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The EU-India-FTA: Development and Growth for Each and Everybody?

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The EU-India-FTA: Development and Growth for Each and Everybody?

- **India and the EU are not equal partners in the negotiations.**
- **Far-reaching tariff elimination and liberalization of government procurement can have negative effects on the most vulnerable and marginalized groups in Indian society and hamper rather than foster human development.**
- **Gender and social implications of the FTA have not been adequately assessed.**
- **Intransparent negotiations and the lack of democratic participation in India provoke increasing criticism from civil society.**

Great expectations

In April 2007 India and the EU launched negotiations on a comprehensive Free Trade Agreement (FTA). The negotiations are embedded in a comprehensive cooperation following the declaration of a Strategic Partnership by the EU and India in 2004. The FTA is supposed to cover not only trade in goods and services, but also investments. Both parties declared to devote special attention to issues such as non-tariff barriers, intellectual property rights, competition, government procurement and transparency.

The EU is interested to increase trade with India stressing both the country's high growth potential and the difficult market access for European business. The economic research organisations CEPII and Copenhagen Economics European estimate that exports to India will increase by 56,8 per cent with the FTA, whereas Indian exports to the EU will increase by 18,7 per cent. India has been enthusiastically pushing for a fast closure of negotiations. However, after more than one year of mainly closed-door discussions there appear to be more contentious issues between the partners than ever. Negotiators on either side seem overburdened by the number of other trade agreements in negotiation. Both in the EU and Indian civil society more and more voices raise concerns especially

regarding economic and social implications of this FTA.

Two equal partners?

The EU underlines that the negotiations with India are negotiations between two equal partners. India initially did not contend this position, but has since questioned the extent of liberalisation it is expected to implement. It now pushes for an „asymmetrical“ approach, attempting to exclude more products from tariff elimination. The EU refuses and adheres to its interpretation of Art. 24 GATT, stating that the elimination of tariffs on „substantially all trade“ means 90 per cent over a maximum of 10 years, for both sides. In the context of this dispute it has to be noted that despite India's impressive growth rate in the past years, it remains a country with a GDP only 6 per cent of the size of the EU's and with the largest number of poor people in the world. And the fact that India and the EU are *not* equal partners bears a specific risk to India's vulnerable sectors should the FTA be concluded in its intended form and without adequate safeguards. According to civil society organisations such as „Traidcraft“, the sectors most vulnerable to the impacts of the FTA are the automobile sector, paper and processed dairy products. Others predict that the FTA will have severe implications for the retail and agricultural sector in general. Among the

affected are mainly small and medium sized enterprises in India.

Government procurement highly contentious

Another highly contentious issue is government procurement. The EU wants liberalization, which could entail huge profits. India has much less to gain and consequently opposes. But there is more to this dispute than sheer economic ramifications; government procurement can serve as an important instrument to include marginalized and disadvantaged groups. Full liberalization averts this mechanism and runs in the face of sustainable development and gender equality in a country where social safeguards are of crucial importance.

Reactions from Indian civil society

In reaction to these concerns Indian civil society organisations recently have issued a statement calling for an immediate halt of all negotiations and demanding greater transparency and democratic participation in the ongoing process. They criticize that in five rounds of formal talks there has been no public access to the Indian government position, commissioned studies and negotiating texts, and that even the Indian Parliament, state governments and legislatures have been kept in the dark. And they assess critically that the Indian Commerce Ministry's consultations have been limited to large corporate and commercial interests within India and have completely side-stepped those who are likely to be adversely affected by a legally binding treaty.

Outlook

The next round of discussions will take place in November. The European Parliament has already given its consent to the conclusion of the FTA by the end of 2008. However, given the amount and complexity of contentious points between India and the EU this deadline will not be met. Both sides have issued statements

declaring the end of negotiations „by 2009“. The general elections in India most likely will further slow down the negotiation process. And it remains to be seen whether and how highly debated issues such as government procurement will be resolved. In any case the question remains whether this FTA can be an instrument that will foster development and inclusive growth in India and can have a trickle down effect to those large groups in Indian society that so far have not benefited from the country's economic rise.

In the context of its new programme „gender and trade“ the Heinrich-Böll-Foundation India together with partners from India and the EU will monitor the negotiations, look into the social and gender impacts of the FTA and advocate an agreement that promotes development and equitable growth for all.