Johnnie won't walk out

Why Scotch-whisky makers want to stay in the European Union

The dandy has been striding out ever since he first graced a bottle of Johnnie Walker in 1908, becoming the world's favourite Scotch whisky. Having made his name along the trading routes of the British empire, Johnnie Walker might be expected to support the Eurosceptics' contention that Britain would be better off unshackling itself from an ailing EU to seek its fortune on the global stage. After all, the best hope of finding new Scotch-drinkers lies with newly affluent Indians and Chinese.

Yet talk to whisky-makers and what is striking is that they see the EU and its single market as vital, both now and in future. Far from being a ball and chain, the EU is now the industry's essential sword and shield for conquering world markets.

Why? Start with the EU's single market. It is the world's biggest economic block, in which most goods can be sold anywhere without hindrance. Despite its woes, the EU accounts for about 40% of total Scotch sales. France is the largest market, nearly twice as big as America, says International Wine and Spirits Research, a market-intelligence firm. Spain is a larger one than China, despite all its troubles (or perhaps because of them).

As new countries join the EU and remove their trade barriers, sales of Scotch tend to shoot up. This happened in Spain after the end of Franco's authoritarian rule, when whisky-drinking became a symbol of affluence and emancipation. In Greece a whiskaki, preferably a Johnnie Walker, became the preferred middle-class drink, a sign of being truly European. Sales in Greece have recently dropped because of the recession and rising excise taxes. But they are booming in Poland, which joined the EU in 2004 and has enjoyed strong economic growth.

Whisky palates vary from country to country. For Johnnie Walker as a brand, Europe has become a relatively smaller market. But for Diageo, the British multinational that owns the label, Europe still accounts for nearly 30% of total sales. And precisely because Diageo is a global company, the EU's weight in trade negotiations is crucial. Paul Walsh, Diageo's boss, says that many of the hundreds of drinks Diageo sells owe their place in the world to the EU's ability to negotiate trade deals.

The biggest prize is India, which consumes almost as much whisky as the rest of the world put together. Yet instead of Scotch, Indians drink local varieties bearing Scottish-sounding names, such as McDowell's or Bagpiper, that are made from molasses. Scotch purists say these are

rums not whiskies. But India imposes tariffs of 150% on imported whisky, putting true Scotch beyond the reach of all but the rich. Whisky-makers hope the EU will win a big tariff reduction under a free-trade agreement that it is negotiating with India.

Scotch producers moan about protectionism elsewhere, but they benefit from EU rules defining Scotch whisky narrowly by "geographic indications". It must be distilled in Scotland from the fermented mash of malted cereals, with or without whole grains, and matured in wooden casks for three years or more. It cannot be sweetened or flavoured. Such rules preserve the distinctiveness of Scotch against competing whiskies from, say, America or Canada. They also allow the industry to create an aura of whisky connoisseurship like that for fine wine.

What about claims that the EU ties firms in red tape, hampering their competitiveness? Whisky-makers acknowledge some irritants. But they prefer common EU rules to lots of national ones on everything from bottle-sizes to labels. Harmonised regulations reduce costs and can set global norms. The worst country for adding labelling rules on top of EU ones, says Nick Soper of the Scotch Whisky Association, is Britain. All told, whisky-makers say, British EU membership has produced benefits that would have been unattainable from outside.

The rise of Scotch is a story of canny marketing, innovation and political luck. One boon was the devastation of Europe's vines in the 1860s by an infestation of lice, allowing whisky to supplant brandy as England's favourite tipple. Trading ships brought whisky to the ends of the British empire. Yet in the 19th century Ireland's malts had more prestige. Only by the turn of the 20th century had Scotch begun to supplant them. One reason was the rise of Scottish blenders, such as the descendants of the original John Walker, a grocer from Kilmarnock, who mixed malts with mass-produced spirit derived from other grains using continuous-distillation techniques. This allowed the marketing of lighter, more affordable whisky of consistent quality. A Royal Commission in 1909 ruled that blends could be called whisky.

The cost of disunion

A further reason for the success of Scotch has some resonance today. The turmoil of Ireland's independence struggle and civil war unsettled the distillers there (many of whom were seen as unionist). They suffered another big blow with the loss of the American market during prohibition, which hit Scotch producers less hard. And after independence in 1922 the Irish industry was progressively excluded from the British market, especially in the 1930s.

Today it is Scotland's distillers who face political uncertainty. Scotland holds a referendum on its membership of the United Kingdom in 2014. And Britain's David Cameron is proposing to hold a vote on EU membership in 2017. At stake could be billions of litres of whisky, worth tens or even hundreds of billions of pounds, ageing in oak casks around Scotland. What will be the status of this liquid gold?

Without being too overt about it, Scotch-whisky makers' strong preference is to keep the double union: Scotland within the UK, Britain within the EU. But the absolute priority is to remain within the EU's single market. Johnnie Walker may keep marching across the world. But he does not want to walk alone.

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