

PRESS
RELEASE



India to be referred to the WTO over wine and spirits duties

Brussels, 20 November 2006.

EU wine and spirits producers welcome moves from the European Commission to request World Trade Organisation (WTO) talks on India's failure to bring its duty regime for imported wines and spirits into line with its WTO obligations.

Following years of seeking to secure fairer market access in India to no avail, EU wine and spirits producers launched a joint Complaint under the EU Trade Barrier Regulation in July 2005. After undertaking an eight month investigation, the Commission confirmed in its recent report that India's duty system unfairly distorts competition by creating a much higher tax burden on imported bottled wines and spirits, to the extent that "the Indian market has remained essentially closed [for these products]".

The two key issues for EU wine and spirits producers are the Additional Duty (25 % to 150 %) and the Extra Additional Duty (4 %) for both wines and spirits. These two duties, in combination with the already excessive Basic Customs Duty (150 % for spirits and 100 % for wines), leads to an overall duty burden of up to **550 %** for spirits and **264 %** for wines. The Indian spirits market is one of the largest in the world totalling 87 million nine litre cases (imported products represent less than 1 % of that total). The size of the wine market is modest (667,000 nine litre cases), but growing fast. In 2005, EU exports of spirits to India amounted to €43 million with exports of wine valued at €6,7 million (source: Eurostat).

The EU wine and spirits industry hope that the Indian authorities will now take action to reform their discriminatory duty regime via a negotiated settlement. Jamie Fortescue of the European Spirits Organisation – CEPS, said, "All we are asking for is a level playing field for international producers seeking access to the Indian market and we would prefer that recourse to a WTO Dispute Panel decision could be avoided."

"The benefits of lifting barriers to imports of EU wines and spirits will be reaped by all in India; most notably, consumers who would have greater choice at more competitive prices," added José-Ramón Fernández of the *Comité Européen des Entreprises Vins (CEEV)*.

If the Indian authorities do not use this opportunity to bring their duty tariffs into line with WTO commitments, the EU wine and spirits industry will fully support all efforts taken at the WTO to find a solution.

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Note to Editors:

When a country is referred to the WTO for consultation, a formal 60 day dialogue between the parties takes place in order to resolve the dispute. In cases where no agreement is reached, a Dispute Settlement Panel consisting of trade experts who consider and rule on the merits of the case, may be established. The Panel then makes recommendations on how the disputed measure can be made to conform to WTO rules. WTO Dispute Panels have considered three cases in relation to the discriminatory taxation of spirit drinks. On each occasion (regarding Japan, Chile and South Korea), the WTO ruled in favour of the industry.

The European Spirits Organisation – CEPS is the representative body for the spirits industry at the European level. Its membership comprises 38 national associations representing the industry in 29 countries, as well as a group of leading spirits producing companies.

Comité Européen des Entreprises Vins – CEEV is the organisation representing the wine industry and trade in the European Union: still wines, aromatised wines, sparkling wines, liqueur wines and other wine products. CEEV brings together 24 national associations. In 2005, European wine exports totalled €4.5 billion, contributing a net surplus of €2 billion towards the Community's trade balance.

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