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INDIA-AUSTRALIA FTA

# Delhi ready to cut duties on wine but with conditions

## Wine industry wants safeguards against third country products taking advantage

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India is ready to bring down import duty on Australian wine as part of the free trade agreement (FTA) being negotiated, but it will do so only partially and with a likely caveat that the imported items are above a minimum assessable value (MAV) to qualify for a duty cut, a source tracking the development has said.

"The Commerce Ministry has called for another round of talks with the wine industry in India to take inputs before finalising the offer," the source told *BusinessLine*.

One of the top priorities for Australia in the on-going India-Australia Comprehensive Economic Cooperation Agreement (CECA) negotiations is to convince India to substantially lower the high 150 per cent import tariffs on wines and spirits.

"... what I can say is that there is nothing I would enjoy more than being able to provide India with some of Australia's fine wines ... at more affordable prices. That is something that we will be looking to achieve," Australian Trade Minister Dan Tehan had said at an interaction with the media in New Delhi late last year.

### 'Certain apprehensions'

India and Australia, at the moment, are engaged in finalising a list of items for the early harvest programme that would precede the full fledged CECA, that will cover a large number of areas including goods, services, investments, intellectual property, e-commerce and government procurement.

Exports to Australia in 2020-21 were valued at $4 billion and imports at $8.5 billion

"The Indian industry is not averse to the idea of including wines and spirits in the FTA but they have certain apprehensions that need to be taken care of," the source said.

### 'Take adequate care'

In a recent communication sent to the Commerce Ministry, the Confederation of Indian Alcoholic Beverage Companies (CIABC) cautioned that adequate care should be taken to ensure that third country products are not able to take advantage of the pact with Australia. "In order to qualify for concessions under the FTA, the regional value content of the product should be at least 70 per cent, i.e., at least 70 per cent of its value must have been created within the country it is being imported from," the letter pointed out. Moreover, India should insist on Australia removing non-tariff barriers on Indian exports such as not accepting whiskies made from spirit distilled from molasses, which is a common practice in a sugar rich country like India, CIABC said.

Australia should also stop insisting on a three-year maturity for whisky as in warm Indian climate whisky matures three times faster, and in three years' time loses around 30 per cent volume due to evaporation.

"In response to Australia's ask for tariff reduction on wines, we have suggested that the tariff may be brought down to 100 per cent from the current 150 per cent and to 50 per cent over 10 years, subject to a MAV of $3.5 per bottle or $5 per litre (bulk)," Vinod Giri, Director General, CIABC, told *BusinessLine*.

### Expectations

Australia is also keen on getting more market access in dairy, farm products and automobiles. India, on the other hand, is interested in gaining a bigger share of the Australian market for goods such as textiles, leather and gems & jewellery. It also has expectations of more opportunities for its workers and professionals through easier visa norms and mutual recognition of professional qualifications.

India was Australia's seventh-largest trading partner and sixth-largest export market in 2020, driven by coal and international education, according to the Australian government.