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EICC-2024

Brussels, 17 September 2024

Mr. Valdis Dombrovskis
Executive Vice President and EU Commissioner for Trade
European Commission
Brussels

Dear Executive Vice-President Mr. Dombrovskis,

Re: **EU-India Free Trade Negotiations and Indian Textile Sector**

After a prolonged delay, partly due to elections on both the sides, the European Union and India will soon commence the 9th round of the seemingly endless negotiations on a free trade agreement that have been going on for well over a decade. We understand that the delay was primarily caused by the challenges of bridging the expectations on both the sides whose economies and societies are in extremely different stages of development. But we are glad to learn that both sides have made significant progress on the key issues surrounding the proposed free trade agreement and on the Investment Protection Agreement and pact on Geographical Indications (GI).

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We hope that with this positive momentum, the negotiators will be able to conclude the discussions rapidly and reach an agreement which will be a milestone in India-EU strategic partnership and will help the two sides further expand and diversify exports of goods and services, including securing the value chains. This agreement will go a long way in adding another dimension to the strategic partnership that EU and India enjoy. I am writing to you to advocate for labour-intensive textiles and apparel products to be classified as non-tariff items in the ongoing FTA negotiations.

As you know, the textile sector is a key driver of the Indian economy, being the largest industrial employer, and has the potential to play a leading role in the global textile industry. The EU-India FTA is a major opportunity for the sector to grow and prosper. The EU is a significant market for India, with Germany, France and Spain notably contributing to India's global textile, apparel and handicraft exports. However, Indian textiles face stiff competition from countries, such as Bangladesh, Pakistan and Vietnam, which have preferential tariff arrangements and GSP privileges with the EU. The EU-India FTA would eliminate tariffs on textiles and other products including addressing issues important to the textile sector, such as sustainability and intellectual property rights.

For decades, Bangladesh has benefitted from preferential trading arrangements with the European Union (EU) with conditions to improve democracy, human rights and improvement in international labour standards. It is important for me to bring to your attention that though Bangladesh has ratified many ILO Conventions, its poor implementation on international labour standards has raised international concern. In our view countries that tolerate dangerous, and even deadly, working conditions and deny basic workers' rights, must risk losing preferential access to the EU market.

It is important for EU to look into Bangladesh's eligibility for preferential tariff arrangements and why there is a need to establish a roadmap and timeline based upon tangible improvements in safety and related labour law reforms in the country. Previous attempts by the government of Bangladesh to cooperate with international actors including EU have met with hardly any perceptible success.

Health and safety conditions in textile factories in the country remain extremely poor and in spite of the disasters that have occurred in the past, like the collapse of the Rana Plaza factory which killed nearly 1,200 workers, the country has not addressed serious reforms on occupational health and safety standards. We have waited long enough, and it is time to avoid another "Rana Plaza" happening again.

Contrary to the belief that peace and stability has returned to Bangladesh, the present "government" of the "mob" is facing serious political, industrial and social crisis. The gas, electricity and energy crisis, along with the political turmoil in the country has created uncertainty that is further straining industry and economy. There is also a danger of deterioration of the law-and-order situation if the industries and factories are closed and unemployment increases. The regime changes in the country, in our view, is a quiet military coup behind a civilian facade, and it will take long before stability returns to the country.

The recent crisis in Bangladesh has significantly disrupted the global supply chain of textiles and apparels, impacting various facets of international trade and industry. The political instability and energy crises in Bangladesh have prompted international buyers to reevaluate their heavy reliance on the country for textile and apparel production. This could trigger a significant ripple effect across global markets and this strategic shift could potentially lead to a reconfiguration of the global supply chain, with significant implications in the global market. The reconfiguration of the supply chain could also have broader implications for the global apparel industry. As a result, retailers may be compelled to pass these higher costs onto consumers.

Also, as the ongoing crisis may accelerate a broader trend towards diversifying global supply chains, we urge EU to adopt a '**Bangladesh-plus-one**' strategy, which will ensure continuity and in supply chain. This is where India fits into EU's interest should EU consider '**Bangladesh-plus-one**' strategy. This strategic shift, we believe, will also help the EU to mitigate the risks of over-reliance on a single country.

Sir, India has been seriously preparing to align with evolving global practices. The country has the capability to scale exports and meet international standards. With its rich

textile heritage, stable political environment, and high-quality raw materials, India offers EU a compelling alternative for European textile brands. We would like to state that in view of the unfair trade practices and advantages enjoyed by Bangladesh, and the potential risks for the EU companies.

Following the upcoming enforcement of the European Union's (EU) environmental, social, and governance (ESG) standards, notably the Carbon Border Adjustment Mechanism (CBAM) in 2026, the Indian textile and garment industry is transforming to meet these challenges. To be ready to meet the ESG and CBAM norms, Indian textile exporters are transforming their traditional practices by not considering sustainability just like a compliance norm but as an initiative to strengthen their supply chains and position as prominent global suppliers.

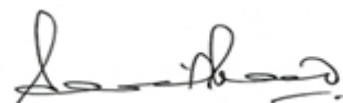
If the EU-India FTA leads to visible and significant gains for the Indian textile industry in terms of market access and market share in the EU, it will provide the EU with a significant bargaining power to get the Indian side to address the key demands of the EU, be it in services, agriculture or automobile industries. It will also clearly signal EU's goodwill towards India and show that the Union is indeed serious about pursuing and concluding an FTA, and that too not a one-sided deal, but a balanced agreement with significant gains for both the sides.

As you know, the FTA negotiations have been going on for nearly 17 years and it is time to wrap up the negotiations without delay. Given the nature of the economic, strategic and geo-political challenges EU and India face, an early conclusion of the ongoing FTA negotiation will change the dynamics of their strategic relations as well as encourage a shift in the primary focus away from trade and economic deals and toward addressing major global challenges such as climate, energy, and the looming artificial intelligence (AI) revolution.

In view of the above, the EU-India Free Trade negotiations is an opportunity to rebalance trade relations and promote global sustainable textile industry. The Indian textile industry therefore is very eager to see a Free Trade Agreement in place with the EU at the soonest possible. Prioritizing the textile sector in the ongoing negotiation would be helpful and we urge you to consider this seriously.

With kind regards,

Yours sincerely,



Secretary General

Cc: Mr. Josep Borrell, High Representative for Foreign Affairs and Security Policy and Vice-President of the European Commission