

Development Opportunities or Challenges

Looking at the Proposed Free Trade Agreement between India and the European Union

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About the publication

Since 2007, India and the European Union (EU) have engaged in active negotiations on an ambitious and comprehensive Bilateral Trade and Investment Agreement (BTIA), or a Free Trade Agreement (FTA) in generic terms, that includes tariff removal on goods, liberalisation of services, investment, and government procurement among many other issues. The negotiations had seen an impasse since 2013 after the relative reluctance of the newly elected Indian government to pursue the FTA and shifts in the EU's trade priorities. The multiple demands of the EU were also seen as problematic by Indian negotiators. However, with the recent shift in the geo-political context for both India and the EU, and the apparent

rekindling of interest in FTAs on the Indian side, the FTA talks have been revived since May 2021, with an official relaunch in June 2022.

Even though India is seen as a major economic power, it remains a developing country with high poverty and multi-faceted inequality, with specific vulnerabilities of certain segments of its population. Given the extensive scope of the proposed agreement and the deep liberalisation foreseen, there are major concerns about the impacts of such an FTA on access to livelihoods, food security, industrial development, and access to resources, services, and medicines in India. There are concerns also about impacts on the regulatory policy space of the Indian government. These aspects will have critical implications on the development trajectory of India and its people, and its ability to meet its key development objectives and in particular the Sustainable Development Goals. It is therefore critical to assess the impact of such an agreement and its multiple and inter-linked provisions on India and its people. The FTA is also expected to create impacts on other developing countries that India and the EU have current trade relations with. Such an analysis becomes even more pertinent in the context of the high inequality between India and the EU in terms of their economic and social conditions. The FTA will also have major influence on India's economic and social policy in general and on its trade policy in other bilateral, regional and multilateral spaces.

This report aims to capture some critical aspects of the negotiations, the proposed outcomes and their impacts on development considerations in India. It includes an analysis based on available texts, data and information, while drawing on insights of key stakeholders and placing the assessment in a longer-term policy context. The report points out, where possible, the dynamics between different interest groups within India and the impact on vulnerable constituencies. The report also uses key findings to link to the broader policy context in India as well as examine implications for its trade policy in the future.

About the author

Ranja Sengupta works as a Senior Researcher with the Third World Network. The author is indebted to K.M. Gopakumar and Prathibha Sivasubramanian and also acknowledges the support from Rosa-Luxemburg-Stiftung, as well as other experts, colleagues and industry representatives who gave their valuable time in enriching the analysis in this report. Special thanks to Aurel Eschmann for his comments and to Lean Ka-Min for editing this paper.

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