



Investment support for German Mittelstand Enterprises



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India-EU Free Trade Agreement – Recent Developments

Background

India has, in recent years, accelerated its negotiation of trade agreements with several countries and trade blocs, and last year concluded an Economic Cooperation and Trade Agreement (ECTA) with Australia and a Comprehensive Economic Partnership Agreement (CEPA) with the UAE. It is actively working on an agreement with the UK, aiming to boost export-oriented domestic manufacturing in India, and other ongoing negotiations include talks with Israel and Canada.

India's merchandise exports touched USD 229bn in the period April-September 2022, up 15.5% and imports rose 37.9% to USD 379bn. The Government has set an ambitious target of USD 2tn from export of goods and services by 2030.

The growing focus is towards regional blocs such as the Gulf Cooperation Council (GCC), the Southern African Customs Union, the European Free Trade Association (EFTA), and of course the European Union (EU), with whom talks on a Free Trade Agreement (FTA) were relaunched last year after a gap of nine years, alongside separate negotiations for an Investment Protection Agreement and an Agreement on Geographical Indications (GIs).

Recent Developments on the India-EU FTA

In March 2023, India and the EU concluded Round 4 of the negotiations in Brussels. The principal agenda for this round was to work on the text of the agreement and deepen the mutual understanding of the main areas of convergence and divergence. The other main objective was to initiate the discussions about the modalities of the exchanges of offers on market access in goods, services, investment, and public procurement. This continued the progress made in the previous round, which marked the beginning of real negotiations.

Key negotiating areas in which progress was made include:

- Trade in goods, where the parties are reconciling differences on coverage of certain items
- Rules of origin, where discussions progressed on general requirements, but product-specific rules are yet to be tabled
- Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT), where progress has been made on the chapter drafts
- Trade remedies, where the negotiators are striving for WTO+ provisions in certain areas
- Digital trade, on which 15 articles were discussed
- Government procurement, in respect of which most of the text has been agreed
- Small and Medium Enterprises (SMEs), regarding which negotiators have substantially agreed on the text, barring issues relating to the cooperation provisions



Relevant to SMEs, per the latest draft of the proposals, the terms of the agreement will specify information sharing requirements and standards for publicising the terms of the FTA, import and export procedures, regulations regarding intellectual property rights and GIs, technical regulations, rates of duties and rules of origin, etc. Further, each side will nominate a Contact Point for execution of the terms of the FTA.

Next Steps

The next round of negotiations is scheduled for June 2023 in New Delhi.

India's bilateral trade with EU crossed USD 120bn last year, growing despite the global disruptions. The EU is already one of India's largest trading partners, and India is the EU's 10th largest trading partner – early conclusion of the FTA will substantially boost trade and leverage the market potential on both sides.

India's FTAs and other agreements have to be seen alongside the new Foreign Trade Policy (FTP 2023), which was notified on 31st March, which sets out the Government's ambition for India's role in global trade, and demonstrates the shift in focus from incentives to tax remission, the improvement of trade facilitation, and emphasis on export promotion. In line with that approach, FTP 2023 has largely retained the schemes of the earlier Policy. The new approach of long-term policy stability and need based revisions is welcome.

As India-EU negotiations progress, stakeholders must seek to align their interests with the FTA. Participation at the negotiation stage will address sector-specific issues, including on aspects such as SPS, TBT and non-tariff barriers. Another important issue is the prevention, detection, and combating of breaches and circumventions of customs provisions related to preferential treatment and the effective implementation of CAROTAR 2020.

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