Indian Wine Industry And Trade Barrier

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India

- A billion people
- Land area of 2.97 million sq. Km.
- Stable democratic environment
- Independent judiciary and vibrant media
- Most richly endowed agricultural nation in Asia
- One tenth of world’s arable land. 169 million hectares (more than China)
- One fifth of world’s irrigated land (56 million hectares)
- Coastline of 8000 km, vast marine wealth, 10 major ports
Indian Economy

- GDP growth picked up from:
  - 3.8% in 2002-03
  - 8.5% in 2003-04
  - 7.5% in 2004-05
  - 8.1% in 2005-06
- Projected GDP growth in 2006-07 is 7.5-8%.
- Annual addition to India’s GDP is now more than $ 100 billion
- India is the 4th largest economy in the world as measured by purchasing power
- Between 1980 and 2003, India’s economy grew at an average rate of 5.7%
- During the same period, India’s real income per head grew by 125%
Wine Industry

- Nascent stage
- The three major wine manufacturers in India *Champagne Indage, Sula and Grover Vineyards* - have been in the world market with their premium brands
- The Indian winery industry is growing around 25% to 30%.
- 667,000 nine-litre cases of wine sold every year
- 15% market share of imported wines
Import Market

- The major sources of imports of wines into India are - France, Australia, Chile, Italy, South Africa, California, and Spain. Of late, Canada has also supplied small quantities of wines, particularly ice wine.

- While India’s basic import duties on wine and spirits are 100 per cent and 150 per cent respectively, federal and state taxes can push tariffs as high as 264 per cent and 550 per cent.

- €43m European Union spirits n wine exports to India in 2005

- $14.2 b United States wines been exported in 2005.
India's basic import duties on wine is at 100 percent - are within the WTO limits, but federal surcharges and state-level taxes take the tariff protection up 260 percent in some cases which are a deterrent to growth.

By the time the wine has reached certain parts of India, where further duties are slapped on it, the final tariff can be as high as 500 per cent.

The EU and the United States have filed complaints with the WTO on the Indian tariffs, alleging they were unfair trade barriers that were keeping foreign countries from competing in India's lucrative alcohol market.

Both the US and the EU argue India imposes an additional duties on top of basic customs duty, making imported wines and spirits much costlier compared to locally-made liquor.
Arguments for removing trade barriers

- To allow each nation’s resources to be used to exploit its comparative advantage by specializing in producing what it does best.

- That in turn can increase (especially in small economies):
  - scope for exploiting economies of scale,
  - competitiveness of domestic markets,
  - the variety of goods and services available domestically,
  - technological catch-up, and hence economic growth, and thereby poverty alleviation.
Grape expectation

- Wine growers would rather have the tariffs lowered.
- As the industry grows in experience, so does confidence in its ability to compete.
- Most would prefer foreign producers coming in.
- Dramatically lowering tariff barriers and letting in more foreign producers, which they believe would drastically expand the market.
The government is doing this to protect local industry because it is so young.

Indian farmers run the grave risk of severely unfair competition from imports in future.

EU must cut farm subsidies and grant concessions in return for tariff reductions.

The Indian wine industry claims that a reduction in tariffs would 'destroy' the emerging wine industry with a wave of cheap imports.

The government could keep duties high for cheap quality wines and for more quality wines, it can be reduced drastically.
Fair Trade

- The argument still holds on higher trade tariffs imposed by Indian govt.
- Lowering tariffs may influence the foreign market.
- A strong bilateral trade.
- India is one of the largest markets for alcohol in the world and has huge potential for growth.
References

- http://business.timesonline.co.uk/tol/business/industry_sectors/retailing/article1494962.ece
Thank you.