

Whiskey makers flag Scotch imports from 3rd countries

The concerns come at a time when India is engaged in negotiations with the UK for an FTA

Ravi Dutta Mishra & Dilasha Seth
ravi.dutt@livemint.com

Indian whiskey makers said a spike in imports from the UK via transshipment hubs such as the UAE and Singapore could force local units to shut shop, and urged the government to tighten the rules.

Their concerns come at a time when India is engaged in talks with the UK for a free trade agreement (FTA) that could see Scotch whisky prices plunge after planned duty cuts.

As per the Scotch Whisky Association (SWA), India overtook France to become the UK's largest market for Scotch in terms of volumes with a 60% increase in imports in 2022 over the previous year. India imported 219 million 70cl bottles of Scotch last year.

The Confederation of Indian Alcoholic Beverage Companies (CIABC) said actual imports from the UK would be far higher if transshipment hubs such as the UAE and Singapore — countries that produce no Scotch — are taken into account.

It wants the government to tighten the rules of origin.

"Almost 95% of whisky imported into India is Scotch whisky and, as the data shows, nearly one-third of it comes not from the UK but from global shipment hubs such as Singapore and Dubai. Even though Scotch whisky has a specific harmonized structure (HS) code allot-



India imported 219 million 70cl bottles of Scotch last year.

AP

ted to it, we see over 85% of the consignments come using other HS codes," Vinod Giri, director general of CIABC said.

"Let's keep UK aside for a moment -- tomorrow if India does an FTA with

toms will see only at the source port and the HS code. Even GI products such as Bourbon, Irish whiskey etc do not separate HS code but come under standard whisky codes. So Bourbon coming through the UAE or Singapore can claim FTA rates unless the ROO is clearly defined. In the case of UK, there is need to enforce discipline of using only UK ports and/or using only specific HS code assigned to scotch. Else, concessions can be misused," Giri added.

India already has FTAs with Singapore, as a member of the Asean group of nations, and the UAE.

Asked if there may have been a misuse of the terms of the FTA with the

UAE, the commerce ministry ruled out the possibility. "The Preferential Rules of Origin for alcoholic beverages is 'wholly obtained'. As these are not manufactured in the UAE, misuse of UAE FTA concessions is ruled out," the ministry said.

In trade parlance, a good is 'wholly obtained' if produced entirely in the territory of one or more of the FTA countries.

Mint reported last month that the government had found out that traders were abusing existing FTAs such as the one with Asean countries. This was being done in two ways: use of falsified documents and, more serious, use of false information in certificates. The Central Board of Indirect Taxes and Customs (CBIC) is working on to install a new system that will allow customs to generate and exchange "country of origin" certificates.

Nita Kapoor, chief executive, International Spirits & Wines Association of India (ISWAI) said the spike in imports could be on account of bulk Scotch shipments. These, she said, are beneficial for domestic manufacturers.

"Value segment is the key growth driver of the Indian spirits industry and has limited interaction with imported products which have 2% share, including finished and blended products. Indian players too are developing great quality blended products with bulk Scotch imports. So rather than a risk, it is an opportunity to raise the quality bar of domestic spirit products for local consumption and exports," she added.

IMPORT HANGOVER

INDIA overtook France to become the largest mkt for Scotch in terms of volume in 2022

UNLESS rules of origin are clearly defined, products from any country can slip through

CBIC is working on a system that will allow Customs to generate "country of origin" certificates

(countries like) Singapore or UAE where no alcohol is produced but shipped through. Unless Rules of Origin (ROO) are clearly defined, the product of any other country can slip through claiming concessions. Cus-