Australian Government

Wine Australia

Submission to the Australian Government Department of Foreign Affairs and Trade

Australia – India Free Trade Agreement

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Introduction

The Australian Wine and Brandy Corporation and the Winemakers Federation of Australia made a joint submission in relation to the Australia-India Free Trade Agreement Feasibility Study in March 2008.

On 12 May 2011 the Department of Foreign Affairs and Trade called for submissions on the potential impacts of a Comprehensive Economic Cooperation Agreement with India, following the launch of negotiations by Minister Emerson and his Indian counterpart, Dr Sharma.

Wine Australia (formerly the Australian Wine and Brandy Corporation) welcomes the opportunity to submit comments in relation to the barriers faced by Australian wine exporters in accessing the Indian market, but does not intend to repeat the background information presented in our 2008 submission.

Australian Wine Exports to India

In our 2008 submission we reported Australian wine exports to India in the previous twelve months to be 1.24 million litres with a value of $3.64 million. Sadly, that represented a high point in the recent history of Australian wine trade with India. In the twelve months to the end of January 2011 only 600,000 litres of Australian wine was exported to India. It is encouraging, however, that whilst the volume was half the figure reported in 2008, the value had declined by only 18%, to $3 million. This reflects the fact that whilst only 35% of the volume exported in 2008 was bottled product, 80% now falls into that category (with soft pack accounting for most of the remainder)

Indian Wine Market

In our earlier submission we reported that the total Indian wine market in 2007 was valued at $300 million with wine consumption estimated to be 7 million litres. Australia was second, behind France, in the imported category, with 15% by volume of the imported wine market.

In 2010 the total Indian wine market is estimated to have grown to 16 million litres, with domestic production accounting for 85% of the volume. The balance (2.4 million litres) is imported, some in bulk format, with Australia responsible for less than 4% of the total wine market, although the figures are distorted to some extent by the indirect import of wine through Singapore. Australian wine may represent a significant slice of the estimated 190,000 litres imported through Singapore.

Trade Barriers

1. Tariffs and Taxes

Wine (including sparkling and fortified) currently attracts a standard rate of import duty of 150%. This puts India amongst the world's most highly protected wine markets and has been identified by the Australian wine sector as a major disincentive to further market development.

Both Chile and the European Union have been engaged in recent negotiations towards liberalised trading arrangements with India. We are aware that the European Union, in particular, sees the elimination, or at least the significant reduction, of the high tariff wall as an essential element of a successful outcome to those negotiations. Any preferential tariff treatment for wine resulting from such arrangements would put Australian producers at a severe disadvantage without at least equivalent treatment being afforded to products from this country.

Furthermore, India raises an "extra additional duty" of 4% on imported wine. Despite theoretically being refundable once the domestic taxes have been collected, this impost is, in practice "almost impossible" to recover.

As mentioned in our 2008 submission, even were the recovery of this money to be facilitated, the time lag between payment and refund and the clerical burden of applying for the return of the funds present unnecessary costs on the importer. There seems no reason for the refund not to be automatic given the imported wine is invariably destined for domestic sale.

Beyond the Indian border there are a number of State-level tax regimes operating in a manner that discriminates against imported wine. Maharashtra, Goa and Karnataka present particularly relevant examples and given that nearly 80% of wine sales occur in Mumbai (Maharashtra), Bangalore (Karnataka), Goa and New Delhi these regimes present a major impediment to growth in the imported wine market.

2. Non Tariff Barriers

a. Wine composition

Whilst some compositional limits, for example the maximum allowed content of the preservative sulphur dioxide, are clearly necessary to ensure consumer health and safety, others, such as the restrictions on alcohol content, residual sugar levels, and pH are arbitrary and inconsistent with international norms.

b. Wine additives

A number of items commonly used in wine production globally do not appear to be permitted under Indian law.

c. Wine labels

i. Various Indian states administer a label registration process involving significant annual renewal charges.
ii. Labels are required to include several items inconsistent with international norms such as (i) An indication of whether the wine is suitable for vegetarians (ii) An ingredient list and (iii) An indication of manufacturing or packing date (in addition to the "Lot" number)
iii. Most mandatory labelling items are required to be displayed on the principal display panel, again contrary to international norms.

Whilst we recognise India's right to introduce wine compositional and labelling requirements it considers necessary, we would encourage the adoption of international standards such as those recommended by the Organisation for Vines and Wine (OIV), and those codified by the Mutual Acceptance Agreement on Oenological Practices and the Agreement on Wine Labelling adopted by the World Wine Trade Group of countries.

In particular we seek the ability to label those items specific to the Indian market (importer's details, vegetarian information, ingredient list and manufacturing date) in India, as had been the case until recently.

Product samples

Although commercial samples are allowed to be imported free of customs duty, traders are limited to the submission of 15 such samples (with aggregate value not exceeding Rs 60,000) each year. For large trading enterprises this is an unrealistically low number.

Conclusion

Wine Australia looks forward to working closely with DFAT as the negotiations with India progress. We would be happy to provide further information on any matter raised in this paper.