



## EUROPE INDIA CHAMBER OF COMMERCE

69, Boulevard Louis Mettewie (bte.18)

1080 Brussels (Belgium)

Tel & Fax: 0032 2 469 2677, 02-840 2800 GSM: 0472 207 338

E-mail: [info@europeindia.eu](mailto:info@europeindia.eu); [sunil.prasad@telenet.be](mailto:sunil.prasad@telenet.be) Website: [www.europeindia.eu](http://www.europeindia.eu)

**Chairman: Ravi K Mehrotra, CBE Secretary General: Sunil Prasad**

EICC-2020

4 May 2020

Mr. Phil Hogan  
EU Commissioner for Trade  
European Commission  
Rue de la Loi 200  
1049 Brussels

Dear Commissioner, Mr. Hogan,

### Re: **Economic recession and future of EU-India Free Trade Negotiation**

Covid-19 is having major economic consequences for the European Union and India and both are having to make difficult economic choices the outbreak has posed. It has dealt a hammer blow to the eurozone economy with steepest quarterly contraction. India too is facing its biggest crisis in decades with five-week of Lockdown in a nation of 1.3 billion people. The outbreak has presented new roadblocks causing disruptive impact on the world of work. As EU and India enter an unprecedented recession, and as they reel from the economic impact of the Covid-19, it is evident that there is a need for proactive new solutions. With no real sense when the pandemic will end or how a recovery can be achieved, there is an urgent need for new trade and economic policy initiatives to create jobs and spur economic growth. Over the longer term, EU and India will need serious competitiveness strategy and coordinated approach.

On behalf of Europe India Chamber of Commerce, the apex organization which represents trade, investment and economic interest between Europe and India, I urge you to consider innovative new ways to re-energise the EU-India trade and economic relations.

Overwhelmed by the unprecedented health crisis and to address the social and economic impact of Covid-19, while several EU member states have already started implementing "Exit Strategy", it is important that they also start looking at "China Exit" strategy. China model today has become an economic and political risk and as such "China Exit" strategy is not only a necessity but essential for the survival of the European Union. With public anger growing at China about its conduct on the Coronavirus, and on the source of the virus, pressure for a wholesale review of EU's China policy is likely to confront the European Union soon. China is facing a public relations catastrophe which is likely to deepen further in the coming months, and the country is only inches away from becoming a major "diplomatic liability" for the EU. Europe has capital, technology, knowledge and skill to turn its land as the factory of the world. What requires is revolutionary new ideas and determination for bold reforms. It is time that EU countries diversify their supply chains to cut its China reliance. Europe should not worry about the disruption in global supply chain because there are countries in Asia which have emerged to replace China as alternative. You may know that India is already gearing up to capture a part of the supply chain that is expected to move out of China as global corporations look to diversify their production base in the aftermath of Covid-19. In this uncertain crisis stakes are high for all EU member states but those who seize the moment will be winners.

Mr. Commissioner, as the economic slowdown and recession bites deeper, there may be temptation in EU and in India to use protectionism as "missile" to stave off the effect but that would do more lasting damage to their economies and therefore such temptation must not be

encouraged. We believe that the Covid-19 crisis is an opportunity for India and EU to enact sweeping reforms their economies need, and history tells us that EU and India have always advanced on the back of crises. The “virus” ridden economies of the European Union and India urgently need “reform” vaccine to stop their economies getting further damaged and the need for this now has never been greater as before. The current economic recession, in our view, is also a test of wisdom and resolve and together they can meet the challenges. In this extraordinary time and in an unprecedented crisis that they are, can EU and India think of going beyond FTA negotiations? A “borderless” business and trade will make EU and India stronger together.

We are concerned on the fate of the EU-India Free Trade agreement. For last thirteen years, both EU and India have been engaged in protracted negotiation for a comprehensive free trade agreement and there is still no conclusive evidence that the agreement is in sight. There seems to be willingness for compromises on issues, but nothing looks promising. For all these years the incremental approach in the FTA negotiations has not resulted into any significant benefit for either of them; rather it has added confusion, delays, uncertainty and promises for Further Talk. This must end now, and both should look this issue seriously with new and innovative approach. With a sense of urgency and optimism, and in view of the prevailing economic environment, may we suggest that both EU and India put the FTA negotiations into “Fast Track” mode so that sticking issues are resolved without delay. Time is the essence and more they wait the more they lose.

It is a pity that EU-India Summit which the European Commission was to host on 13 March 2020 in Brussels had to be postponed due to the Coronavirus pandemic. The Summit was an opportunity for the leadership of India and EU to reaffirm their faith in the free trade and economic partnership. We hope that conducive environment will soon return and new date for the Summit is decided.

The existing consultative mechanism in the form of joint committees and dialogue is useful but is not enough to bring about any progressive change in the trade and commerce, central to prosperity and well-being for EU and India. In this context may we suggest that EU takes steps to invite open dialogue, even on the Digital Platform, between major trade organisations and business bodies of EU and India. The idea is to bring them together for learning strategies and exploring on how they are planning to get the business back on track and how collaboration between EU and Indian industries can be intensified. Such collaboration will bring significant economic opportunities for EU and India. These measures, we hope, will also help FTA negotiations sail through smoothly.

In this context I would like to state that EU may have been frustrated over the delay in policy changes in India but you will agree that negotiating a successful trade deal which will impact the lives of 1.3 billion people is a complex and complicated exercise and therefore requires a careful calibration of the difficult issues involved. However, we believe that FTA could be a win-win for both EU and India but to reach an agreement will require flexibility, creativity, accommodation, and courage at the highest political levels in India and in the EU.

We are also writing with concern that after years of negotiations, “withdrawing” from the Table by either party will leave a very bad precedent and send shock-waves to the countries who are currently engaged in free trade negotiations with EU or with India. Should this happen, this will be one of the worst failures of the trade and economic diplomacy for both.

We believe that digital innovation is the single most effective way for EU and India to drive economic competitiveness and create jobs in this crucial time. You may be aware that

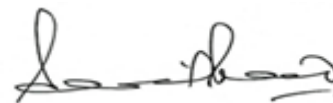
Digital India vision is making vast impact on the lives of Indians. In addition to creating economic value for India, Digital India is providing European businesses with immense benefits, such as greater access to one of the world's largest and fastest-growing workforces. It also allows closer cooperation and exchange between businesses and governments about cybersecurity threats, which have become a greater challenge for the EU and India in recent years. Can EU and India re-energise collaboration in this field?

Sir, the goals mentioned above may be ambitious, but they are achievable. The partnership between EU and India has never been more important and we are incredibly proud of the impact that our Chamber can help bring in driving economic growth, job creation, innovation and entrepreneurship in the EU and in India through suggesting policy initiatives.

Lastly, fighting this pandemic is a war against an invisible enemy and without a certain end date. For EU the crisis requires not only mobilisation of EU member states but also closer cooperation with its strategic partner India. Also, EU has an opportunity to recover the loss of Britain's exit from the EU with gain by bringing India into the free trading block of the EU through an ambitious free trade agreement, and more. We look forward to working with you and I am available to assist you with further information on how to cement EU-India trade and economic partnership further.

With best regards,

Yours sincerely,

A handwritten signature in black ink, appearing to be 'L. ...', written over a horizontal line.

Secretary General