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KANGAROO GROUP LUNCH DEBATE: EU-INDIA FREE TRADE AGREEMENT – WILL IT DELIVER ON EU 2020?

13 April 2011, 13h00-14h30, European Parliament, Brussels

Speaking notes for Carsten Dannöhl, Senior Adviser International relations,
BUSINESSEUROPE

Dear Mr Caspary, Members of the European Parliament, Ladies and Gentlemen,

- Thank you very much to the Kangaroo Group for having invited me to this interesting discussion today. I'm very grateful for this opportunity to present BUSINESSEUROPE's priorities on the current negotiations for an ambitious and comprehensive free trade agreement between the European Union and India.
- I think it is a perfect moment today to discuss the state of play, following intensive negotiations between the European and Indian negotiators last week. BUSINESSEUROPE has supported the EU-India free trade negotiations from the outset. I believe, and BUSINESSEUROPE believes, that the trade and investment relationship between our two economies is the most crucial aspect of our relationship.
- The question raised in the title of this lunch was if the EU-India FTA will deliver on EU 2020? Our answer is not only that it can, but that it should do by setting the right framework for our future bilateral relationship! One major challenge and opportunity we are facing today is to strengthen Europe's role in the global economy. For that objective we need an ambitious international trade policy strategy.
- The Commission's Communication on EU trade policy ("Trade, Growth and World Affairs") emphasized how trade can contribute



to growth in the EU. Mr. Caspary's draft report on this strategy also rightly underlines the benefits of trade opening. Improved market-access, removal of non-tariff barriers, stronger rules for investment, intellectual property rights and procurement – these are all very important issues to be dealt with in future multilateral and bilateral trade agreements.

- Turning now to India, which is a key emerging market for European companies given its size, stability and dynamic growth rates. Growth has averaged 7% a year since 1997, and the IMF estimates a growth rate of 8.4% in 2011. Europe's exports to India grew by 144% between 2001 and 2008 and India has moved from being Europe's 17th largest trading partner to its 9th in the same period. On the other side, the EU is India's largest trading partner and – apart from the crisis – the trade has steadily increased in the last years.
- However, while the bilateral relationship between the EU and India is currently strong, it has a long way to develop before it reaches the scale appropriate for two of the largest economic, trading and innovating entities in the world. Broadening our cooperation and bringing our businesses closer together can help ensure both India's and the EU's competitiveness in the global market-place.
- The launch of bilateral free trade negotiations have been a sea-change in our partnership. This deal must reflect the new EU-India relationship as a partnership of equals. It will strengthen the dynamics in business relations. For European firms a number of elements will be crucial to finding a successful deal:
 - 1. We want a comprehensive agreement!**
- A modern FTA should liberalize all trade, and not only parts of it. We should not exclude any industrial sectors from tariff liberalization even if we recognise that time lines for liberalization may vary from industry to industry.



- In addition to that, the agreement must tackle the numerous non-tariff barriers that companies face in their business operations. A 2003 WTO study has shown that the average percentage of tariff lines affected by NTBs is 93% in India compared with 22% in a similar emerging country like Brazil and 13% in the EU.
- We should also exploit the full potential of services companies that are increasingly globalised. There are a number of long-standing obstacles that have to be addressed in order to facilitate services market access in key sectors such as insurance, retail and legal services. And I would add that BUSINESSEUROPE strongly supports an ambitious chapter on the entry of skilled services personnel – or MODE 4 – as it is commonly referred to in trade language.

2. We want an agreement that enhances investment!

- In order to fulfil this objective we need to create the right framework conditions and have to remove restrictions on establishment and mobility for businesspeople.
- We should also advance on a strong investment protection chapter as cross-border investment is one of the most dynamic aspects of our business relationship.

3. We want an agreement that creates business opportunities in procurement markets!

- India and the EU are investing massively in upgrading infrastructure to deal with development and sustainability challenges. This is important for the Indian people who need better roads and services but it is also vital for India's industrial development. These projects offer great opportunities for partnership and technological progress. That is why we want to include procurement liberalization in the trade agreement.

4. We want an agreement that fosters cooperation on technology!

- Promoting innovation is the way forward to ensure the future competitiveness of our companies. Increasingly our companies are cooperating in technological developments from the



automotive sector, to the pharmaceuticals sector and also in clean technologies. Strong intellectual property rights protection is crucial to foster this cooperation and must be an important part of the agreement.

To conclude, BUSINESSEUROPE strongly supports a comprehensive and forward-looking EU-India FTA. We are convinced that ambitious provisions on all the issues I highlighted will ensure that a future bilateral agreement will be a driver of economic partnership and development. I thank you again for the invitation and your attention.
