



Interactive Session on EU-India Trade and Investment Relations

Speech of Lord Vallance of Tummel Chairman of the European Services Forum (ESF)

Commissioner, Minister, Ladies and Gentlemen,

It is a pleasure to be here today and I would like to thank the organisers for the excellent programme of this business summit. I would like to take a few minutes with you to concentrate on trade in services between our two territories.

Services represent more than 75% of EU GDP with 55% of this coming from the private sector. Service industries provide around 70% of EU employment. Make no mistake: the heart of the EU economy is services. Thanks to the relatively open markets in the services sector (already largely bound under WTO rules), the majority of inward FDI in the EU is invested in the service sector. This is helping Europe to remain competitive. Our non-EU competitors can already take advantage of the single market in many services sectors, and the EU is about to adopt the Services Directive, which aims to integrate the market even further. But we can and must do better.

It is also widely accepted that services are a major source of India's economic growth. India's rapidly growing services sector makes up 56% of GDP and 23% of the labour force. India and the EU are substantial trading partner in services, with a slight balance in favour of India. Government controls on foreign trade and investment have been reduced in some areas. But limits on foreign direct investment are still in place and need to be addressed. Recently, the government has indicated it will do more to liberalize investment in services sectors like civil aviation, telecoms, and insurance in the near term and that is a good trend. Meanwhile, India is capitalizing on its large numbers of well-educated people, skilled in the English language to become a major exporter of software services and software workers, and the presence among us today of several Indian IT companies is a clear indication of this fact.

A parallel session this morning discussed financial and legal services. In our CEO roundtable, we have heard about computer and related services, telecommunications and insurance services. There are obvious common offensive interests in the service

sectors and we should build upon those interests to push the trade agenda between India and the EU, and vis-à-vis our partners in the WTO.

There is no doubt, Ladies and Gentlemen, that services will play a major role in our future relationship and it is our task, as business leaders, to urge our trade negotiators, who are here with us today, to take this evidence into consideration.

European service industries, notably through the European Services Forum, which I chair, are eager to strengthen trade links with India. The ESF wants to look at ways and means to remove the various market access barriers that prevent our companies to doing business (or expanding their business) in India in a fair, transparent and legally secure environment.

Our first priority remains the conclusion of the WTO negotiations and I join my colleagues on this podium to call for a rapid resumption of the Doha talks. Commissioner Mandelson knows how much our organisation's members feel frustrated at once again being taken hostage by agriculture, which represents just 8% of world trade. National economies and international trade are not primarily about agriculture, but essentially about trade in goods and services, and this should be reflected in the trade negotiations. So, since we have here today two of the chief negotiators, I am sure that you will join me in calling them to put the utmost efforts into resuming the talks and saving the multilateral system.

In the GATS negotiations, the EU has tabled a very attractive offer, which improves on the current situation, which is already quite open. India has discovered its offensive interests in the services negotiations and its revised offer shows clear indications that it is willing to play its role in world services trade. Both sides must clearly do more, but both have also shown leadership in the services negotiations. Let us hope that efforts will not be in vain.

We share the view expressed by our governments that the multilateral system is essential and that any bilateral trade negotiation should not be a substitute, but rather a complement to it.

With this in mind, ESF also favours the opening of trade negotiations between the EU and India, in which services should play a critical part. We strongly welcome the conclusions of the High Level Trade Group on trade in services and call the negotiators to take them into close consideration. I will highlight a number of these:

- ? 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.**

- ? We in particular welcome the recommendation to use the **current level of practice as the starting point of the negotiations**. We consider that this is the only way to achieve real new opportunities for businesses. Improvement of bound levels is obviously always welcome, since it gives our companies greater security for their investments. But that is not sufficient. Further integration of our services markets requires further liberalisation, and more market access.
- ? The negotiations should also look at possible **mutual recognition of professional qualifications**.
- ? ESF also supports negotiations on **public procurement** arrangements for **services**.
- ? Finally, the report also highlighted **regulatory transparency**. When the ESF asks its members what are the major barriers they face, lack of transparency in legislation, and its implementation always come in the top rank. Services provision needs regulation. ESF is in favour of regulation, but regulation must be proper, fair and transparent to be effective. I thus strongly encourage the negotiators to initiate a regulatory dialogue – including the services industries – in which services regulators at all levels (in the European Commission and the Indian federal government, but also at EU Member State and Indian state level) engage in serious cooperation to ease the process of licensing and other market access procedures.

We know that trade and investment negotiations can be a difficult exercise. But we also know that one of the ways to avoid misunderstanding in the course of the negotiations is to agree *ex-ante* on a clear framework. That is why I applaud the High Level Trade Group for its excellent report. There is however one aspect which is extremely important for business but still missing at this stage: a timeline. To bring benefits to our economies, these trade negotiations should not last for too long. Business is ongoing; FTAs are being concluded all over the world and we cannot afford to wait. That is why I urge the EU and the Indian government to set an explicit and demanding deadline for concluding the negotiations before they begin.

To conclude, Ladies and Gentlemen, I strongly believe bilateral trade negotiations between the EU and India will further strengthen the already strong traditional links between our two continents and that they will help to anchor the position of services in our economies.

Thank you.
