

Forum on FTAs

26 November 2008

Mr. Ignasi Guardans Cambó,
Vice Chair, Committee on International Trade and
Head of INTA Delegation to India
European Parliament,
Brussels

Dear Mr. Cambó,

Re: Far Reaching Adverse Impacts of the Proposed EU-India Free Trade Agreement

We write to you to convey our grave concerns on the secret negotiations taking place between the European Union (EU) and India on a far-reaching Free Trade Agreement (FTA). With a view to apprise you of our concerns and to ensure that they are duly addressed, with this letter we are attaching a detailed note which maps key areas of concern and their implications on the Indian economy.

We also take this opportunity to introduce the *Forum on FTAs* which is a coalition of over 75 organisations representing trade unions, farmers and fishworkers movements, research organizations as well as a diversity of civil society organizations. On 21 September 2008, the Forum on FTAs released a statement asking for the immediate halt of the EU-India FTA negotiations till the text of the negotiations has been made public and a transparent, accountable and consultative negotiation process is adopted. We are dismayed that despite this, the sixth round of negotiations between the two countries is going to take place in the coming months.

As is evident from the various official documents pertaining to the proposed FTA, it is being negotiated with a view to conclude a new generation FTA that will cover many areas other than trade in goods viz. trade in services, investment, intellectual property rights, competition policy, government procurement etc. Hence, the proposed FTA will have far reaching consequences both for the policy space of the Indian state and on the lives and livelihoods of Indian citizens. In the context of the present global economic crisis it is even more imperative that these consequences are better understood and addressed.

The EU-India FTA agenda includes massive tariff reductions on a reciprocal basis for market access in trade in goods. The Report of the High Level Trade Group (HLTG) sets out that both the EU and India are supposed to completely eliminate duties on 90% of tariff lines with the remaining 10% to be negotiated or completely excluded. Given the asymmetry between the EU and India, such a high level of trade liberalization would create an import surge which would adversely affect certain industries leading to large-scale job loss and potential closure of manufacturing units especially in the small and

For further information and interviews please contact:

G.Manicandan, Centre for Education and Communication (09868319261 manicandan@cec-india.org),

*Smitu Kothari, Intercultural Resources (9810619983, smitukothari@vsnl.net) or
Dharmendra Kumar, India FDI Watch, (9871179084, dkfordignity@yahoo.co.uk)*

medium-scale industries. Additionally, in view of the significant differences between the EU and India with respect to product and process standards, specifically for products of exports interest to micro and small producers, it is uncertain what the quantum of trade creation on account of tariff reduction would be. It is not encouraging that the EU rejected India's demand to reconsider the extent of trade liberalization.

Ninety-two percent of India's 457 million strong work-force is in the informal sector with no job security and little income. It is this sector that will be the hardest hit from an EU-India FTA whose objectives are incongruent with development objectives. A related aspect of tariff reduction is that, there would be considerable loss of revenue for the Government of India – a loss that is likely to have serious impact on Government spending in social sectors like education and health and an increase in domestic taxes to compensate this loss.

On the trade in services and investment front, the EU's formula significantly expands the scope of coverage to affect virtually all public services. The EU, in demanding such liberalization does not exclude any commercial sectors other than those sensitive to the EU. Liberalisation of services has led to consolidation, lack of transparency and extremely risky behaviour of firms as is borne out by the current global crisis. Provisions in the EU-India FTA to completely open up the banking sector would further exacerbate financial exclusion of the poor from institutionalized credit and banking and significantly increase India's vulnerability to global financial crises. Liberalisation of distribution services such as those linked up and down the food distribution chain would threaten the livelihoods of at least 12 million small retailers and street vendors.

In the case of protection of intellectual property resources (IPRs), the EU's demands for a TRIPS-plus regime would lead to legislative and policy changes in India undermining the development goals in agriculture, healthcare and access to knowledge. Insistence on TRIPS-Plus provisions would severely affect not only the country's biodiversity but also farmers' rights to seeds. Also, the EU's demand for data exclusivity and increased enforcement of intellectual property rights would also limit India's ability to provide access to affordable medicines. It would further limit the ability of the Government to issue compulsory licenses on medicines.

With regard to other WTO-plus trade policy issues, the inclusion of Singapore issues specifically, will most probably place serious restrictions on India's development goals. FTA negotiations with the EU are also focusing on government procurement and competition policy. The inclusion of these issues within the EU-India FTA is a matter of grave concern to us.

The EU is reportedly demanding that India's competition policy should provide 'effective opportunity for competition' in the local market thus helping EU-based multinational corporations. The EU may, further, attempt to harmonise India's competition law with EU competition law thus reducing the flexibility required for India to design a competition law and policy suitable for its economic development. Similarly, the EU is also insisting that government procurement, which accounts for nearly 13% of India's GDP, be opened up to EU companies. This would seriously undermine India's policy

For further information and interviews please contact:

G.Manicandan, Centre for Education and Communication (09868319261 manicandan@cec-india.org),

*Smitu Kothari, Intercultural Resources (9810619983, smitukothari@vsnl.net) or
Dharmendra Kumar, India FDI Watch, (9871179084, dkfordignity@yahoo.co.uk)*

space to support Small and Medium Enterprises, marginalized constituencies and poorer states.

The Road So far and Way Ahead

One of the worrying features of the EU-India negotiations has been the continuing secrecy surrounding the negotiations. Both India and the European Commission have consistently refused to share information with parliaments, legislative bodies, civil society groups and the general public. Only selected members of the government and industry have had access to elements of the negotiations. Repeated calls for transparency and accountability have been ignored undermining the basic tenets of democratic process, policy making and law.

In conclusion, in addition to creating serious short and long-term economic vulnerability, we believe that the EU-India FTA could have major **food security, healthcare and livelihood implications** that must be assessed in detail. The current global crisis signals a critical need to democratize trade policy processes so that elected bodies and civil society can have a voice in the choices governments make. It is of grave concern that the EU-India FTA negotiations till date have been marked by a gross absence of transparency and public debate.

On behalf of the 75 members of the Forum on FTAs, we welcome this opportunity to interact with the Members of the European Parliament. We trust that the Parliament will direct the European Commission to immediately make public the text of the EU-India FTA and institute an open and transparent process of negotiation. The European Parliament has recognized on several occasions the impact of trade and other negotiations on social sectors. For instance, the 12 July 2007 resolution of the European Parliament on the 'TRIPS Agreement and Access to Medicines' has noted the impact on access and affordability of medicines of international trade treaties and has asked the European Commission not to negotiate TRIPS-plus provisions. With similar impacts bound to be felt across major sectors in India, it is essential that the negotiations are ceased immediately and the text made public.

The attached note lays out our concerns in greater detail. We would be happy to provide more substantive materials on each of the concerns and the overall impact of the proposed FTA.

We look forward to a continuing dialogue with you and with other committees and members of the Parliament and the Commission.

Sincerely yours,

Forum on FTAs

Yudhvir Singh

Bhartiya Kisan Union (BKU)-
President Delhi State, Indian
Coordination Committee of Farmers

For further information and interviews please contact:

G.Manicandan, Centre for Education and Communication (09868319261 manicandan@cec-india.org),

*Smitu Kothari, Intercultural Resources (9810619983, smitukothari@vsnl.net) or
Dharmendra Kumar, India FDI Watch, (9871179084, dkfordignity@yahoo.co.uk)*

Movement - National Coordination
and Member Secretary

National Fishworkers' Forum (NFF)

Keayla B K
National Working Group on Patent
Laws

Devinder Sharma
Forum for Biotechnology and food
security

Mr. Ashim Roy
New Trade Union Initiative (NTUI)

Rajeev Sharma
Building and Wood Workers
International (BWI)

Ashok Chaudhary
National Forum for Forest People
and Forest Workers

Umi Daniel
Action Aid

Kavaljit Singh
Public Interest Research Centre

Paul Divakar
National Campaign on Dalit Human
Rights

Indira Hirway
Centre for Development Alternatives
(CFDA)

Dharmendra Kumar
ACORN-FDI India Watch

Lakshmi V
Public Service International (PSI)

Smitu Khotari
Intercultural Resources

Harekrishna Debnath
Enclosure: *A Note on 'The EU-India Free Trade Agreement: For Whom?'*

J John
Centre for Education and
Communication

Copy to:

1. Mr. Sajjad H. Karim
Member of the European Parliament and
Member of the INTA Delegation to India
European Parliament,
Brussels

2. Mr. Béla Glattfelder
Member of the European Parliament and
Member of the INTA Delegation to India
European Parliament, Brussels

For further information and interviews please contact:
G.Manicandan, Centre for Education and Communication (09868319261 [manicandan@cec-
india.org](mailto:manicandan@cec-india.org)),

*Smitu Kothari, Intercultural Resources (9810619983, smitukothari@vsnl.net) or
Dharmendra Kumar, India FDI Watch, (9871179084, dkfordignity@yahoo.co.uk)*

3. Mr. Syed Kamall
Member of the European Parliament and
Member of the INTA Delegation to India
European Parliament, Brussels

4. Mr. Daniel Caspary
Member of the European Parliament and
Member of the INTA Delegation to India
European Parliament, Brussels

5. Ms Françoise Castex
Member of the European Parliament and
Member of the INTA Delegation to India
European Parliament, Brussels

6. Ms Erika Mann
Member of the European Parliament and
Member of the INTA Delegation to India
European Parliament, Brussels

7. Mr. Eugenijus Maldeikis
Member of the European Parliament and
Member of the INTA Delegation to India
European Parliament, Brussels

8. Ms Neena Gill
Member of the European Parliament and
Member of the INTA Delegation to India
European Parliament, Brussels

For further information and interviews please contact:
G.Manicandan, Centre for Education and Communication (09868319261 manicandan@cec-india.org),
Smitu Kothari, Intercultural Resources (9810619983, smitukothari@vsnl.net) or
Dharmendra Kumar, India FDI Watch, (9871179084, dkfordignity@yahoo.co.uk)