

FREE-TRADE AGREEMENT WITH EUROPEAN UNION: INDIA MAY RELAX TARIFFS ON SPIRITS, AUTO PARTS

NEW DELHI: India is likely to take a "flexible approach" on tariffs on wines and spirits, as well as on auto components in the free-trade agreement negotiations with the European Union, marking a shift from the hard stance it adopted until the talks broke down two years ago. The 28-nation bloc is keen to restart talks on the comprehensive free trade agreement (FTA).

Negotiations on the FTA, which began in 2007, came to halt after the April 2013 talks ran into a deadlock. India feels it is in a stronger negotiating position after the Parliament approved raising the foreign investment cap in the insurance sector to 49% from 26%, a key demand of the EU. "The individual member-countries have asked the commerce and industry minister to restart talks on FTA, but we are still waiting for a formal proposal from their side," said a government official.

"Our position has changed slightly since April 2013. We can take a flexible approach on wines and spirits, since many of our breweries have been bought over by the UK or French." London-based Diageo, the world's largest spirits maker, acquired 54.78% stake in Bengaluru based United Spirits BSE 1.39 % last year. The customs duty on wines and spirits is at 150%, which the EU wants to be reduced to nil over a five-year period.

Flexible Approach on the Cards

INDIA TO PUSH FOR

- Market access for pharma and textiles
- Data secure status
- Movement of professionals

BETTER STATE

India at a stronger negotiating position after opening Insurance to **49% FDI**

WAITING MODE:
28-nation bloc yet to approach India to restart talks

IN THE PAST:
Negotiations began in 2007, with 15 rounds till April 2013- both sides went on election mode after this

DIFFERENTIAL DUTY FOR WINES

India could, instead, propose a differential duty structure on wines, with high duty on low-cost wines and lower tariff, of say, 80% on expensive wines. On whiskey, India would likely propose lower duty if it is bottled in India.

Negotiations for the broad-based investment and trade agreement (BITA) between India and the EU began in 2007, and the two sides had 15 rounds of talks till April 2013, when India gave the option of an incremental approach to the FTA, which means signing whatever has been achieved and taking up the pending issues later. But the EU was keen on the entire agreement at one go. "The EU was not interested in the incremental approach," said the official.

LOWER DUTY ON AUTO COMPONENTS

On auto, India could agree on reducing duties on high-tech auto components as that will bring down import cost for Indian companies and customers, and not pose a threat to domestic industry. "The auto sector is over protected. We have to gradually loosen up, as competition is good for common man. If we don't, those products will forever be expensive for us.

There are a lot of chips going into the car itself. The tariffs on low-tech components may be kept high to help the domestic industry," said the official. He added that India may stick to its stand on the automobiles as a whole. Customs duty on cars ranges from 80% for small cars to 130% for luxury vehicles, which the EU wants to be reduced to zero over a period of time.

MORE ACCESS FOR PROFESSIONALS

India will reiterate its demand for data secure nation status from the EU, which will open the grouping to the Indian IT industry. India will also seek liberalisation in terms of movement of professionals and market access for agricultural products, pharmaceuticals and textiles. It will also press for 'Mode 4' of the proposed pact, which will allow Indian professionals to work in the EU memberstates, a segment where India sets to gain the most.

After the economic crisis and the ensuing impact on employment in Europe, the EU added a safeguard clause under Mode 4, which will clock in when 20% of the limit is touched. Since these safeguards are sectoral, the safeguard clause will impact IT companies the most. BITA will be India's first bilateral agreement (including services) with a large trading partner and the EU's first comprehensive agreement with a large emerging economy. "Once the talks restart, then it will conclude in a year's time," the official added.