

PRESS  
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## India falls foul of WTO test in announcement of 2007 Budget

The European Spirits Organisation – CEPS and the *Comité européen des entreprises vins* (CEEV) have expressed much disappointment at India's failure to bring its highly discriminatory fiscal treatment of imported wines and spirits into line with WTO commitments, following the Budget announcement in India yesterday, 28 February.

Representing a key emerging market for EU wines and spirits, the EU spirits and wine industries have long been campaigning for an end to the excessive, discriminatory duty system in place in India. Following a launch of a formal complaint by the European Spirits Organisation - CEPS and CEEV under the EU Trade Barrier Regulation (TBR) in 2005, the European Commission carried out a thorough eight month investigation in India last year. In its final report, the Commission confirmed that India's duty system is in 'blatant violation' of WTO rules and urged early reform of the system by yesterday's Budget at the latest.

Speaking following the announcement of the budget, Jamie Fortescue, Director General of the European Spirits Organisation – CEPS, commented:

"It is regrettable that India has failed to use this opportunity to bring its duty regime into line with its WTO commitments. Given that the overall duty burden for spirits can be as much as 550% and for wines 264%, we will now urge the European Commission to take the matter to a WTO dispute settlement panel as soon as possible."

José-Ramón Fernández, Secretary General of the *Comité Européen des Entreprises Vins* (CEEV), added:

"The Indian market has remained essentially closed for EU imported wines and spirits for many years and yesterday's Budget announcement represents a missed opportunity on the part of the Indians to meet their international trade obligations. We hope a speedy solution will be found in Geneva so that consumers in India will benefit from greater choice at more competitive prices."

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### **Note to Editors:**

The EU referred the issue to the WTO for consultations in November 2006. With no steps taken by India to reform the system, a WTO dispute settlement panel - a body of trade experts - can be established to rule on the merits of the case. Its ruling is binding on the parties to the case.

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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), lead to an overall duty burden of up to **550%** for spirits and **264%** for wines.

The EU spirits industry has been successful on each of the three occasions on which discriminatory taxation on our products has been considered by a WTO panel – namely, in relation to Japan, Chile and South Korea.

The European Spirits Organisation – CEPS is the representative body for the spirits industry at the European level. Its membership comprises 37 national associations representing the industry in 28 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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