The EU-India FTA shows that the EU does not care about hunger in India

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The EU tough line in Bali against the right to food in India is already exemplified in its stance in the FTA negotiated with India, the Bilateral Trade and Investment Agreement (BTIA). Let us concentrate on the two main agricultural products for which the EU demands that India open largely its market to EU exports: dairy and wines & spirits.

1 – Dairy: while Indian tariffs are of 30% on most dairy products, except 60% on milk powder and 20% on casein, the EU tariffs are so high that they are deterrent and its only imports come from countries benefitting from preferential agreements, particularly New Zealand and Switzerland. Casein is the only product for which the EU tariff is zero and for which it has a deficit. EU tariffs are essentially specific (euros per tonne) but the average tariff equivalent is 87% with 41 tariff lines above 100%. India does not benefit from the GSP for dairy – contrary to South-Korea which has signed an FTA with the EU – and is subject to the high MFN tariffs.

Comparison of some EU and India applied dairy tariffs

	Milk-cream	Concentrated milk	Yogurts and other fresh products	Whey	Butter	Cheese	Casein
EU MFN dairy tariffs							
Erga omnes	129-1837€/t	475-1672€/t	205€/t-8.30%+1688 €/t	70-220€+1620€/t of lactic matter	1896€/t	1449€/t	3.20%-9%
GSP			4.80%+950€/t		948€/t	719€/t (TQ)	0%-5.50%
India dairy tariffs							
	30	60%	30%	30%	30%	30%	20%

The EU had a dairy trade surplus of €13.1 million (M) over India in 2012, of which €17.6 M in all dairy products proper – of which €6.4 M in concentrated milk and €5.6 M in cheese – but a deficit of €4.6 M in casein because of its tariff free imports. Yet India had a significant surplus of $56.1 M in its global dairy trade in 2012, lower however than the average $100.5 M from 2005 to 2012 and even more than the average $185 M from 2005 to 2099 given a large deficit of $177 M in 2011.

India is the first milk producer in the world with 122 M tonnes or 17% of the world production in 2011, from 75 M small and landless producers, with 83.2 M dairy animals: 44.9 M cows and 38.3 M buffaloes. The average producer has only 1.1 cow or buffaloe (53% of milk come from buffaloes in 2011), with an average yield of 1,473 litres per head in 2011 or 4.9 litre per lactating day (300 days per year) and a price of around 20 rupees[1] or €0.32 per litre in 2010-11, the same as in the EU27. But, whereas the EU farmers have benefitted from specific subsidies of 5 cents of euro per litre and of total subsidies of 8.6 cents of euro per litre (if we add subsidies of the non-product-specific amber box and of the traditional green box), the Indian small milk producer did not receive any. And, beyond the 75 million small milk producers, 90 million jobs along the dairy chain are at stake, of which 83% are for women[2]. Besides in 2008/09 the value of dairy products alone was €2 billion higher than the combined value of rice and wheat.

In that context the EU strategy on milk is properly criminal given its social and economic impacts on the Indian small producers and the whole economy. But its reflects quite well the EU stance in Bali where it is following the US arrogance over the G-33 demand to guarantee the food security of their poor producers and consumers.

[1] http://businesstoday.intoday.in/story/amul-india-karnataka-farmers-cooperative-follows-example/1/23154.html

[2] http://wbi.worldbank.org/sske/Data/wbi/wbicms/files/drupal-acquia/wbi/Tanzania_Dairy_Brochure_0.pdf

2 – Wines and spirits: the EU global trade surplus in wines and spirits has reached €10.391 billion in 2010, of which €61 M on India, of which 90% (€55 M) in spirits, of which whisky accounted for 88%. The EU considers that it is intolerable that such a fast growing emerging country like India does not import more for its growing middle class and is not following South Korea which has eliminated it tariff in its FTA with the EU.

Tariff on wine and spirits is roughly of 160% but certain States add specific excise duties on imported wine and spirits and all imported wines, including domestic wines, pay the value added tax of 20%. Indeed alcoholic beverages are a state subject in India, so each state has its own rules and regulations and duties & taxes on wine. The EU has prosecuted in 2006 and won at the WTO the specific added taxes on imported wines and spirits not paid by Indian wines and spirits (contrary to the national treatment clause of GATT Article III:2), and the Indian federal government has complied with that in July 2007 but some States have continued to impose additional taxes on imported wines and spirits. Indian wines represented 88% of wine consumption in 2008-09.

For the European spirits organization, "*The FTA Negotiations between India and the EU were opened in 2007. The spirits industry's main priority is to secure the elimination of the Basic Customs Duty (BCD), which is currently applied at the WTO bound rate of 150%. Progress on the FTA has been extremely slow. CEPS has met with the Commission on several occasions to make sure that our concerns are discussed with India*". Finally, it appears that "*According to the EC internal document, India has offered to bring tariffs on wines and spirits to 75% at entry into force and reduce to 40% in 3 years (wine) and 4 years (spirits). However, this offer is not acceptable to the EU*".

To what extent the EU wines and spirits are they subsidized? From 2000 to 2010 the EU wines and spirits have received an average of €1.3 billion of direct subsidies, of which export refunds (€15.7 M), wine storage (€57.9 M), alcohol storage (€174.6 M), distillation (€279 M), aid for must (€141 M), restructuring (€314 M), grabbing-up (€70 M), State programs (€157 M), dried grapes (€21.3 M). But the 24,801 tonnes of whisky exported to India in 2011 have processed 33,977 tonnes of EU cereals which have benefitted of €2.6 M in subsidies.

It is quite appropriate in a poor country like India to maintain high tariffs and domestic taxes on luxury goods as wines and spirits and to differentiate between local products and imported ones, despite the GATT national treatment clause. Besides, as said in an article of April 2011"*With the aid of high import and excise tariff, India has developed a small wine industry over the past decade as production has expanded nearly 300 per cent since 2003 to an estimated 13.5 million litres*". If the FTA were signed, there would be considerable loss of public revenue, with serious impacts on spending in social sectors like education and health and to increase domestic taxes to compensate this loss. The same would happen for the high tariffs on luxury cars that the EU wants to erase.

By the way, although the EU is a common market, the excise taxes on wine and alcohol differ widely among the 27 Member States: on still wine duties range from €0 to €328 per hl whereas on spirits they range from €562 to €5,155 per hl of pure alcohol. Furthermore "*Excise duties on alcoholic beverages constitute an important source of tax revenue in the EU27. Duties are an important contribution to Member States' finances and revenues range from 0.2% to 3.5% of total tax revenues (excluding Social Security). Total duty receipts in the EU27 amounted to €30.6 billion in 2007 (ETHYL ALCOHOL: 46% of revenues, BEER: 33% and WINE:19%)*".

Let us conclude on the EU-India FTA with the statement of the UN Special Rapporteur on the Right to Food: "*This FTA represents a clear risk to India's obligation to respect, protect and fulfill the right to food if sensitive agricultural sectors were opened to subsidised EU exports and European investment in retail and land*".