

EU liquor cos for 50% cut in tariff

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Liquor makers in European Union (EU) have pressed for a halving of India's import tariff in their free trade discussions, a top EU liquor industry executive said.

According to Pauline Bastidon, director of trade & economic affairs at spiritsEUROPE, an apex body of multiple liquor manufacturers in the EU, the share of European spirits in the Indian market was a mere 2.5% of the total alcohol market of 385 million cases in 2022. India currently levies 150% tariff on imported liquor.

Negotiators in India-EU free trade agreement (FTA) talks should address regulatory issues at federal and state levels since alcohol is a state sub-



Pauline Bastidon, director of trade and economic affairs, spiritsEUROPE.

ject in India, the spirits industry body chief suggested. Also, spiritsEUROPE has sought protection of intellectual property (IP) and geographic indication (GI) rights for its products in the proposed FTA with India. GI rights refers to protection of the geographical

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origin of the product, such as Scotch in the case of whiskey, from false claims to the attributes of that region.

“In India, there will be growth. But on both sides, trade relations will see a real pickup if India and the EU agree on an FTA favourable for both sides. So, there should probably be two scenarios. Without FTA, the growth will probably be a lot more moderate. And with an FTA, the trade ties will be much closer, and the growth will be higher,” Bastidon said.

Vinod Giri, director-general, Confederation of Indian Alcoholic Beverage Companies (CIABC), the apex body of the Indian alcoholic beverage industry, questioned the EU’s intent. Pointing to the ongoing trade talks between India and the UK, he said: “There is close geographical proximity, low transport costs, and a tax-free trade relationship between EU and the UK. Considering that, there is no reason why India should offer the EU a trade deal any different from the UK on tariffs, non-tariff measures, exclusions, and product specific rules.” India and the UK



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have made progress on their trade talks and that in my view should work as guidance for EU as well, added Giri.

The seventh round of consultations for the India-EU FTA is scheduled to begin next January.

Excise duty on alcohol is an easy source of tax revenue to states, and so the taxes are high. Karnataka levies the highest tax on liquor at 83% followed by Maharashtra (71%) and Telangana (68%). Haryana and Goa have the lowest excise duties

on alcohol at 47% and 49%. Of course, states like Gujarat, Bihar, Nagaland and Mizoram prohibit consumption of alcohol.

Given that India is the second largest spirit market in the world after China, spiritsEUROPE sees India as a growing market

for liquor business, particularly in the premier segment, Bastidon said, adding that overall trade volume of EU spirits is €9 billion, and the US and China are major exporting countries.

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According to Bastidon, the value of EU’s spirit exports to India in 2022 was a mere €59.7 million compared to €875 million to China.

The delegation of spiritsEUROPE represents 31 associations of spirits producers (including associations of Austria, Bulgaria, Germany, Spain and France, among others) as well as 11 leading multinational companies including Diageo, Pernod Ricard, Moët Hennessey, etc. The delegation is in India to push policy makers for tariff relief, a demand that is proving to be a critical trade barrier for EU spirits.

The EU liquor trade is concentrated in premium spirits—vodka, gin, etc.—which are at the bottom of India’s alcohol consumption chart as brown liquor (such as whisky, brandy, etc.) is consumed more in India.

The EU and India are negotiating an agreement on GIs as well. This is an opportunity to further improve the protection of GIs on both sides, with opportunities for Indian producers and in turn the farmers who provide the essential ingredients needed for these quality Indian food and drink products, Bastidon said.