

## **EU-India-FTA**

### **A Perspective from EU Civil Society**

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In October 2006 the EU commission launched its new trade policy called “**Global Europe** – competing in the world”. It aims to link external trade policies to EU’s internal policies of creating a single market by an agenda of progressive liberalisation and deregulation. Because of the multilateral talks at the WTO being trapped in a dead end street it calls for a new generation of bilateral agreements on trade and investment. The overall objective is **competitiveness** of European corporations. With reference to this objective, EU Trade Commissioner Peter Mandelson has coined a slogan: ‘Big in Europe, big in the world’.

For the sake of its “competitiveness-first” goal the EU plans to aggressively advance issues which can not be advanced in multilateral talks. Its priority is to gain a foothold in the emerging markets and the so-called “new areas of growth”. The mandates authorising the EU Commission to negotiate the new FTAs comprise of five building blocks: 1) Market access for European business due to elimination of tariff and non-tariff barriers, 2) the so-called Singapore issues (investment, government procurement, competition and trade facilitation) which were rejected in Cancún by governments of the South, 3) intellectual property rights (IPR), 4) the service sector which is a stronghold of the EU economy, 5) a reference to sustainable development including rhetoric about social and environmental standards, core labour rights and decent work.

The criteria for the selection of new partners for those competitiveness-driven FTAs are 1) market potential and size 2) high level of protection against EU exports and investors. India is a top priority on this list.

In line with its new export-oriented development path **India** sees opening of markets as a mutual interest. It has a keen interest in access to the EU market, WTO-plus issues, namely liberalisation of services and investment and national treatment for Indian corporations in Europe. However, from the very beginning India rejected the inclusion of social and environmental standards.

The crucial question raised by European based NGOs and networks who work since many years on development issues, human rights, social justice and gender equality is: in whose interest? Whose needs, whose rights and whose interests can be safeguarded or enforced through the offensive EU agenda for speedy and deep market liberalisation in India? Does the envisaged bilateral FTA serve the objectives of sustainable development,

poverty eradication, social and gender justice and human rights such as food sovereignty and health ?

These questions in mind I would like to share **seven concerns** raised by EU-based CSOs with regard to the potential implications and impact of the EU-India FTA

1) The *Global Europe* strategy marks a shift in EU trade policies to a clear-cut **competition paradigm** subordinating and redefining the development paradigm. The “competitiveness first” goal gives emphasis to competition over cooperation, to corporate-driven growth over development-oriented growth and public policies. The disregard of development objectives results in a failure to take into consideration the needs of the most vulnerable groups in societies but business requirements only. Trade liberalisation and growth in export are equated with development benefits without any evidence that they are actually pro-poor and the neoclassical assumption of trickle down of wealth will work. The EU is in the process of cutting down its aid for human development and anti-poverty-programmes because it perceives India as threshold country, and instead shifts assistance to economic cooperation and aid for trade. This reverses the means-end-relation: Development aid becomes a tool for enhancing trade.

2) The EU gives special attention to **non-tariff-barriers**, to international regulatory convergence and **reciprocity** of trade liberalisation. The underlying assumption is that the EU and India are equal partners. However, a high asymmetry prevails in many sectors and areas, let alone the fact that the Indian GDP is only 7 % of the EU GDP. Demanding reciprocal trade liberalisation in asymmetric power relations and advancing equal trade rules between unequal trade partners disregards the existing economic disparities, in particular different levels of development and different social needs. Mechanisms like reciprocity and harmonisation of tariffs and regulations among unequal partners tend to privilege the stronger parties, countries and companies, and disadvantage the weak actors on the markets. Seeking the removal of domestic regulations which protect local industries against foreign investors, lifting of FDI restrictions on performance standards like local content requirements and dismantling of capital control means to **limit the policy space** of the partner. It limits governments’ right to use regulation as policy instrument for their development priorities e.g. food sovereignty or for positive affirmative action e.g. subsidies for small women producers because positive discrimination would be considered trade-distorting.<sup>1</sup>

3) If not protected local industries, small scale farmers, petty traders, small and medium scale enterprises, and women in the informal sector will be placed in direct competition with the much more advanced, powerful European corporations and will be crowded out to a large extent. The EU is particularly interested in the retail sector in order to tap India’s middle class consumerism. EU Agricultural Commissioner Mariann Fischer Boel said: “The Indian middle class is hungry for exciting food and drink experiences that go

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<sup>1</sup> UNCTAD (2007): Trade and Development Report, Geneva

beyond Indian cuisine.” This is a **threat to the livelihood of small producers**, traders and workers. At the same time, when it comes to agricultural exports to the EU, small producers are **outcompeted** by large exporters because they find it difficult to meet sanitary and phytosanitary standards. Neoclassical economists argue that people who get displaced from traditional sectors should be moved to sectors where the country has a competitive advantage. Cheap labour in labour-intensive export industries e.g. textiles is such a competitive advantage of India. However, it is very doubtful whether the women who will lose their small income in agriculture or in petty trading will be absorbed by the new export factories in SEZs invested by European companies.

4) This trade and investment policies by the EU work against the EU's own development co-operation. As an example for this **incoherence** between trade policies and anti-poverty programmes I want to highlight women's economic empowerment. Generations of women's projects aimed at market integration through micro-finance and so-called income generation. Those women who manage to earn some income in the informal sector as home or village based manufacturers, petty traders or street vendors are now outcompeted by big retailers, supermarkets and imported goods. Liberalisation policies which don't spare vulnerable sections and actors in the market undermine pro-poor development projects and generate new poverty.

5) Shrinking policy space and shrinking revenues due to tariff cuts have an adverse effect on government expenditure and public services. Additionally, the EU asks for opening up **government procurement** and does not exclude **essential services** from its liberalisation demand. Although India clearly indicated that it does not wish to open up government procurement, the EU Commission - being subject to heavy lobbying in Brussels - promotes the interests of European service and multi-utility corporations without taking into account poor people's need for essential services in India. Liberalisation of "environmental services and goods" as it is called in the paragraph on 'Sustainable Development' could imply privatisation of water and energy supply which has led to an increase of prices in other countries, and distorted poor people's access to basic services. This is detrimental to poverty reduction and a threat to basic human and women's rights and social security.

6) **Patenting** of living organisms like seeds in agriculture means a threat to the production systems of farmers and disappropriates them of the most important livelihood resources and biodiversity. Enforcement of **intellectual property rights** for pharmaceutical products such as compound drugs against HIV/AIDS would prevent production of cheap medicines. However, for poor people access to public health care and affordable drugs is a question of life or death.

7) Paradoxically, all these issues are negotiated between the "two largest democracies" in **secrecy**. The whole process lacks transparency and democratic legitimisation through consultation of parliaments and civil society. While business confederations from both sides get privileged space to lobby, there is a lack of participation of civil society and representatives of small

scale farmers, small producers and traders, trade unions of informal workers, and women's organisations. The only occasion when EU civil society representatives are invited to voice their interests is the discussion of the planned Sustainable Impact Assessment. However, our experience with SIAs up to now is that 1) they come much too late 2) their findings and the related concerns raised by CSOs did not influence or change trade policies thereafter. Thus, the SIAs are a showpiece for the social, environmental, gender and ethical commitment of the EU but could not be used as a democratic and participatory instrument to inform the negotiations.

EU based NGOs and networks, including WIDE advocate fair trade and EU-India-cooperation policies based on the following six benchmarks to be observed by the EU:

- 1) EU trade and investment negotiations must be transparent, participatory, and involve democratically elected institutions at national level as well as a full range of stakeholders from civil society, in particular representatives of the most vulnerable groups.
- 2) People's needs and rights - and not corporate rights -, poverty eradication and fair distribution should be the ultimate reference points for development and trade policies instead of just adding sustainable development and decent work as non-binding norms which get finally subordinated to the competitiveness and business paradigm.
- 3) EU trade and investment policies must respect policy space of other governments regarding domestic regulation to protect domestic markets, promote development objectives and affirmative action towards vulnerable groups like poor and single women, dalits, adivasi, unemployed, the elderly etc..
- 4) EU trade and investment policies must exclude essential public services from its liberalisation agenda and must not subordinate essential services which are in common interest to profit interest.
- 5) EU trade and investment policies must respect the development objective of food sovereignty and the livelihoods of small farmers and fishers who constitute the majority of economic actors in India, and include special safeguard measures in agriculture. Additionally, the EU must dismantle its own protectionism and trade-distorting subsidies in agriculture.
- 6) Intellectual property rights with regard to health and agriculture should be taken out of FTAs, patents must not be given on living organisms.

To wind up I would like to stress that European CSOs and networks feel an urgent need for more dialogue and networking with Indian CSOs in order to prevent that people on both sides get divided up and the new FTAs turn them all into efficient competitors on the global markets.