

The Prime Minister's Office
10 Downing Street
London
SW1A 2AA

Tuesday 22nd December 2020

A simple win for Global Britain post Brexit

Dear Prime Minister,

As we leave the European Single Market and Customs Union, I wanted to write to highlight some seriously flawed policy making, which far from taking back control of our trading arrangements after Brexit, threatens to shoot ourselves in the foot. I wish to propose a simple alternative, a solution which would make a success of Brexit for the UK's wine industry.

Merchants from the British Isles have dominated the global trade in wine since the marriage of Henry Plantagenet and Eleanor of Aquitaine in the 12th Century. Wine Merchants were amongst the biggest lenders to the Crown throughout the Middle Ages. Today the UK remains genuinely world class at wine merchanting. Our competitive advantages include a very dynamic domestic market, long-term relationships with leading wine producing regions, an effective regulatory framework, an advantageous position in the global time zone, world-leading wine education and logistics, and the English language.

UK wine businesses are very good at importing, distributing, marketing, and exporting wine to all four corners of the world. There are more than 5,000 wine merchants in the UK and wine supports more than 130,000 jobs. The UK is the largest net importer of wine in the world and the 10th largest exporter. Wine is the UK's 6th largest food and drink export, the UK's favourite alcoholic drink with more than 33 million consumers and generates over £4bn a year in wine duty for Treasury coffers.

An article published last weekend in the Financial Times - "[Brexit disruption leaves nasty taste for fine wine trade](#)" - laid bare how current government policy is not taking advantage of this opportunity.

Ridiculously, the UK is proposing to roll over a particularly pernicious EU non-tariff barrier (an import form called a "VI-1") into UK law. The VI-1, which requires a full laboratory analysis for every shipment of wine entering the EU from a third country, is designed to protect the interests of European wine growers by undermining the competitiveness of overseas producers. For a country that imports more than 99% of its wine, this form should be playing no part in our future trade policy. Indeed, no major trading nation outside of the EU has a VI-1 equivalent, nor are there similar requirements for any other alcoholic drink inside or outside of the EU. So why on earth are we choosing to extend this unlevel playing field?

The UK's position as a global wine hub has been predicated on its ability to buy from intermediaries other than producers, such as merchants and private individuals, in the secondary market where my business, Liv-ex operates. And yet for us a VI-1

requirement for EU imports will curtail the capacity to trade most of all - likely making much business impossible to complete. What is more, these wines can be 5, 10 or 20 years old. Obtaining original certificates of analysis for these wines is all but impossible. Acquiring new ones is estimated to cost upwards of £300 per time. It will result in destroying valuable stock and bring a fast-moving supply chain grinding to a halt.

For now, the UK wine industry is bound by EU requirements to complete VI-1s for wines originating outside of the EU, accounting for just under 50% of our imports. Liv-ex, the global marketplace for the wine trade, is a platform used by more than 500 wine merchants from 42 countries in Europe, the Americas and Asia to check prices and trade wine. Some 70% of our sales are for export. Indeed, the French buy more wine on Liv-ex than they sell on it! And it is an ironic testimony to the effectiveness of the EU's VI-1 as a non-tariff barrier that 94% of our trade is currently in EU wines.

There is a better way, and one that would deliver – far more effectively - the only reported Government rationale for introducing more VI-1s: a level playing field. After concerted lobbying from our trade body, the Wine and Spirit Trade Association (WSTA) and the wider industry, DEFRA has delayed the implementation of VI-1 forms for EU imports until 1 July. This is welcome - but the introduction of VI-1s remains government policy.

Why? It is not contingent upon agreeing a trade deal with the EU. It would be galling for this government to “take back control” only to choose to impose additional, protectionist bureaucracy that would undermine British businesses. Liv-ex has prepared by restructuring its supply chain and moving substantial elements of its business into the EU to mitigate the costs that VI-1 forms would impose. This has come at the expense of UK jobs and investment. VI-1 forms will erode the dynamism and standing of the UK in the international wine market and would both raise prices and reduce choice for the UK's consumers.

Instead, the government should grasp this clear post-transition opportunity to not only avoid imposing unnecessary VI-1 bureaucracy and related costs on EU wine imports, but to get rid of VI-1s completely. In this single example of red tape, there is an opportunity for the UK wine industry to build its leadership in the international wine market – an initiative that should be complemented by removing tariffs, simplifying customs procedures, digitising compliance, moving to mutual recognition and using free trade agreements to open-up new markets.

In all candour, Prime Minister, is there a better “oven-ready” example of a pro-trade, anti-red tape policy than to abolish the VI-1 and pop a cork for free trade and Global Britain?

Yours faithfully



James Miles
Chairman & Managing Director – Liv-ex Ltd

Cc: Michael Gove, Chancellor of the Duchy of Lancaster
Rishi Sunak, Chancellor of the Exchequer