

EU-India Free Trade Agreement

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The Committee on International Trade adopted the report drawn up by Sajjad KARIM (EPP-ED, UK) on an EU-India Free Trade Agreement (FTA).

MEPs recall that, as stated in the 2007/2008 United Nations Development Programme's (UNDP) Human Development Report, India ranks 128 on the Human Development Index (out of 177 countries), 35% of the Indian population lives on less than USD 1 a day and 80% on less than USD 2 a day. India also has one of the highest incidences of child labour.

In light of these observations, MEPs believe that the **FTA should be balanced** and compatible with WTO rules and obligations. They recall that the EU-India Strategic Partnership is based on common principles and shared values, as reflected in the 1994 EC-India Cooperation Agreement and consider that the new competitiveness-driven FTA should complement the 1994 Cooperation Agreement.

Based on the complementarities of both economies, MEPs point to the future potential for an increase in EU-India trade and investment and business opportunities arising from the FTA. They consider the EU-India FTA overall as a **win-win scenario** but recommend that an evaluation be carried out of the existing sector-specificities.

According to MEPs, the FTA should ensure that increasing bilateral trade brings benefits to the widest number of people and **contributes to India's achievement of the Millennium Development Goals** (MDGs). The agreement should also include an ambitious sustainable development chapter and be subject to the standard dispute settlement mechanism.

Reiterating their view that the FTA should be presented to Parliament for its assent, MEPs make a number of observations on the other main points of the agreement:

Trade in goods: according to MEPs, the FTA should include provisions aimed at reducing technical barriers to trade. They call, in particular, for measures in the Sanitary and Phytosanitary domain (including animal welfare). The Commission is also called upon to provide technical assistance to support Indian producers in their efforts to reach EU standards, in particular concerning the health, environmental and social dimensions of production. Moreover, MEPs call for **priority to be given to tariff reductions on Fairtrade and sustainable products**.

Trade in services, establishment: according to MEPs, service liberalisation must in no way hinder the right to **regulate services**, and especially to maintain and develop strong public services, an essential element for development, social justice and democracy. MEPs encourage India to develop appropriate data protection legislation. They also note that India is the fifth largest telecom services market in the world and that the telecom market has grown at about 25% per year over the last 5 years. They therefore call for a relaxation of the licensing restrictions on service providers for the removal of policy uncertainty on tariff and interconnect regimes. They also call for measures in the satellite sector. Moreover, in order to promote trade, MEPs request from India a more open approach in granting visas to citizens and business professionals and politicians from the EU Member States with multiple entries and minimum one year duration.

Investment: MEPs call on the Commission to incorporate a chapter on investment in the FTA, which could make provision for a system of a **single point of information** for investors. They also call on EU-based transnational companies with production facilities in India to **abide by core ILO standards**, as well

as social and environmental covenants. Recognising that FTA investment chapters have often come accompanied by commitments to liberalise capital movements and renounce capital controls, MEPs call on the Commission to refrain from including such clauses, given the importance of capital controls – especially for developing countries - to mitigate against the impact of the financial crisis.

Intellectual property rights and industrial and commercial policy: MEPs call on the Commission and the Indian authorities concerned to coordinate actions to **address effectively the fight against counterfeiting** and, in particular, against counterfeit medicines. They call on the European Union and India to ensure that commitments under the FTA do not preclude access to essential medicines whilst India is developing its capacity from a generic to a research based industry. Other initiatives have been proposed, such as prize funds and patent pools in order to support access to and innovation in medicines, particularly for neglected diseases.

Trade and sustainable development: MEPs call for the inclusion of a substantial development chapter. The EU and India should ensure, in particular, that trade and FDI are not encouraged at the cost of lowering either environmental standards or core labour, occupational health and safety legislation and standards. Once again, MEPs call for the ratification and effective application of the basic conventions of the ILO. They welcome, in particular, the introduction of a new Indian child labour law which bans children under the age of 14 from working as domestic servants or on food stalls. The EU should also press the Indian government to tackle the issue of bonded labour, which affects millions of people - largely from the Dalit and Adivasi community - in India.

Other considerations: MEPs express concern about rising global commodity prices and their effect on the poorest populations, including in India. They therefore call on the EU and India to coordinate a comprehensive strategy to tackle this issue in an integrated manner. Moreover, MEPs welcome the fact that India has made considerable progress towards universal primary education, improving poverty eradication and increasing access to safe drinking water. They note, however, that India is still off track on most of the health-related MDGs, such as infant mortality, maternal health, child malnutrition and reducing malaria, tuberculosis and HIV/AIDS. MEPs also call for measures in relation to the strengthening of SMEs and in terms of microcredit, which has already been introduced in the country.