UK-INDIA FTA NEGOTIATIONS: SCOTCH WHISKY PRIORITIES

#SUPPORTSCOTCH

www.scotch-whisky.org.uk

The anticipated launch of the UK-India FTA negotiations represents a significant opportunity for the Scotch Whisky sector. Despite India being the largest global whisky market, Scotch Whisky only has a 2% share due to high import tariffs, state level excise duty taxes, and other market access barriers. Overcoming these barriers must be the UK government's top priority in the talks - it will benefit UK producers, Indian businesses that import bulk Scotch Whisky for bottling or use as an ingredient in Indian whisky production, and Indian consumers who appreciate Scotch Whisky.

- In 2023, India was the 2nd largest market for Scotch Whisky by volume
- Reducing the tariff could create up to 1300 UK jobs
- Reducing the 150% tariff could grow exports by £1.2bn over 5 years
- Scotch Whisky represents just 2% of the Indian market for whisky

The top priority for the Scotch Whisky industry is the liberalisation of the 150% Basic Customs Duty (BCD). Among the highest global tariffs, this represents a significant barrier to trade. The SWA wants to see the tariff addressed in a comprehensive trade agreement.

Modelling suggests that the phased reduction of the BCD could see Scotch Whisky exports grow by £1 billion in the first 3-5 years. India is already our third largest market by volume; this would make it our second by value, after only the USA. This step would also see an increase of c. £3.4 billion in revenue to the Indian Government.

More broadly, there are significant ease of doing business and market access issues, often at a state level. These are complex issues which often restrict market access to SMEs, and therefore will require proactive, collaborative and, in some cases, creative solutions. There is significant opportunity for both UK and Indian business should these challenges be overcome.

Most notably, simplifying the state level excise duties and removing state level import tariffs could in fact see an increase in state level revenue as more businesses access the market, with a potential cumulative economic contribution of £5.1 billion over the first 3-5 years. In fact, this potential increase to state revenue was cited as a reason for the recent 50% cut in excise duty in Maharashtra.

There are also other ease of doing business issues which limit trade. This includes the customs valuation procedure, where there are concerns about validity with the WTO Customs Valuation Procedure There are also restrictive controls around the sale of alcohol, such as 'dry days' (which vary state to state), restrictions around the location of retail outlets, and restrictions on the sale of imported alcohol through the military Canteen Stores Department. Labelling requirements also add further friction and cost into the supply chain, particularly when they are unnecessarily strict and implemented at short notice.