Agriculture, International Trade and Food Security: The Case of the EU-India FTA

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Agriculture and Rural Poverty in India

- 5 estimates of rural poverty (28% to 87%)
- HDI 0.619, Adult Literacy 61% (developing 68.2)
- Calorie consumption per capita falling, undernourishment 20%,
- Hunger Index ranking: 64 (of 87)
- Numerous small, poor producers, small holding, low capital, low skill, shifting is difficult
- Also gender sensitive (75.38% of all women workforce)

  - Can our farmers reach export market?
  - Can they compete in domestic market (becoming compulsory)

Trade, Livelihood & Food Security

- **Livelihood=Food** : Most small farmers eat part of what they produce, producers are consumers.
- **Need livelihoods** to buy food. Shift is not easy as low skill + resources
- **Food self sufficiency:** We become dependent on international trade for our basic food security. In times of food scarcity in global markets, how will we cope?
- **Contract farming:** This generally involves cash crops or food for processing industry. May threaten access to cheap and basic food.
- **Speculation** in global commodity markets by big players, control by a few firms
- **Volatility of global markets** gets transmitted to domestic markets, hurts for both producers and consumers.

Trade, Livelihood & Food Security

Trade Affects Production structure as well

- We are increasingly importing processed products from developed countries and giving away our basic food products.

- International trade model is high-productivity oriented using capital-and resource-intensive technology, is it suitable for our agriculture? Is it sustainable?

The EU-India FTA Provisions

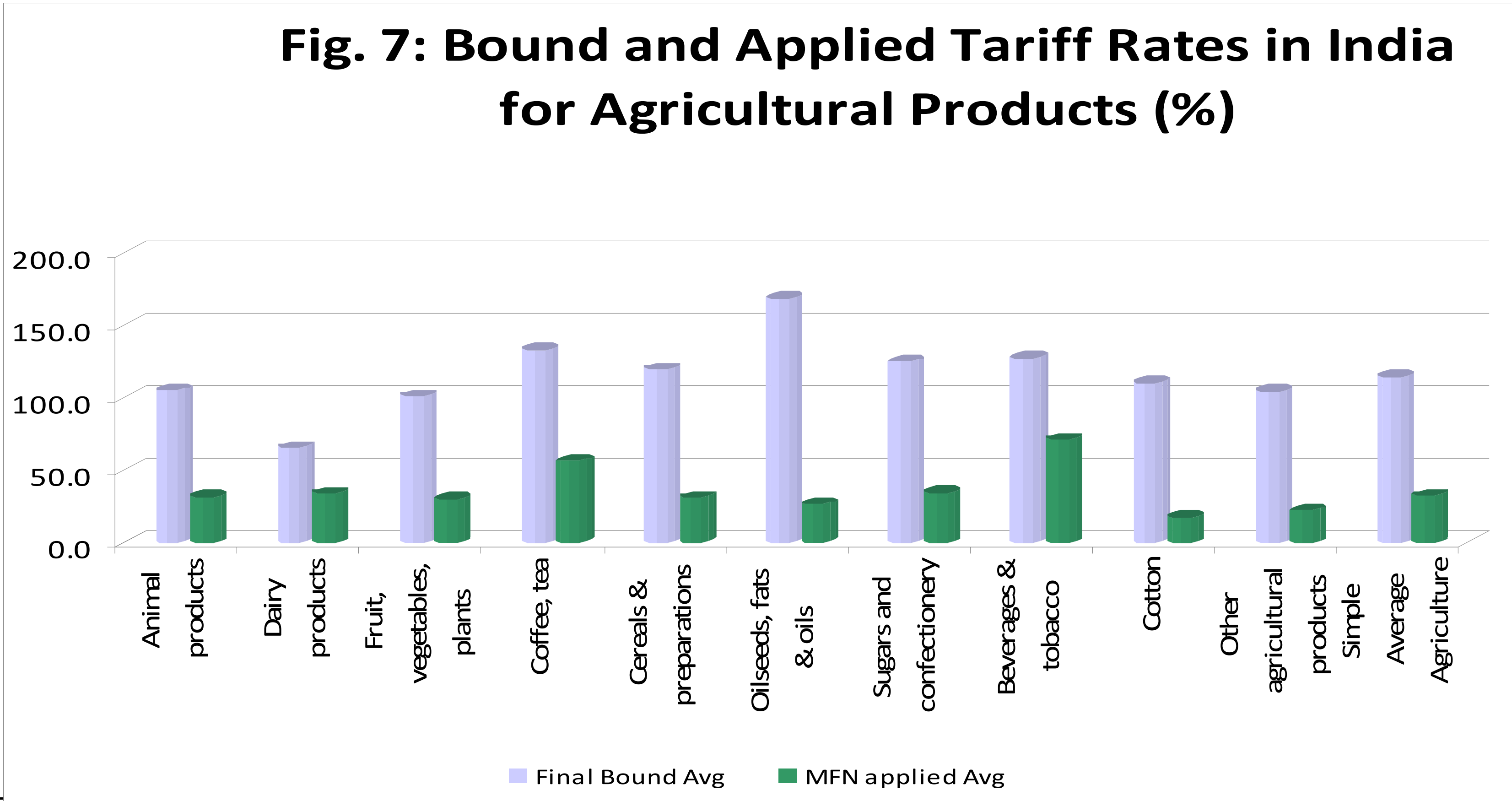
(from unconfirmed sources and EC notes to CSOs)

- Targets Applied tariffs: to be 0
- Export Taxes
- Subsidies & Non Tariff Barriers
- Intellectual Property Rights
- Investments and Land
- Service Trade Liberalisation: Retail etc
- Public Procurement

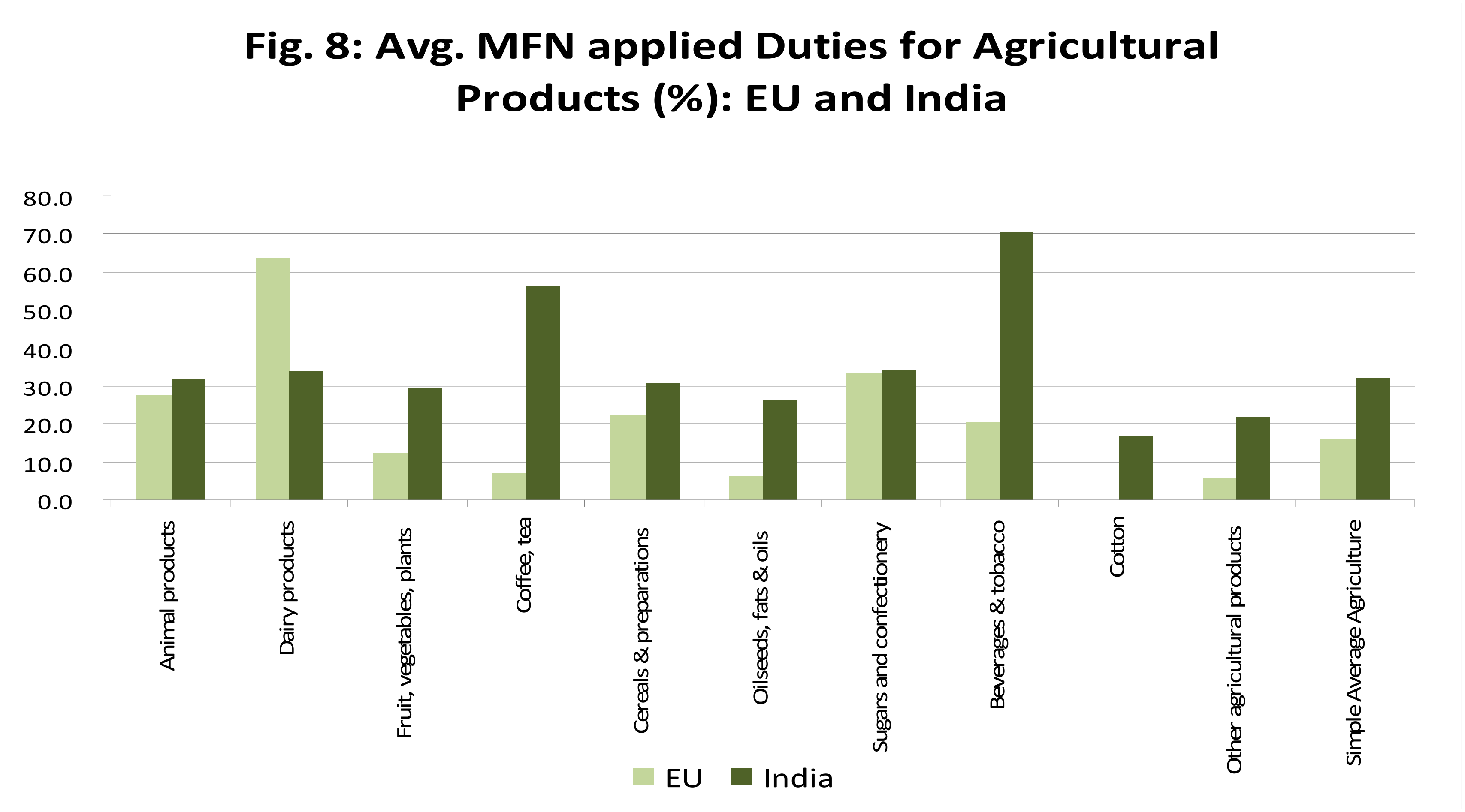
- **Legally binding commitments, Review mechanism exists but difficult**

Agriculture Related Provisions

- On at least 90% of tariff lines, applied tariff becomes 0
- Now we are talking about **totally removing applied (actual) tariffs** as compared to **reducing bound (maximum)** tariffs. So loss of actual protection and very real.



As we move to zero tariffs, we reduce much more tariff than developed countries as our levels are higher (we also lose tariff revenue which could have been spent on social sectors, food subsidies)



Agriculture Related Provisions (contd...)

(from unconfirmed sources and EC notes to CSOs)

- This FTA has limited time period for implementation, of 7 years
- Limited ability to negotiate on NTBs (standards, qualities). India has to conform to very high standards set by EU.
- No negotiations on subsidies as these are being negotiated under the WTO (CAP 40% of EU budget)
- **Safeguards:** SSM is much diluted. Apparently, EU has allowed only a volume trigger but not a price trigger
- **Abolition of Export taxes**: Critical for maintaining food security (food, forestry products, other natural resources)

Status of Negotiations

(from unconfirmed sources and EC notes to CSOs)

- Agriculture critical to conclusion of the FTA
- Tariff discussions going on, India wants asymmetrical package (other concessions) over implementation period in exchange for increasing coverage >90%
- EU wants market access by India for wines, beer and spirits and in other areas of key offensive interests to EU like dairy, poultry, cereals, fisheries, and processed agricultural products (PAPs)
- EU wants wines & spirits and dairy out of the India's negative list
- Considerable movement on SPS, TBT. India wants more, also in testing and certification processes. So does EU.

Projections

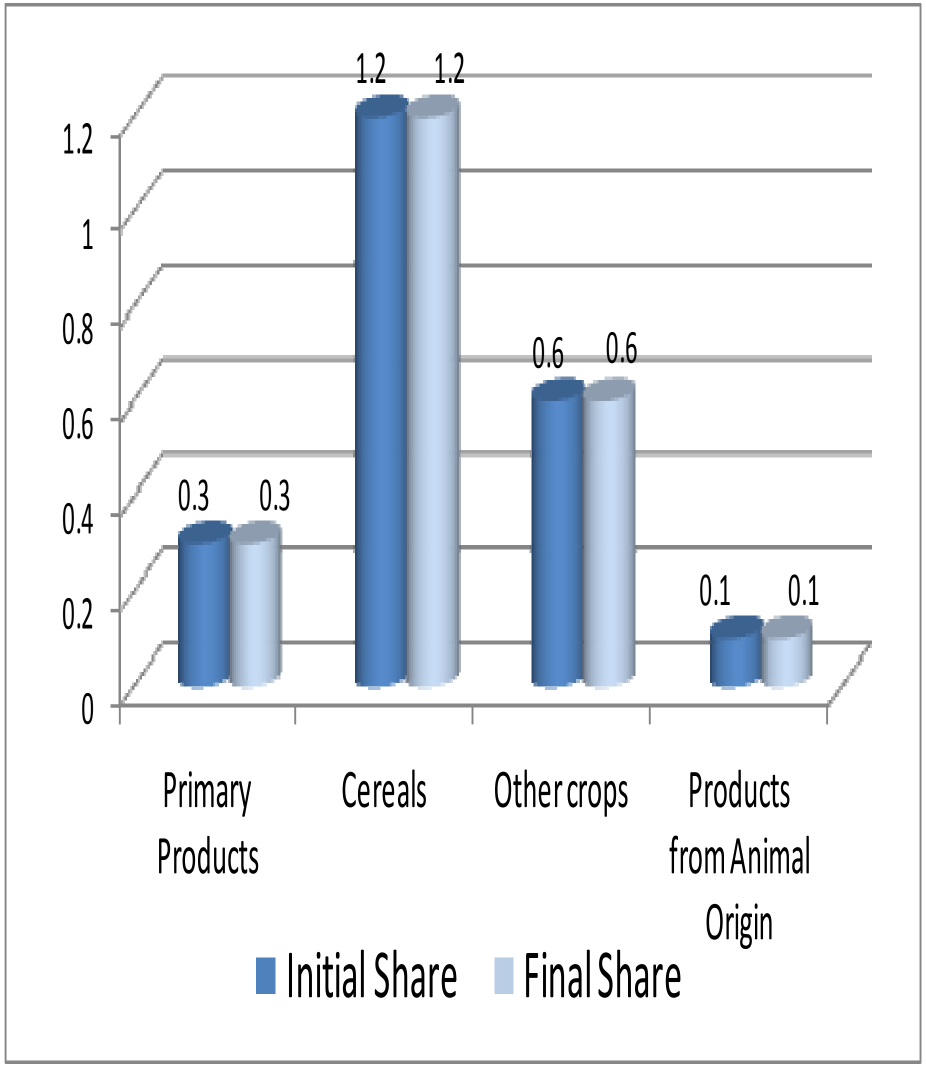
Once these protections are removed, EU products are likely to flood Indian markets in these segments. European exports can also destroy value added agro processing in India, as well as basic crops by destroying the linkage with local processing industry

Impact Assessment studies

- Agricultural trade surplus will become a deficit
- Exports will increase slightly but imports will increase much more
- Agricultural employment will fall
- Emphasis on service sector at the expense of commodities

Projections of Shares in Primary Product Markets (2020) CEPII-CERM (2007)

India



EU

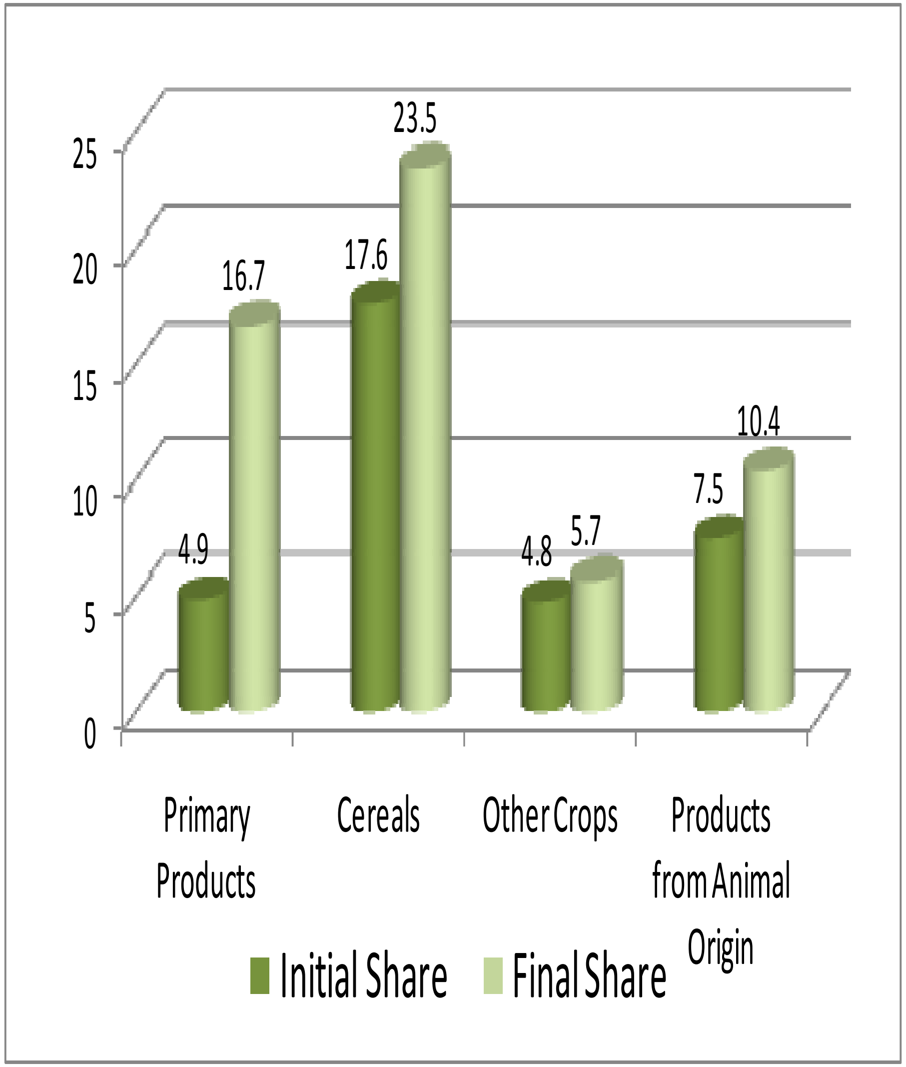


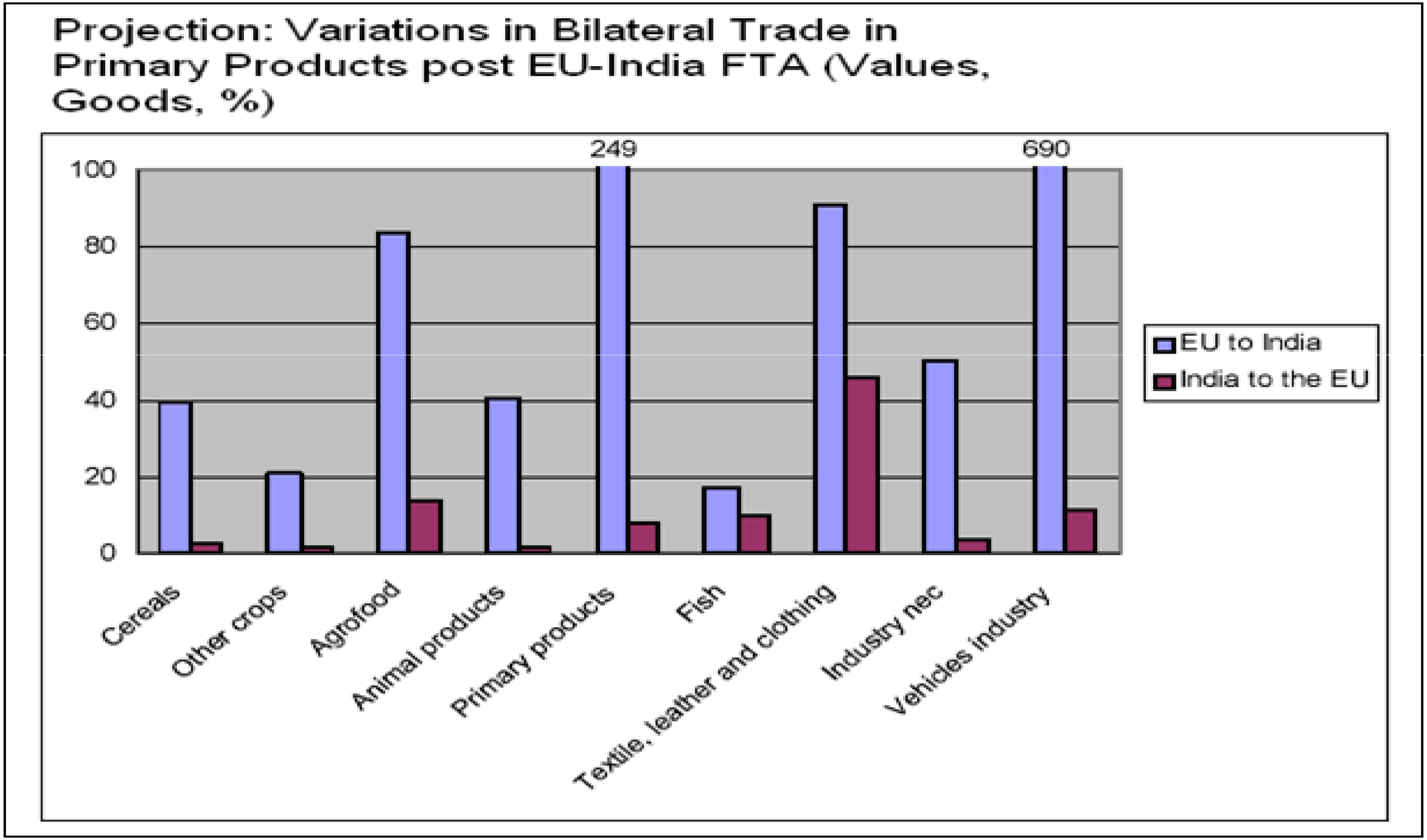
Table 5: India initial and final EU market share

	Initial share on the EU import market (%)	Final share on the EU import market (%)	Variation in value ($ mn, 2020)
Textile, leather and clothing	4.5	6.5	3573
Industry and manufactures	2.8	2.8	807
Vehicles industry	1.2	1.3	87
Products of agrofood industry	1.1	1.3	83
Primary products	0.3	0.3	39
Cereals	1.2	1.2	7
Other crops	0.6	0.6	2
Products from animal origin	0.1	0.1	1
Fisheries	0.2	0.2	0

Table 6: EU initial and final market share in India

	Initial share on Indian import market (%)	Final share on Indian import market (%)	Variation in value ($ mn, 2020)
Industry and manufactures	31.9	43.0	7947
Primary products	4.9	16.7	5128
Vehicles industry	26.0	82.5	1802
Textile, leather and clothing	10.0	18.4	783
Products of agrofood industry	2.9	5.3	321
Products from animal origin	7.5	10.4	150
Cereals	17.6	23.5	133
Other crops	4.8	5.7	80
Fisheries	28.3	32.0	2

Projections in Commodity Trade



FTAs, Intellectual Property Rights and Food Security

- **UPOV 1991 threatens farmers' right to seeds**
- Patenting of plant varieties: Earlier, ability to use Sui Generis system, SDT, disclosure of source of origin for protection of plan varieties (under TRIPS), now may be under threat
- Protection of traditional knowledge not specifically included under TRIPS now under threat?
- Bio Diversity: Convention on Bio Diversity (CBD) (includes benefit sharing etc within communities) could be threatened
- **DE, Patent term extension by 5 years applicable to Agro chemicals**
- **India refused to recognise EU's agricultural GIs:** If granted will increase EU's market control over not only products such as wines and spirits but meat and dairy products.

Investment Liberalisation under the FTA

- Under FTAs and BITs, can potentially give widespread access to foreign investors
- *Strong legal rights*

***We don't know whether this FTA*:**

- **Gives access to agricultural land to foreign investors?** Land grabbing may not be limited to agricultural activities e.g. industry, mining (raw material) etc.
- Access to natural resources, forests, water sources which are so essential for our food cultivation, food security?
- FDI in Retail services and access to food?
- The GOI recently announced 100% FDI in development and production of seeds and planting material, floriculture, horticulture, and cultivation of vegetables and mushrooms under controlled conditions. Are we opening agrl. Cultivation?

Liberalisation of Public Procurement

- EU wants full access to public procurement
- For example, EU's major demand that EU companies should be treated at par with domestic companies
- Then Govt. can't generally give preference to small producers, marginalised communities in India; Can we give subsidies, price support etc?
- We cannot access EU public procurement market. Less than 1% of EU PP market supplied by non-EU producers.