

EICC calls for non-protectionist approach to EU India Free Trade negotiation

The EICC has called for non-protectionist approach on all contentious issues on the ongoing EU-India free trade negotiation. During a seminar on "Tapping Business Opportunities arising from EU-India FTA" jointly organised by the EICC and Rapporteur of the EU-India FTA representing European Parliament MEP Mr Sajjad Karim on November 11, 2008 in the European Parliament, Brussels, EICC Board Member Mr. M S Chandramouli who led the EICC side conveyed to the participants that the FTA would be beneficial for both India and EU and will contribute to the existing framework of trade and economic cooperation. In EICC's view this optimism stems from the fact that the EU is India's largest trade partner and is an important source of FDI. Others who shared their views were MEP Mr Sajjad Karim, Mr Dirk Vantuyghem, Eurochambers; Mr Adrian van de Hoven, Business Europe; Dr Sangeeta Khorana, School of Management and Business, Aberystwyth University, UK and Mr Pascal Kerneis, Managing Director, European Services Forum. Significant contributions were injected by Ms Erika Mann MEP and Ms Lisa Mackie of DG Trade.

Since the negotiation on a bilateral trade and investment agreement between India and the EU were launched in Brussels on 28 June 2007, there have been several rounds of negotiations. Although prospects for an agreement appear good, there are however potential obstacles that both parties have to solve. The nuts-and-bolts of the various issues covered and highlighted during the discussion in essence were that EU has lost market share in India as this has dropped from a level of 1/3 of the Indian market vis-à-vis other international countries about 15 years ago to just 20% level now. Therefore EU has particular interest in concluding the FTA as an enabling instrument to regain its position in the Indian market. From the Indian side this requires a concerted lowering of trade barriers and non-tariff barriers. It was also pointed out that there was, however, general pessimism about the speed and thrust of the convergence to the FTA. On the Indian side, Europe represents an enormous opportunity as the Indian component of Europe's international trade is only 2% and for India to raise this to a feasible 5%, small as it may seem, would itself translate to a significant volume jump in absolute terms. In this, services would represent the major thrust area but this is where Europe is at its protectionist particularly in GATS Mode 4 involving the movement of natural persons while applying visa restrictions and work permit formalities. Significant non-tariff barriers on the European side were also analysed to be inimical to Indian goods exporters and needed to be considered more fully in the FTA. The European Commission wishes the free trade agreement to address deeper integration issues such as competition policy, the rights of foreign investors, open government purchasing practices as well as environmental, social and human rights issues. India suspects that such clauses may be used as a pretext to protectionism. India may also simply consider them patronizing given that Indian democracy is older than that of many EU member states.

Earlier on the on November 5, 2008 during a Public Hearing by the Committee on International Trade of the European Parliament in Brussels, Mr Chandramouli had advocated about the need to move fast but not without taking up the issues threadbare in order to make the FTA a reality. India and EU during the Summit in France in September decided that they would ink the trade pact by 2009.