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CURRENT AFFAIRS

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INDIA-EUROPEAN FTA

This article covers "Daily Current Affairs" and the topic details "India-European FTA". The topic "India-European FTA" has relevance in the International relations and Multilateral Agreements section for the UPSC CSE exam

Relevance of India-European FTA:

For Prelims:

What is India-European FTA?

For mains:

GS 2: International Relations, Multilateral Agreements

Benefits for India of the FTA?

Concerns of India regarding the FTA?

Way Forward?

Why in the news?

India and the European Union (EU) concluded the fourth round of talks for a comprehensive free trade agreement in Brussels, a move aimed at further strengthening economic ties between the two sides. The next round of the talks is planned for 12-16 June here.

What is India-European FTA?

The India-Europe Free Trade Agreement (FTA) refers to negotiations aimed at establishing a comprehensive trade agreement between India and the countries of the European Union (EU). The objective of the FTA is to enhance economic cooperation, promote trade and investment, and remove trade barriers between India and the EU member states.

Benefits for India of the FTA:

- **Increased trade:** The FTA aims to boost bilateral trade between India and the EU by eliminating or reducing tariffs, quotas, and other trade barriers. This can lead to an expansion of market access for Indian exporters and European businesses, facilitating increased trade flows and a broader range of goods and services being exchanged.
- **Economic growth:** The FTA has the potential to stimulate economic growth in both India and the EU. By promoting trade and investment, it can create new business opportunities, attract foreign direct investment, and contribute to job creation and economic development in both regions.
- **Market access:** The FTA seeks to enhance market access for goods and services between India and the EU. This can provide Indian exporters with better access to the large European market, while European businesses can benefit from improved access to the growing Indian market. It can lead to increased export opportunities, diversification of trade, and the development of new supply chains.

- **Regulatory cooperation:** The FTA includes provisions for regulatory cooperation and harmonization of standards between India and the EU. This can simplify trade procedures, reduce non-tariff barriers, and enhance regulatory transparency and predictability, making it easier for businesses to navigate the trade environment and promote mutual recognition of standards and certifications.
- **Intellectual property rights protection:** The FTA aims to strengthen intellectual property rights (IPR) protection and enforcement. This can benefit both Indian and European businesses by providing a more robust framework for the protection of patents, copyrights, trademarks, and other forms of intellectual property, fostering innovation and technology transfer.

Concerns of India regarding the FTA:

- **Market access for agriculture:** India has raised concerns regarding market access for agricultural products, particularly in relation to subsidies provided by European countries to their farmers. India has emphasized the need for fair and equitable market access that does not disproportionately impact Indian farmers or lead to the flooding of the domestic market with subsidized European agricultural products.
- **Non-tariff barriers:** India has expressed concerns about non-tariff barriers (NTBs) imposed by the EU, which can hinder Indian exports. These barriers include stringent sanitary and phytosanitary measures, technical regulations, and conformity assessment procedures. India has sought greater transparency, simplification, and predictability in these areas to ensure a level playing field for Indian exporters.
- **Services trade:** India has emphasized the importance of facilitating services trade, particularly in sectors such as information technology (IT), software, and professional services. India seeks greater market access and the removal of barriers that limit the movement of skilled professionals, recognition of Indian qualifications, and the liberalization of modes of service supply.
- **Intellectual property rights (IPR) issues:** India has raised concerns about the EU's demands for stronger IPR protection, particularly in the pharmaceutical sector. India has emphasized the importance of striking a balance between IPR protection and access to affordable medicines, highlighting the role of Indian generic drug manufacturers in providing affordable healthcare solutions.
- **Investment and government procurement:** India has called for balanced provisions related to investment protection and dispute settlement mechanisms. Concerns have been raised about the potential impact of investor-state dispute settlement (ISDS) provisions on India's regulatory autonomy and the need to safeguard public policy objectives. India has also sought enhanced access to EU government procurement markets.
- **Differential treatment:** India has advocated for differential treatment considering its status as a developing country. India has emphasized the need for flexibility in the implementation of commitments, including longer transition periods, to accommodate the specific needs and challenges faced by its domestic industries.
- **Services and goods balance:** India has highlighted the need for a balanced outcome that addresses the concerns of both goods and services sectors. India aims to ensure that the FTA benefits not only the manufacturing and goods-exporting sectors but also the services sector, which is a significant contributor to India's GDP and employment.

Way forward:

- **Active engagement in negotiations:** India should continue actively participating in the FTA negotiations, ensuring its concerns are effectively communicated and addressed. This includes maintaining open channels of communication, conducting thorough impact assessments, and actively advocating for India's interests during negotiations.
- **Strengthening domestic industries:** India can focus on strengthening its domestic industries to enhance competitiveness and minimize the negative impact of the FTA.

- **Promoting diversification:** India should explore opportunities to diversify its export basket and markets. By diversifying its exports, India can reduce its dependence on a few specific sectors and markets, mitigating potential risks associated with the FTA.
- **Addressing agricultural concerns:** India can work towards ensuring fair market access for its agricultural products. This includes negotiating measures that safeguard the interests of Indian farmers, addressing subsidies and non-tariff barriers, and promoting sustainable agricultural practices. Additionally, investing in technology, infrastructure, and supply chain management can enhance the competitiveness of the Indian agricultural sector.
- **Balancing intellectual property rights:** India can strike a balance between intellectual property rights (IPR) protection and public health concerns. Strengthening its generic pharmaceutical industry, promoting research and development in the healthcare sector, and encouraging innovation can help address concerns related to IPR while ensuring access to affordable medicines for its citizens.
- **Enhancing services trade:** India should focus on maximizing the benefits of services trade through the FTA. This can involve promoting the mobility of skilled professionals, encouraging mutual recognition of qualifications, and facilitating technology transfer and knowledge sharing. Strengthening the services sector, particularly in IT, software, and professional services, can enhance India's competitiveness in the global market.
- **Capacity building and support:** India can invest in capacity building initiatives to help its industries adapt to the changing trade dynamics. This includes providing training, technical assistance, and access to information and resources to enable Indian businesses to leverage the opportunities presented by the FTA. Supporting small and medium enterprises (SMEs) and promoting entrepreneurship can also contribute to inclusive growth and job creation.
- **Strengthening regional and bilateral ties:** India can explore opportunities for strengthening regional and bilateral ties with European countries outside the FTA framework. This can involve pursuing separate trade agreements or partnerships that cater to specific sectors or areas of mutual interest. Strengthening bilateral economic cooperation can provide alternative avenues for trade and investment.
- **Continuous monitoring and evaluation:** India should establish mechanisms to monitor and evaluate the impact of the FTA on various sectors of the economy. Regular assessments can help identify challenges, make necessary adjustments, and ensure that the FTA remains aligned with India's long-term economic and developmental goals.

Source:

<https://economictimes.indiatimes.com/news/economy/foreign-trade/india-eu-conclude-another-round-of-talks-for-proposed-trade-agreement/articleshow/98774447.cms?from=mdr>

Q.1 Which of the following statements regarding the India-European Free Trade Agreement (FTA) is/are correct?

1. The India-European FTA is a comprehensive agreement aimed at promoting trade and investment between India and European Union (EU) member countries.
2. Negotiations for the India-European FTA began in 2007 but have not yet concluded.
3. The FTA aims to eliminate or reduce tariffs on goods, liberalize services trade, and establish rules and regulations for trade facilitation.
4. The India-European FTA covers only trade in goods and does not include provisions related to intellectual property rights or investment.

Select the correct option using the codes below:

- (a) 1 and 2 only
- (b) 1,2 and 3 only
- (c) 1,2,3 and 4
- (d) None of the above

Answer:(b)

Q.2 Which of the following statements regarding the India-European Free Trade Agreement (FTA) raises concerns for India?

1. The India-European FTA is expected to result in a surge of low-cost imports, posing a threat to domestic industries, particularly in sectors such as textiles and agriculture.
2. The FTA negotiations have faced challenges due to disagreements over intellectual property rights and data protection regulations between India and the European Union (EU).
3. The India-European FTA negotiations have reached a deadlock, leading to a halt in discussions

Select the correct option using the codes below:

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1,2 and 3 only

Answer:(a)

Q.3 “Discuss the potential benefits and challenges of the India-European Union Free Trade Agreement (FTA) and its implications for India’s economy. Analyze the key sectors that may be positively or negatively affected by the FTA and suggest strategies to maximize the benefits while minimizing the challenges.”

(15 marks)

Rishabh

