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EU Whines Despite India Agreeing to Halve Import Duty on Its Wines

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India has proposed to halve import duties on wines and spirits bought from the European Union under the bilateral free trade agreement being negotiated between the two, but the 27-country union is demanding steeper cuts.

Last month, EU officials argued liquor imported from the region would become affordable for Indian customers only if there are 'meaningful' cuts in duties.

"They said that state taxes on liquor were extremely high in some cases which raised the incidence of duty on foreign liquor to

very high levels. Customs duty on liquor, therefore, needed to be reduced substantially," an official familiar with the talks said.

India imposes 150% Customs duty on wines and spirits, which it has now proposed to cut to about 75% for the EU countries.

New Delhi has also offered to reduce duties further to about 40% on some categories of alcohol over the next four years after implementation of the FTA.

The EU has demanded an immediate reduction in import duties to about 30% so that there is a substantial dent in the total incidence of taxes, an official said.

EU trade commissioner Karel

De Gucht had last month expressed his unhappiness with India's offers. Due to high taxes imposed by states, incidence of taxes on foreign liquor was as high as 200%-790% of the sale price, depending on the type of liquor and its price and also the state in which it is being sold, an EU report had noted.

India's import of alcoholic beverages went up 55% in the first three quarters of the fiscal to ₹593 crore, compared to ₹382 crore in the same period last year, according to figures compiled by the commerce department.

Given these imports, India is reluctant to make steeper cuts as its

domestic industry is still in its nascent stage and slashing tariffs is a politically sensitive issue.

"We have insulated the liquor sector from all free trade agreements we have signed so far. Although we are ready to cut duties on both wines and spirits for the EU, it cannot expect us to be insensitive to the demands of our industry," the official said.

These offers are, of course, linked to EU's readiness to open markets for items such as textiles and fisheries and substantially liberalise its services sector. Both sides hope to implement the FTA in goods, services and investments, later this year.