

# INDIA EU FTA: IS REGIONAL INTEGRATION POSSIBLE?



**Workshop on India  
EU FTA :  
Opportunities for  
South Asia**

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# INDIA-EU ECONOMIC RELATIONSHIP

- EU is India's largest trading partner.
- The bilateral relationship is reviewed annually by India -EU Summit at the level of our PM and the Presidency of the EU.
- Announcement of Strategic Partnership was made at 5<sup>th</sup> India-EU Summit held in Hague in November 2004.
- To strengthen the strategic partnership a High Level Trade Group (HLTG) was established.

# HLTG REPORT

- **The HLTG has recommended that an expanded trade partnership be developed through the negotiation of a broad-based Bilateral Trade and Investment Agreement between India & EU covering:**
  - **FTA in Goods**
  - **FTA in Services**
  - **Investment Agreement**
  - **Agreements on other areas: Trade Facilitation, IPR, GI, Government Procurement, Competition Policy, SPS, TBT etc.**

**EU COMPRISES 27 COUNTRIES AND IS INDIA'S LARGEST TRADING PARTNER. THE COUNTRIES ARE :**

<b>Austria</b>	<b>Germany</b>	<b>Netherlands</b>
<b>Belgium</b>	<b>Greece</b>	<b>Poland</b>
<b>Bulgaria</b>	<b>Hungary</b>	<b>Portugal</b>
<b>Cyprus</b>	<b>Ireland</b>	<b>Romania</b>
<b>Czech Republic</b>	<b>Italy</b>	<b>Slovakia</b>
<b>Denmark</b>	<b>Latvia</b>	<b>Slovenia</b>
<b>Estonia</b>	<b>Lithuania</b>	<b>Spain</b>
<b>Finland</b>	<b>Luxembourg</b>	<b>Sweden</b>
<b>France</b>	<b>Malta</b>	<b>United Kingdom</b>

# MAJOR ITEMS TRADED

## ○ Major items exported

- Apparel & Clothing
- Mineral fuel etc.
- Pearls, precious & semi-precious metal etc.
- Organic Chemical
- Machinery or Mechanical appliances
- Electrical machinery and equipment
- Footwear and other products
- Iron & steel products

## ○ Major items imported

- Machinery or Mechanical appliances
- Pearls, precious or semi-precious stones, metals, etc.
- Electrical Machinery etc.
- Aircrafts
- Iron & Steel products
- Organic Chemicals

# **AREAS OF DISCUSSIONS**

- **Trade in Goods**
- **Services and Investment agreement**
- **SPS & TBT**
- **Trade facilitation and customs**
- **Trade defense**
- **IPR**
- **Dispute settlement**
- **Transparency**
- **Competition**
- **Trade and sustainable development**
- **Government Procurement**

# PRESENT STATUS

## Trade in Goods:

- Draft text of Agreement exchanged, some text cleared.
- Tariffs to be liberalised on 90% tariff lines as well as 90% of trade value (imports) within 7 years from the starting date.
- Both sides exchanged their initial offers.
- Non-Tariff Measures – Objectives being finalised.
- Rules of Origin – initial exchange of views, texts exchanged.

# PRESENT STATUS (2)

## Services and investment:

- Initial texts have been exchanged, actual negotiations to start.
- Architecture – to be discussed.

## Other issues:

- Initial discussions held.
- Scope and objectives being finalised.
- Texts to be exchanged.



# ISSUES OF INTEREST TO SOUTH ASIA

- Goods : Market access, items in Exclusion List, timeframe for reduction/elimination of tariffs.
- Rules of Origin: provisions of cumulation.
- NTMs: Sectors and MRAs, CoP, accreditation etc.
- Services: Definition of juridical persons or legal entity.
- Investment: Pre or post establishment and Investor – State disputes.
- Areas relating to Technical assistance, cooperation and collaboration.

# SAARC: WHERE DOES IT STAND?

- SAFTA:
  - Covers goods
  - Large negative list
  - Cumulation provisions in RoO
  - Duties to be reduced to 1-5% only.
- Services negotiations: Just begun
- Other Areas: No substantial progress
- MRAs: Hardly any.

# SAARC: POSITION OF COUNTRIES

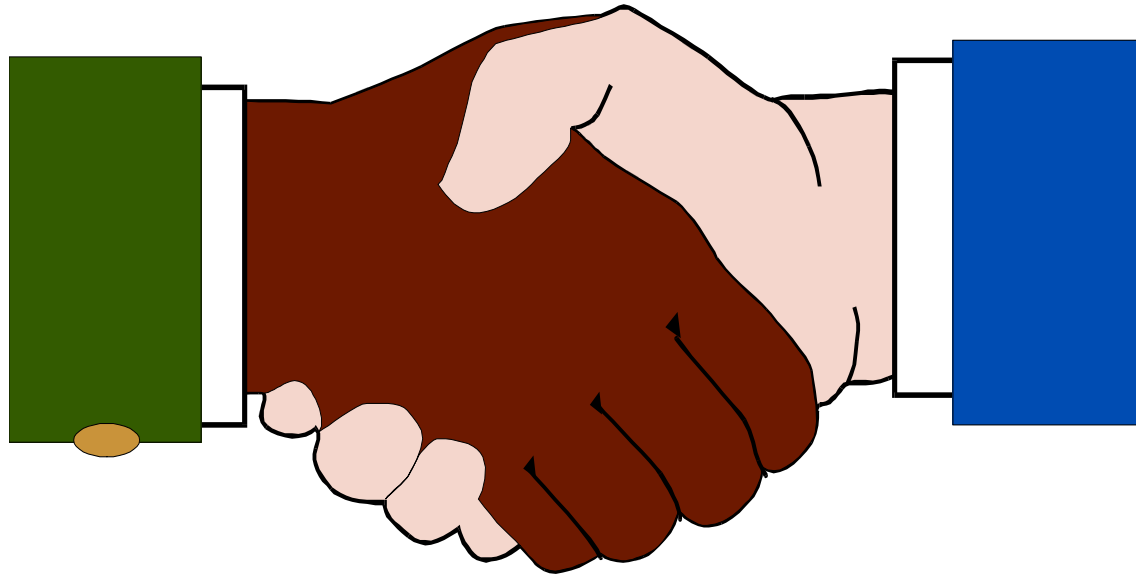
- All are GSP beneficiary.
- LDC members get more preferential treatment due to EBA.
- India has given duty free treatment to SAARC LDCs under SAFTA and preferences under DFTP Scheme.
- India has a more favourable bilateral agreements with Bhutan, Nepal & Sri Lanka.
- Pakistan & Sri Lanka have a more favourable bilateral FTA.
- Pakistan is now discussing bilateral FTA with Bangladesh.
- Pakistan wants FTA with EU.

# POSSIBLE AREAS

- Seek SAARC Cumulation for India EU FTA – regional trade as well as trade with EU will increase.
- Look at the issue of territoriality – can this agreement become EU & SAARC, if not at present, at a later stage?
- Definition of juridical persons or legal entity in Services.
- MRA in Services – what is given to India, can it be extended to all others?
- Investment agreement: what is going to be signed?
- How to promote the value chain in SAARC? Strengthen the B2B linkages.

# WAY OUT

- Identify the issues that are of utmost importance.
- First stage: regional cumulation (EC provides it under GSP).
- Second stage: Assess individually the policy measures that needs to be put in place to ensure global comparative advantage, keeping in view the timeframe of tariff liberalisation.
- Individual bilateral efforts will not help.
- SAARC Members to decide first among themselves.
- A political will, backed by the sound economic benefit analysis will be essential to move forward.
- Only when SAARC is ready it would be time to talk to EC.



**Thank You**