

WSTA Response to International Trade Committee Inquiry – New Zealand FTA Negotiations

Date of submission: 2 April 2022

Who we are:

The Wine and Spirit Trade Association (WSTA) represents over 300 companies producing, importing, exporting, transporting and selling wine and spirits in the United Kingdom. Members range from major retailers, brand owners, importers and wholesalers to fine wine and spirit specialists, logistics and bottling companies. We campaign for a vibrant and sustainable wine and spirit industry, helping to build a future in which alcohol is produced, sold and enjoyed responsibly.

Summary of Response

- I. This is a very important agreement to the UK wine and spirit industry.
- II. WSTA contributed a response to the initial DIT consultation, in addition to regularly engaging with Government through the various channels for stakeholder engagement.
- III. New Zealand wine is the 6th largest 'country of origin' wine on the UK market (by value), supporting thousands of wide-ranging jobs throughout Britain
- IV. New Zealand is a small but fast-growing market for UK gin exports, with gin exports to New Zealand doubling in the space of just three years and accounting for £3.5m in 2020.
- V. It is important that Parliament views value of imports as of equal significance to exports in analysis.
- VI. The FTA provides strong and reciprocal benefits and includes a strong TBT annex¹ for wines and spirits – an improvement on what was achieved in the Australia agreement.
- VII. In the longer term, joint committees, dialogues and other mechanisms should be used to achieve greater access for wines and spirits in both directions.
- VIII. For UK wine importers, the benefits of this agreement are not yet secured and will depend largely on the outcomes of HM Treasury's Alcohol Duty Review.
- IX. The Government's engagement with industry on these negotiations, whilst not perfect, was a significant improvement on that experienced for the Australian FTA.
- X. WSTA would be happy to provide oral evidence if called on.

Introduction:

1. The Wine and Spirit Trade Association (WSTA) has from the outset promoted the importance of this agreement to our sector. WSTA contributed a response to the initial DIT consultation, in addition to regularly engaging with government through the various channels for stakeholder engagement, including the Agri-Food Trade Advisory Group and other DIT

¹ [UK New Zealand Free Trade Agreement Chapter 7 Annex 7A Wine and Distilled Spirits \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/108442/uk-nz-fta-annex-7a-wine-and-distilled-spirits.pdf)

mechanisms. We have provided advice to Defra and DIT on industry interests at various stages of the negotiations. Our interests are diverse, and we have member companies who will apply the agreement from both export and import perspectives.

2. New Zealand wine is the 6th largest 'country of origin' wine on the UK market (by value), supporting an extensive range of jobs throughout Britain, from bottling and logistics to marketing, hospitality and retail. It is an important import to the UK economy and is worth £730m in UK sales². The UK is the number one market for many of New Zealand's wine producers and a key market in pursuit of export market diversification.

3. New Zealand is also a small but fast-growing market for UK gin exports, with gin exports doubling in the space of just three years and accounting for £3.5m in 2020³. Whilst New Zealand is often an export market target due to the ease of doing business in terms of language and law, for SMEs the cost of freight and travel can act as a barrier to entry.

4. An agreement that removes tariffs and eases non-tariff barriers has strong potential to support these two categories to continue to grow trade in respective directions, but it must be backed up by continued government support and focus.

To what extent has the Government achieved its stated negotiating objectives or delivered on the Agreement in Principle?

5. This is not applicable to our response. We will focus on wines and spirits and the outcomes that the sector can achieve or not, as to whether this agreement is a success. We will leave it to other organisations to give broader views of the negotiated outcome. Overall, we believe there is good value for wines and spirits.

How might the UK-New Zealand FTA affect you, your business or organisation, or those that you represent? If possible, please describe the current situation and what you expect to change as a result of this agreement.

6. If implemented effectively, the terms of the FTA are likely to alleviate some of the difficulties in trading between both countries, including removing tariff barriers for our products and potentially reducing customs clearance times, which would benefit already under-pressure supply chains. The inclusion of a TBT Annex for wines and distilled spirits is a really positive development and a good build on what was achieved in the Australia agreement.

7. The Annex is set to open up the UK market to a wider variety of wines from New Zealand, which will support the UK economy from bottling, logistics and marketing, through to hospitality and retail. The elements included on labelling will help to create certainty for exporters and importers, and the inclusion of mandatory lot codes for spirits products will lead to greater traceability and brand protection. Overall it is a high-standard annex which should be commended.

What opportunities or potential costs does this agreement present for the UK as a whole?

² WSTA Market Report, 2021

³ UK Trade Info, HMRC

8. Not applicable to our response beyond the benefits for the wine and spirit sector set out in the next answer.

What opportunities or potential costs does this agreement present for the wine and spirit sector?

9. For spirits exporters, the agreement is set to remove tariffs, on entry into force. As with the Australia FTA, this is positive, including for British gin producers, who continue to see continued potential in the New Zealand market. The Government must now consider how best to support these companies, especially SME craft distillers, to trade with a market which is geographical distant and expensive to build a brand in. Removing a 5% tariff will not be the end of the job for spirits exports to boom. Export support and promotion will be crucial, and that can take many forms, from support for trade shows and introductions to buyers, to access to market insights.

10. For wine, arguably, the two most important goals of the post-Brexit environment have been delivered, with the tariff removal coming alongside December's more widely applicable removal of burdensome VI1 forms. The annex also allows for a greater variety of New Zealand wines to enter the market, as it extends to recognise New Zealand's wine making practices that are different to UK ones. This is a positive build. The language in the annex around not requiring any future wine certification akin to the VI1 will also provide greater certainty for the trade.

What opportunities or potential costs does this agreement present for UK consumers?

11. This will entirely depend on the outcome of the Treasury's alcohol duty review. UK wine and spirit consumers are facing an increasingly difficult cost of living crisis and current government proposals on taxation are only likely to make wine and spirit products more expensive, not more affordable.

Are there any opportunities which have been missed, or could have been taken further?

12. Within the framework of an FTA, this delivers well for the wine and spirit industry.

Are there any barriers which you anticipate would prevent you, your business or organisation, or those you represent from taking full advantage of the agreement? If so, what might help you overcome these barriers?

13. The geographical distance between both markets is the biggest remaining barrier to trade. Government should consider in what ways it can reduce this burden for exporters.

Has the Government got the right balance overall in terms of any trade-offs it has made, and how do you expect these will affect you, your business or organisation, or those you represent?

14. N/A

How well has the Government communicated its progress in negotiations – and how much has it listened to stakeholders during those negotiations?

15. Overall the engagement was better on this agreement than we experienced in the negotiation of the Australia FTA. This is partly due to greater experience, but also the government beginning to address feedback from industry, which is positive and we are grateful for the changes we have seen so far.

How well has the Government communicated the likely impacts of this agreement for you, your business or organisation, or those you represent?

16. The Government has adequately communicated the possible impact of the FTA, to enable our members to prepare for its implementation.

17. However, greater clarity on expected timelines for entry into force would allow relevant stakeholders to prepare with greater certainty than they can currently. Companies are not clear on whether they should expect the agreement to enter into force in 6-, 12- or 18-months' time, making budgetary decisions for the year ahead difficult.

What lessons and inferences for other current and future negotiations can be drawn from how the Government approached, and what it secured in the FTA with New Zealand?

18. Stakeholder engagement has been better and we would hope that we would continue to see the Government engage industry earlier and more frequently to get a sense of what will make most difference for business.

19. This agreement provides a template as to what form a strong wine and distilled spirits annex should take, and a similar approach should be included in subsequent FTAs we go on to negotiate.

20. If requested, we would endeavour to provide someone from the Association to present at the oral evidence sessions of the Committee's inquiry.