

Report of EU-India High Level Group

Summary

Introduction

The High Level Trade Group (HLTG), established at last year's EU-India summit to explore how to deepen the relationship will report to this year's meeting on October 13th.

The principal recommendation is to conclude a '**broad-based trade and investment agreement**' covering goods, services, investment, trade facilitation, government procurement, intellectual property, technical barriers and competition policy. The parties make a clear statement, however that the multilateral route remains the 'core framework' for EU-India trade relations and that this agreement should be complementary to WTO agreements including the DDA.

Statistics

The report then covers the significance of both markets to each other:

- **India is on track to be a global economic heavyweight** (GDP and FDI growth are at 8% and 40% respectively, there is a large labour force of young, skilled and English-speaking workers, India represents 1/6 of the world's population but much less in trade terms)
- **The EU is the largest and most open market in the world, with a very high average income** (under the Generalised System of Preferences, 77% of India's exports to the EU enter duty free; average income per capita is €23,377).
- **Trade in goods** grew by 20% to €40bn in 2005, with an average of 11% from 2001-2005. The EU is India's largest goods trading partner, on 20%; India is Europe's 10th largest partner.
- **Trade in services** has an annual average rate of growth of 10%. In 2004 India exported €3.8bn in services to the EU and the EU exported €3.3bn to India.
- **FDI**: EU is India's largest source of **foreign direct investment** (€100 million in 2004) but this is still only 1% of total EU FDI abroad.

A Possible Broad-Based Trade and Investment Agreement

The HLTG proposes a number of areas for an eventual agreement. The title of the agreement may be a free trade agreement but other options are on the table.

Trade in Goods

- The agreement should aim to **eliminate duties on 90% of tariff lines over seven years**. Sensitive products will either have revision clauses or partial liberalization.
- On **non-tariff barriers** a mediation mechanism like that proposed in the WTO and disciplines on transparency in regulation are envisaged.

Trade in Services

- An agreement on services should be **built on the results of the DDA and be GATS-compliant**.
- The agreement should have **substantial coverage** in terms of sectors and trade volumes and cover all modes of supply. It should provide for the **elimination of substantially all restrictions**.
- The HLTG agreed to discuss further:
 - The use of **current openness as the starting point (i.e. current legislative practice, and not the current level of binding, like in the GATS negotiations)**

– **Liberalisation commitments and mutual recognition of professional qualifications.**

- **Regulatory transparency** was also signalled as important.

Investment

- An **investment chapter** should cover market access, the right to regulate, regulatory transparency, payments and capital flows, and investment-related movement of persons.
- India calls for provisions on **investment protection and promotion**. The EU will ‘further consider’ this due to the need for compatibility with Member State bilateral investment treaties.

Trade Facilitation

- Provisions should be **complementary** to both an eventual DDA trade facilitation agreement and the EU-India Customs Cooperation and Mutual Assistance Agreement.
- **Coverage** should include joint-work programmes, modernization of customs, simplified procedures and other areas. The need to balance trade and security concerns should also be tackled.

Public Procurement

- There is agreement on the principle of open procurement but **little in the way of specifics**.
- **Possible avenues** signalled include international commitments, as well as information exchanges, enhanced transparency and market access provisions.

Technical barriers - TBT & SPS

- Under **TBT** an agreement would:
 - Establish a **forum** for information exchange and notifications
 - Commit to regulations that are **not more restrictive than necessary**
 - Provide for discussions on **mutual agreement of technical regulations and conformity assessment**
- On **SPS** the provisions are vaguer with both sides committing only to search for “mutually mutually acceptable solutions with a view to facilitating trade.”

Intellectual Property

- Provisions to **complement TRIPs** will be included in the deal. It is agreed that these will seek to move towards greater protection and enforcement. **Geographical indications** will also be covered.

Competition Policy

- Both sides agree on the importance of domestic competition policy but an agreement would appear only to cover provisions for cooperation in terms of **exchange of non-confidential information and cooperation on enforcement**.

Other issues

- Either party could add other issues to the agenda for negotiations.