

# THE HINDU Business Line

## Trade talks with EU too hush-hush

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Since 2007, India and the EU have held numerous rounds of negotiations on a broad-based trade and investment agreement. This is being touted as opening the way to dramatically enhance India-EU economic exchanges. However, the negotiations have aroused much concern not only within India but also outside, over its implications. More work needs to be done before the agreement can be finalised.

The argument raised is that there is a “narrow window of opportunity” before the Indian elections next year and the EU’s preoccupation with Transatlantic Partnership talks with the US that are due to kick off soon.

But this cannot prevail over divergences in vital interests between the two sides, which must be reconciled if the agreement is to be sustainable and durable. Any impression of a “sell-out” could be disastrous not just to the agreement itself but to Indo-EU relations in general.

### PARLIAMENT ROLE

The actual negotiating text remains a secret document. Some parts have been leaked, but there is a lack of transparency. Demands have been made for a discussion in Parliament, so that the full implications of the proposed deal can be debated.

If the European Parliament (EP) can adopt resolutions on the FTA with India in 2009 and 2011, there is no reason why Indian Parliament cannot also discuss the FTA.

The references to labour conditions, human rights including in Kashmir, in the EP resolution of 2011, cast an ominous shadow over the FTA process. The resolution requires the FTA to be submitted to the European Parliament for its consent and asks the Commission and the Council to take fully into account the requests of the EP expressed in the resolution before concluding the FTA.

The 2011 resolution recalls that the FTA requires the EP’s consent to come into force. This gives the EP a strong role in the FTA process, while our Parliament has so far had only a peripheral role in setting down the negotiating framework.

### FTA POLICY

The EU has launched an ambitious programme of new-generation FTAs with major economies to open up more market opportunities for European business. FTAs with the following are on the anvil – India, South Korea, Singapore, Malaysia and ASEAN (launched in 2007), Canada (2009), Japan, Thailand, and the US (2013). Of these, the ones with South Korea and Singapore have been concluded in 2010 and 2012, respectively.

Since the South Korean FTA came into force in July 2011, EU exports to South Korea went up 37 per cent, while South Korean exports to the EU rose by just 1 per cent. EU exports to South Korea rose by 54 per cent, or €4.4 billion, for items where tariffs were totally abolished, during the one-year period after the FTA was signed. This rate was double the 27 per cent increase in exports to the entire world over the same period. An increase of 35 per cent, or €3.9 billion, was also recorded for items where tariffs were partly abolished.

For the first time in 15 years the EU had a surplus in trade with South Korea. With China, the EU is negotiating a Partnership and Cooperation Agreement (PCA) since 2006, covering political and economic relations, which will update the 1985 Trade agreement.

### **STICKING POINTS**

The FTA with India, launched in 2007, has been the subject of prolonged negotiations. India has rightly opposed the inclusion of a 'Trade and Sustainable Development' chapter in the FTA. This would have given the EU to bring in application of core labour standards, including the fight against child labour.

The EU has raised the issue that India has yet to ratify four fundamental International Labour Organisation Conventions related to child labour.

India's stand is that the ILO is the appropriate forum to handle such matters. The EU has been able to get the reference to labour standards included in the FTA with South Korea.

The attempt to include environmental standards and human rights issues has also been resisted. However, the EP has insisted on including references to labour conventions in the FTA with India.

India's key interest is in better access to the EU market for its service providers, especially through Mode 4 (services supplied by movement of personnel to the consuming country) and Mode 1 (services provided from the exporting country, such as through outsourcing).

Mode 4 requires liberalisation of the regime for visas and short-term work permits. The EU has been reluctant to move ahead on this area and has sought to link it with local working conditions and salaries. This issue should be a red line for India in order to agree to the FTA.

### **IPR PRESSURE**

The chapter on IPRs is particularly complex. India has again rightly resisted efforts to go beyond the protection provided under TRIPS, and seeks to protect its ability to provide lower cost generic pharma products.

There is strong support for India's position from many developing countries and NGOs, which apprehend that India will succumb to pressure by the EU.

Any attempt to go beyond TRIPS should be stoutly resisted, as it could impact on our pharma sector, and deprive many across the world to access to lower cost drugs. India is seen as the "pharmacy of the poor" in many countries.

The EU has sought to introduce competition policy and access to government procurement into the FTA. It has sought tariff reductions for automobiles, agro products, wines and spirits, and protection for its geographical Indications.

While it is true that the FTA should go beyond just tariff reductions to tackle other trade barriers on both sides, and open up trade in services and new areas, it is necessary to proceed with caution and transparency so that all stakeholders in India are fully involved in the process.

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### ***Details of India's proposed deal with EU should be discussed in Parliament.***

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