENTION  
PROGRAMMES

31

National  
associations

8

MULTINATIONALS

1 Organisation



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