EU suspends WTO panel on India wines and spirits after India cuts discriminatory tariffs - Geneva16 July 2007

The EU has suspended its WTO panel against India, following India's repeal on 3 July of discriminatory duties on EU wines and spirits. The Indian decision follows a European Commission Trade Barriers Investigation that condemned the Indian duties and an EU challenge to the Indian measures at the WTO. The removal of the discriminatory duties is good news for European spirit and wine makers, who have been badly disadvantaged by Indian measures for many years. In 2006, the European Commission's Global Europe strategy prioritized a more concerted approach to removing persistent barriers to EU exports.

EU Spokesman for Trade Peter Power said: "The EU welcomes the Indian decision to respond to EU pressure by repealing these discriminatory duties. EU wines and spirits exporters deserve a level playing field in India. This decision brings us closer to that goal."

However, the EU regrets the reported Indian decision to raise external duties on wines by 50% to 150% - a move possible because of the large difference between India's maximum notified tariffs in Geneva and the duties it actually applies to exporters. India's tariff on spirits will remain unchanged.

The WTO panel can remain in suspension for up to 1 year. The European Commission will now continue to monitor the situation on the ground, to make sure that no new discriminations appear at State level.

Background

In September 2005 the European Commission launched a Trade Barriers investigation at the request of European Spirits Organisation (CEPS) and the Comité Européen des Entreprises Vins (CEEV). That investigation concluded that access to the potentially large Indian market for spirits and wines is severely restricted due to discriminatory high duties, contrary to international trade rules.

In December 2006 the EU requested WTO consultations with India to resolve the dispute, but no solution was found. The EU requested a WTO panel which was established in April 2007 with a view to bring the Indian illegal measures back to WTO-compatibility.

The key issue at stake in this case were the high Additional Duties levied at the state level in India on imported spirits and wines. The Additional Duties were levied on top of high federal Basic Customs Duties (of 150% for spirits and 100% for wines), raising the cumulative federal duty burden up to 264% for wines and 550% for spirits. These are some of the highest duties for any products anywhere in the world.

According to EU industry, the Indian market for spirits is one of the largest in the world amounting to 87 million nine-litre cases. The corresponding figure for wine is 667,000 nine-litre cases. Moreover, the Indian market holds particular potential for the future. In 2006, EU wine exports to India were valued at €9.3 million; EU spirits exports at €43.3 million.

The EU spirits industry, as represented by CEPS, exports spirits to over 150 countries with annual exports amounting to more than € 5 billion. The spirits sector employs about 50,000 people and indirectly a further 250,000 in the EU. According to the EU wine industry, as represented by CEEV, EU wine exports to third countries amount to € 4.5 billion each year. The wine sector employs approximately 560,000 people.