

Renegotiating FTAs: India and the EU

There is a significant untapped potential to expand India-EU bilateral trade relation through an FTA

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AFTER LIMITED ECONOMIC gains from its FTAs with Asian partners, India is reassessing its FTA options. While a good beginning has been made with the UK, India must also renegotiate with the EU—the bloc is very important for India as far as trade relations are concerned, and an FTA with the EU is, thus, based on sound reasoning. But economic theory tells us that FTAs are not always sure-win strategies because these create as well as divert trade. FTAs need to be designed in a manner that they enhance complementarities amongst partners and overcome regulatory hurdles that inhibit trade. A few examples will help explain this.

Textiles, leather and apparels are a dominant sector of exports from India to the EU, accounting for about one-fourth of our total exports in this sector. Although India benefits from the EU's Generalised System of Preferences (GSP), the current list of graduated products for India includes textiles. Through the FTA, we can aim to achieve a better or at least the same preferential treatment in key products of our export interests. Regulatory provisions regarding labour and environment that the EU

has been demanding will need to be watched for, to realise this potential.

Turning to services, the Europa website indicates that the EU imports around 7.45% of its total telecommunication, computer and information services from India. Similarly, in 'other business services' (which include professional services and management consulting services), India accounts for 3.6% of the total EU imports, and almost half of the EU's services imports are from India. The FTA should deliver on enhancing India's market access in these key services. For this to happen, regulatory barriers in cross-border supply as well as provision of services through temporary movement of professionals will need to be addressed.

It has been reported that the FTA will be remodelled into three separate deals—trade, investment and geographical indications (GIs). While the investment deal is seen as a standalone agreement, the one on GIs could be integrated with the trade

deal. Investment is often a prerequisite for trade in services, and is complementary to goods trade, and several comprehensive trade agreements include an investment chapter. It appears the EU is keen on a standalone investment agreement due to the uncertainty regarding conclusion of a

trade deal, which has been plagued with many issues in the past. Also, since India unilaterally terminated bilateral investment treaties (BIT), including those with the EU member states, the EU appears to be keen to conclude an ambitious investment deal that includes Investor-State Dispute Settlement (ISDS) provisions. We will need to see

how this fits in our new model BIT architecture. It is also perplexing to see as to why GIs should be separated. FTAs usually contain a chapter on intellectual property issues. It may be in our interest to ensure that all the three negotiations move in parallel and feed into each other.

The FTA negotiations had earlier hit a roadblock in 2013. Issues such as a cer-

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tain degree of tariff liberalisation in goods especially related to automobiles, wines and spirits, and dairy; services liberalisation; issues related to temporary movement of professionals; data adequacy status; public procurement and competition; intellectual property particularly pharmaceuticals; and sustainable development are understood to have been the major areas of concern for us then. Clearly, we are in a better position today as we know the problem areas to work out the path ahead in terms of realistic and pragmatic landing zones on each of them. The FTAs concluded by the EU since 2013 (with Canada, Singapore and Vietnam) can also be a learning ground for us to understand the nuanced position of the EU in areas important to India. The UK was a key market in the EU, and with the Brexit the gains from the FTA get reduced to that extent. There is no gainsaying that there is a significant untapped potential to expand this bilateral trade relation through an FTA. India and the EU will, however, need to see that the deal is a win-win for both. Preparing in advance is the stepping stone towards a favourable outcome.

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