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HEARING

EPP WORKSHOP ON EU-INDIA FREE TRADE AGREEMENT: STATE OF PLAY AND FUTURE OPPORTUNITIES

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BUSINESSEUROPE

- It is a great pleasure and honor for me to be in here today. I would like to thank Christofer Fjellner and Daniel Caspary for inviting me to speak today. I am grateful for the opportunity to present BUSINESSEUROPE's priorities on the current negotiations for an ambitious and comprehensive free trade agreement between the European Union and India.
- India is a key emerging market for European companies given its size, stability and dynamic growth rates. Growth has averaged 7% a year since 1997. 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.
- When discussing any FTA, BUSINESSEUROPE believes that there are a number of criteria that need to be respected. As a general concept, FTAs should be symmetric. This translates to the following conditions:
 - First, symmetry in tariff dismantling is crucial for European business, particularly in relations with emerging economies;
 - Second, the agreements should involve full product coverage;
 - Third, FTAs must also deal with non-tariff barriers;



- Fourth, robust new agreements on services and investment must give these key issues for the future of trade their full weight;
- Finally, we also support the inclusion of WTO-plus issues such as government procurement and regulatory cooperation.

In a nutshell, an FTA should be symmetric and keep up with the spirit of the WTO+ nature of all FTAs. Failing to meet these conditions would create a harmful precedent for future FTAs.

- Translating this into practice, what are therefore our expectations from the EU-India FTA negotiations?

1. We want a comprehensive agreement

A modern FTA should liberalize all trade, and not only parts of it. 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.

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. Let me add in this context that we strongly support an ambitious chapter on the entry of skilled services personnel – or Mode 4 – as it is commonly referred to in trade language.

We should also advance on a strong investment 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.

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 to further promote innovation. It must be an important part of the agreement.

- This being said, BUSINESSEUROPE does realize that FTA negotiations are about realities, not always ideals. Looking at the state of EU-India negotiations today, we are confronted with requests for a certain degree of asymmetry. The question is how this asymmetry would be integrated in the agreement:
 - In an asymmetric deal which would codify the different levels of liberalisation, for example by giving India the right to exclude some economically important sectors from tariff reductions? Who can guarantee that India would liberalise them in the future, outside the context of trade negotiations?
 - Or in an asymmetric deal which would give India some transitional implementation periods?
- Obviously, today there are different levels of development in India and the EU, we are fully aware of this. But we must always keep in mind that we are negotiating today a trade agreement for the future. We need an agreement that deals with the prospective economic developments of the EU and India in the 21st century. The agreement should go beyond the current state of play. It should integrate the development opportunities in both our economies. What are the new waves of growth that will define the economy of



tomorrow? What role will the EU and India play in global trade in ten or twenty years?

- With this in mind, we need to address the question of asymmetry in a pragmatic way. Some limited transitional implementation periods are one possibility which we could accept, but we would also like to suggest an economically driven mechanism that would automatically reduce asymmetries over time. This mechanism would include serious, well-defined, and enforceable review clauses that would automatically eliminate the asymmetries over time.
- With such an automatic mechanism, the asymmetry would be phased out as it is no longer needed because Indian industry becomes competitive on a global scale. This would be a modern, forward-looking approach which takes into account the EU's and India's respective levels of economic development today and in the future. Else there would be no guarantee that disparities in barriers to trade in the EU-India trade relationship would be addressed at a later stage. There must be certainty that remaining barriers from an asymmetric deal will be removed in a reasonable timeframe.
- Thank you again for allowing me to participate in this workshop. BUSINESSEUROPE looks forward to the swift and successful completion of FTA negotiations between the EU and India.
