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'Resolve issues on liquor, or trade deals will be lopsided'

Confederation of Indian Alcoholic Beverage Companies (CIABC) director-general **VINOD GIRI** represented Indian industry, which provided key inputs on wine and spirits for an interim trade deal with Australia. While an agreement has been reached on wine, there are still issues to be resolved on spirits. Giri tells **Indivjal Dhasmana** that the Australian side acknowledges India's concerns on the non-tariff barrier imposed by that country. Edited excerpts:

The price point in the interim trade deal with Australia is $5 per 750 ml bottle of wine. How will that protect Indian companies?
This means that tariff reduction in the deal is applicable only to the wines, which are imported at minimum $5 per 750 ml bottle on CIF (cost, insurance and freight)-basis. Here, tariffs will come down from 150 per cent to 100 per cent straight away and then to 50 per cent over 10 years. Recognising that India does not have wines which compete in the top end — over $15 per 750 ml — duty reduction will be 25 per cent more in this category. First, the reduction will be from 150 per cent to 75 per cent and it will come down to 25 per cent over 10 years. However, the reduction is not applicable to wines, which are imported below the $5 CIF. So, they will continue to attract 150 per cent tariffs. Our table wines, which people drink frequently, are not affected by this FTA.

Q&A

VINOD GIRI
D-G, Confederation of Indian Alcoholic Beverage Companies

$5 comes close to ₹375 at the current exchange rate. Even if we impose 150 per cent import duty, the wines could be imported at ₹937.5 a bottle. How will this protect the Indian wine industry in a space where we have a strong presence in the country?
You have to still add local taxes and duties. Normally, the thumb rule is that it would be 6-7 times more than the CIF value at today's tax structure. So, consumer prices would be ₹2,400-2,500 a bottle in a market like Delhi. These wines will not enjoy tariff reduction benefits. Most Indian wines, be it Sula or Fratelli, are below $5 per bottle. Only 10 per cent of their products are above this price.

It seems the deal on spirits is stuck. What are the hiccups and how are they being resolved?

ON OZ IMPORT RULE HURDLES
"IF YOU MATURE FOR TWO YEARS, THERE WILL BE 20% EVAPORATION OF WHISKY. THIS MEANS YOUR COST HAS GONE UP BY THAT MUCH"

For Indian-made foreign liquor (IMFL), we have a large play. There are certain regulatory hurdles in the Australian import rules. The most important one is the rule of maturation. Under this regulation, every whisky, for example, must be matured for two years in a wooden cast. We explained to them that this will create a lot of problems for us because it does not factor in differences in climatic conditions of India and Australia. The rate of maturation in India is 3-5 times faster than, say in Tasmania, which is a major spirit producing region of Australia. This is because of warmer conditions here. There is loss due to evaporation when spirit matures. In Indian conditions, loss due to evaporation is 10 per cent a year. This means, if you mature for two years, there will be 20 per cent evaporation of whisky. This means your cost has gone up by that much. Against this, evaporation loss is just one-two per cent a year in Tasmania.

Do you see the issue of maturation in spirits being resolved at the time of the final deal?
We have recognised during discussions and also in the interim deal that this is a matter, which needs to be resolved. Elections are going to take place in Australia. This is part of the Australian Customs Act. Any amendment to the Act can happen once a new Parliament comes in. A working group set up on the matter will try to resolve it.

Will our agreement with Australia on wine be a template for talks with the EU?
I think it should. Fundamental conditions do not change between Australia and Europe. They are very similar economies.

Does the same hold true for any final agreement with Australia on spirits and that becoming a template for our proposed talks with the UK on scotch whisky?
From our side, maturation is the biggest issue. Most Indian whiskies are unable to enter the UK or EU markets for that matter, because the maturation requirement is three years, not even two years. Three years means 30 per cent of our product is lost. Of seven million cases of liquor that we export every year, less than 25,000 go to the whole of Europe, including the UK. This is because of that barrier. We believe this is a non-tariff barrier. In the past, we have given suggestions to allow us to sell these as Indian whisky and there will not be any claim on maturation. But for reasons best known to them, they have stuck to it. That is a point, which we need to address in the agreement. Otherwise, it will become a very lopsided deal where they will look at all the opportunities from us and will not give anything in return.