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on an EU-India Free Trade Agreement
(2008/2135(INI))

Committee on International Trade

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on an EU-India Free Trade Agreement (2008/2135(INI))

The European Parliament,

- having regard to the India-EU Strategic Partnership Joint Action Plan of 7 September 2005, in particular the section on developing trade and investment, and its revised version,
- having regard to the joint statement of the 4th EU-India Business Summit on 29 November 2003 and especially the EU-India Joint Initiative for enhancing trade and investment,
- having regard to the conclusions of the 9th meeting of the India-EU round table in Hyderabad on 18-20 September 2005,
- having regard to the Report of the EU-India High Level Trade Group to the 7th EU-India Summit in Helsinki on 13 October 2006,
- having regard to the joint statement of the 9th EU-India Summit in Marseille on 29 September 2008,
- having regard to the joint statement of the 9th EU- India Business Summit in Paris on 30 September 2008,
- having regard to the World Trade Organisation (WTO) decision on the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) and Public Health adopted on 29 November 2005,
- having regard to its position of 1 December 2005 on the proposal for a regulation of the European Parliament and of the Council on compulsory licensing of patents relating to the manufacture of pharmaceutical products for export to countries with public health problems¹,
- having regard to the Memorandum of Understanding on Bilateral Co-operation between the Office of the Controller General of Patents, Designs and Trade Marks and the European Patent Office, signed on 29 November 2006,
- having regards to the Organisation for Economic Cooperation and Development (OECD) Guidelines on Multinational Enterprises and the International Labour Organisation (ILO) Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy,
- having regard to the Commission communication of 22 March 2006 entitled "Implementing the Partnership for Growth and Jobs: Making Europe a pole of excellence on Corporate Social Responsibility" (COM (2006)0136),

¹ OJ C 285 E, 22.11.2006, p. 79.

- having regard to the OECD Employment Statistics 2008/2007,
- having regard to the Commission communication of 5 February 2008 entitled "A special place for Children in EU External Action" (COM(2008)0055),
- having regard to the 2004 US-India Agreement: "The Next Step Towards a Strategic Partnership" and the Civil Nuclear Deal negotiated during President George W. Bush's State Visit to India on 2 March 2006,
- having regard to its resolution of 4 April 2006 on the assessment of the Doha Round following the WTO Ministerial Conference in Hong Kong¹,
- having regard to the Ministerial Declaration of the Fourth WTO Ministerial Conference, adopted on 14 November 2001 in Doha and in particular its paragraph 44 on Special and Differential Treatment (SDT),
- having regard to the EU-India Energy Summit held in New Delhi on 6 April 2006,
- having regard to the 3rd EU- India Energy Panel on 20 June 2007,
- having regard to its resolution of 29 September 2005 on EU-India relations: A Strategic Partnership²,
- having regard to the study on Human Rights and Democracy Clauses in the EU's International Agreements commissioned by Parliament's Subcommittee on Human Rights³,
- having regard to the Commission communication of 4 October 2006 entitled "Global Europe" Competing in the World. A contribution to the EU's Growth and Jobs Strategy" (COM(2006)0567),
- having regard to the Commission's report on the 2007 Customs seizures of counterfeit goods at the EU's external border published on 19 May 2008,
- having regard the qualitative analysis of a potential Free Trade Agreement (FTA) between the EU and India by the Centre for the Analysis of Regional Integration at Sussex,
- having regard to the Economic Analysis on the economic impact of a potential free trade agreement between the EU and India commissioned by the Centre d'études prospectives et d'informations internationales (CEPII) and the Centre d'initiatives et de recherches européennes en Méditerranée(CIREM) of 15 March 2007,
- having regard to the Global Analysis report and Draft Interim report for the Trade Sustainability Impact Assessment of the FTA between the European Union and the Republic of India conducted by ECORYS,
- having regard its resolution of 28 September 2006 on The European Union's economic

¹ OJ C 293 E, 2.12.2006, p. 155.

² OJ C 227 E, 21.9.2006, . 589.

³ DGExP/B/PolDep/Study/2005/06.

and trade relations with India¹,

- having regard to its resolution of 12 July 2007 on The TRIPS Agreement and access to medicines²
 - having regard to its resolution of 14 February 2006 on the human rights and democracy clause in European Union agreements³,
 - having regard to its resolution of 1 February 2007 on the human rights situation of the Dalits in India⁴,
 - having regard to its resolution of 22 May 2007 on Global Europe - external aspects of competitiveness⁵,
 - having regard to its resolution of 4 September 2008 on Trade in services⁶,
 - having regard to its resolution of 10 July 2008 on allegation of mass graves in Indian-administered Kashmir⁷,
 - having regard to its resolution of 23 September on the preparation of the EU-India Summit (Marseille, 29 September 2008)⁸,
 - having regard the India Country Strategy Paper (2007-2013),
 - having regard to the visit to New Delhi by the European Parliament Delegation in November 2008,
 - having regard to the painfully slow progress of negotiations with the Indian Authorities as compared to the Republic of Korea and even the Association of Southeast Asian Nations (ASEAN),
 - having regard to Rule 45 of its Rules of Procedure,
 - having regard to the report of the Committee on International Trade and the opinions of the Committee on Foreign Affairs and the Committee on Development (A6-0131/2009),
- A. whereas the European Union should continue to give priority to a rule-based multilateral trading system, established through the WTO, which offers the best prospects for fair and equitable international trade by establishing appropriate rules and ensuring compliance with them,
- B. whereas the Doha Development Agenda (DDA) is of crucial importance to both the European Union and India,

¹ OJ C 306 E, 15.12.2006, p. 399.

² OJ C 175 E, 10.7.2008, p. 591.

³ OJ C 290 E, 29.11.2006, p. 107.

⁴ OJ C 250 E, 25.10.2007, p. 87.

⁵ OJ C 102 E, 24.4.2008, p. 128.

⁶ Texts adopted, P6_TA(2008)0407.

⁷ Texts adopted, P6_TA(2008)0366.

⁸ Texts adopted, P6_TA(2008)0455.

- C. whereas political relations with India are based on the 2004 Strategic Partnership, on the 2005 Joint Action Plan adopted at the EU-India Summit in September 2005 and revised at the 9th EU-India Summit in Marseille and on the 1994 Cooperation Agreement; whereas the FTA should build and expand upon the cooperation already foreseen in Article 24 of the Cooperation Agreement,
- D. whereas, the European Union is India's largest source of Foreign Direct Investment (FDI), with EUR 10 900 million invested in 2007; and the European Union accounted for 65% of all FDI flows into India in 2007; and whereas India's FDI into the European Union increased from EUR 500 million in 2006 to EUR 9 500 million in 2007,
- E. whereas India was the European Union's 17th most important trading partner in 2000 and ranked 9th in 2007; whereas between 2000 and 2006, EU trade in goods with India grew by around 80%,
- F. whereas in 2008 the World Bank ranked India 122 (out of 178 economies) in terms of "ease of doing business",
- G. whereas as stated in the 2007/2008 United Nations Development Programme's Human Development Report, India ranks 128 on the Human Development Index (out of 177 countries), 35% of the Indian population lives on less than USD 1 a day and 80% on less than USD 2 a day; whereas India ranks 62nd on the human poverty index for developing countries among 108 developing countries for which the index has been calculated; and whereas India has one of the highest incidences of child labour,
- H. whereas economic imbalances between India's States, and therefore an unbalanced distribution of wealth and national income, require the adoption of sound complementary economic policies, including tax harmonisation and focusing capacity building efforts on the poorest States, enabling them to use funds,
- I. whereas India is the single largest beneficiary of the Generalised System of Preferences (GSP) scheme; whereas the European Union's preferential imports from India reached a value of EUR 11 300 million in 2007 compared to EUR 9 700 million in 2006,
- J. whereas both parties reaffirm their commitment to tariff reductions, further liberalisation of establishment and trade in services; whereas investment should be undertaken carefully and with great care and should be evaluated carefully,
- K. whereas market access needs to be accompanied by transparent and adequate rules and standards to ensure that trade liberalisation is beneficial,
- L. whereas even more account should be duly taken of the elements on recognition, suitable and effective protection, implementation and enforcement of Intellectual Property Rights (IPRs), including patents, trade or service marks, copyright and similar rights, geographical indications (including marks of origin), industrial design and integrated circuit topography,
- M. whereas India is one of the major sources of counterfeit medicines seized by the customs services of the Member States (accounting for 30% of the total); whereas substandard and counterfeit medicines favour drug resistance, and increase morbidity and mortality,

- N. whereas Article 1(1) of the Cooperation Agreement provides for respect for human rights and democratic principles; whereas it constitutes an essential element of the agreement,
- O. whereas according to the 2008 Global Hunger Index, India ranks 66 out of 88 nations (developing countries and countries in transition); whereas the India Hunger Index found that not a single State in India falls in the "low hunger" or "moderate hunger" categories; twelve States fall in the "alarming" category; and four States - Punjab, Kerala, Haryana and Assam - fall in the "serious" category,
- P. whereas the FTA should include binding and enforceable commitments on social and environmental standards and sustainable development and effective implementation of internationally agreed standards in the social and environmental domain as a necessary condition to support the promotion of decent work through effective domestic implementation of ILO core labour standards,
- Q. whereas India hasn't signed the Non Proliferation Treaty; whereas the Nuclear Suppliers Group lifted the embargo on India's nuclear trade and the US- India Nuclear Co-operation Agreement was approved by the US Congress,
- R. whereas a Horizontal Aviation Agreement was signed at the 9th EU- India Summit in Marseille and India ranked 11th in terms of passenger traffic between the EU and non- EU countries; whereas the European Union and India adopted a revised Joint Action Plan extending the strategic partnership of 2005 to new areas, and whereas the European Business and Technology Centre in India has been established,

General Issues

1. Believes that the FTA should be balanced and compatible with WTO rules and obligations; considers that a successful DDA remains the European Union's trade priority, and that negotiations with India on the FTA be thus complementary to multilateral rules;
2. Recalls that the EU-India Strategic Partnership is based on common principles and shared values, as reflected in the 1994 EC-India Cooperation Agreement and the 2005 Joint Action Plan; the new competitiveness-driven FTA should complement the 1994 Cooperation Agreement, to which it should be legally and institutionally linked;
3. Welcomes the outcome of the 9th EU-India Summit and the revised Joint Action Plan; recalls the pledge of the European Union and India to accelerate FTA talks; encourages the negotiating parties to ensure that sufficient time is taken for more thorough consultations with key stakeholders including parliamentarians in India as well as in the European Union, in order to ensure a balanced agreement which takes into account the interests and perspectives of all affected stakeholders;
4. Encourages Indian Federal and State governments to synchronise policies and procedures to allow for potential gains to be maximised;
5. Based on the complementarities of both economies, points to the future potential for an increase in EU-India trade and investment and business opportunities arising from the FTA; considers the EU- India FTA overall as a win-win scenario but recommends that an evaluation be carried out of the existing sector-specificities; furthermore underlines that

the FTA should ensure that increasing bilateral trade brings benefits to the widest number of people and contributes to India's achievement of the Millennium Development Goals (MDGs), including preventing environmental degradation;

6. Encourages the parties also to address the potential disadvantages of the FTA and the ways in which human development and gender equality may be adversely affected by the rapid opening of markets; recognises the right of governments to maintain necessary policy space and regulatory capacities to shape economic and social policies that serve their most vulnerable people, including trade measures to protect weak economic actors;
7. Stresses that an FTA should include a continued monitoring and comprehensive review system, in order to determine the socio-economic impact of the agreement; calls for provisions of the FTA to be adjusted in line with the conclusions of this review;
8. Asks the Commission to include an ambitious sustainable development chapter as an essential part of the FTA and subject to the standard dispute settlement mechanism;

Trade in Goods

9. Welcomes the results of many free trade simulations which show that the FTA would increase overall exports and imports for both the EU and India; stresses that at the existing average growth rate, bilateral trade is expected to exceed EUR 70 700 million by 2010 and EUR 160 600 million by 2015;
10. Notes that India's average applied tariffs have decreased to levels that are now comparable with other countries in Asia, notably, India's average applied tariff which is now 14,5% compared to an EU average of 4,1%;
11. Considers it important that the FTA confirms the provisions of the Agreement on Technical Barriers to Trade and the Sanitary and Phytosanitary Agreement; calls on the Commission in this regard to address outstanding issues such as animal welfare;
12. Notes that India is concerned about the lack of harmonisation of microbiological standards in the EU, the implications of REACH, costly certificates for exporting fruit to the EU and costly conformity procedures for the EC mark, and stresses that these issues must be resolved in the FTA; calls on both parties to ensure that regulation and non-tariff barriers to trade (NTBs) are managed in such a way that overall trade is not hampered; calls on both the European Union and India to work more closely in their different working groups towards a more transparent framework for technical regulations and standards; furthermore calls on the Commission to provide technical assistance to support Indian producers in their efforts to reach EU standards, in particular concerning the health, environmental and social dimensions of production, thus creating win-win situations;
13. Acknowledges that India's standards regime is still evolving; calls on the Bureau of Indian Standards and the Central Drugs Standard Control Organisation to raise their standards in line with international standards and to increase transparency in the formulation of standards by improving their testing and certification procedures; is concerned about the implementation and monitoring of sanitary & phytosanitary measures and standards; calls on the Commission to provide adequate support to strengthen capacity and qualified human resources within Indian regulatory bodies;

14. Stresses that the FTA includes a binding state-to-state dispute settlement mechanism, provisions on mediation on NTBs, on anti-dumping and countervailing duty measures and a general exception clause based on Article XX and XXI of the General Agreement on Tariffs and Trade (GATT);
15. Calls for priority to be given to tariff reductions on Fairtrade and sustainable products through the appropriate amendment of EU custom codes;
16. With the rising volumes of counterfeit goods arriving in the European Union asks that the Indian Authorities allow EU customs inspectors to observe and monitor ships landing in Indian Ports destined for the European Union;

Trade in Services, Establishment

17. Recognises that services are the fastest growing sector of the Indian economy; notes that India has offensive interests in the General Agreement on Trade in Services (GATS) Mode 1 and Mode 4 liberalisation; the European Union would like to complete liberalisation in market access and national treatment in Mode 3 in most services;
18. Points out that service liberalisation must in no way hinder the right to regulate services, and especially to maintain and develop strong public services, an essential element for development, social justice and democracy;
19. Notes that according to the Federation of Indian Chambers of Commerce and Industry bilateral trade in services is expected to exceed EUR 246 800 million by 2015 by the time the FTA in services is implemented;
20. Notes that trade in services between the European Union and India is relatively unbalanced; the EU exports 1.5% of its services to India, while India exports 9,2% of its total exports to the European Union;
21. Encourages India to develop appropriate data protection legislation which would enable India to achieve the status of a country with an adequate level of protection to allow or enable transfer of personal data from the European Union on the basis of and in compliance with EU legislation;
22. Notes that India is the fifth largest telecom services market in the world and that the telecom market has grown at about 25% per year over the last 5 years; in telecoms, welcomes the relaxation of foreign ownership restrictions, but regrets that domestic policy restraints still remain; calls therefore for a relaxation of the licensing restrictions on service providers; and to remove policy uncertainty on tariff and interconnect regimes and stresses the need to replace the old laws governing the sector with new forward looking legislation that incorporates cyber laws and new licensing;
23. Concerning the satellite sector, calls upon India to engage in dialogue with and open its market to EU companies in order to:
 - (a) better support national development objectives and meet ever-increasing domestic demand for direct to home television and broadband services, and

- (b) overcome security concerns about mobile satellite services with new technical solutions that provide national authorities with more than adequate control over mobile satellite communications;
24. Notes the Indian pledge to allow foreign law firms to operate in India; calls on the Commission to explore with Indian authorities the opportunity and the scope of liberalisation of legal services in the FTA;
25. Notes that the full ambition of the FTA cannot be achieved without commitments in Mode 4; stresses that there are huge benefits from nationwide and EU-wide accreditation of professional qualifications and agreements on mutual recognition and licensing requirements within professional services in both the EU and India, which could be easily covered by the FTA; nevertheless requests a thorough analysis on the situation regarding the individual Member States of the European Union;
26. Requests from India a more open approach in granting visas to citizens and business professionals and politicians from the EU Member States with multiple entries and minimum one year duration;

Investment

27. Calls on the Commission to incorporate a chapter on investment in the FTA which could make provision for a system of a single point of information for investors;
28. Welcomes the establishment of the European Business and Technology Centre in New Delhi which aims to enhance business-to-business and technology co-operation between India and the Member States;
29. Recalls that investments need to be accompanied by well-designed rules and regulations; reaffirms in this context its resolution of 13 March 2007 on corporate social responsibility: a new partnership¹ and asks the Commission to make sure that EU-based transnational companies with production facilities in India abide by core ILO standards, social and environmental covenants and international agreements in order to achieve a worldwide balance between economic growth and higher social and environmental standards;
30. Recognises that FTA investment chapters have often come accompanied by commitments to liberalise capital movements and renounce capital controls; asks the Commission to refrain from including such clauses, given the importance of capital controls – especially for developing countries - to mitigate against the impact of the financial crisis;

Public procurement

31. Notes that India is not willing to include public procurement in the FTA;

Intellectual Property Rights, Industrial and Commercial Policy

32. Welcomes India's commitment to a strong IPR regime and to the use of TRIPS flexibilities to meet its public health obligations, particularly in relation to access to medicines; stresses that these negotiations must be compatible with protecting biodiversity

¹ OJ C 301 E, 13.12.2007, p. 45.

and traditional knowledge; calls on the Commission and the Indian authorities concerned to coordinate actions to address effectively the fight against counterfeiting and, in particular, against counterfeit medicines;

33. Calls on the European Union and India to ensure that commitments under the FTA do not preclude access to essential medicines whilst India is developing its capacity from a generic to a research based industry;
34. Welcomes India's commitment to increase the share of its public spending on health and encourages this trend with a view to ensuring adequate access to effective healthcare services, particularly in rural areas;
35. Calls on the European Union and India to jointly fund and support measures and initiatives such as prize funds, patent pools and other alternative mechanisms in order to support access to and innovation in medicines, particularly for neglected diseases;

Trade and Sustainable Development

36. Recognises that a substantial development chapter is an essential part of any FTA and subject to the standard dispute mechanism;
37. Calls on the European Union and India to ensure that trade and FDI are not encouraged at the cost of lowering either environmental standards or core labour, occupational health and safety legislation and standards; ensuring adequate capacity to monitor labour market and environmental developments, including the observance of such standards, is indispensable;
38. Asks for the ratification and effective application of the basic conventions of the ILO;
39. Is concerned about the use of child labour in India, which is very often exploited in unsafe and unhealthy conditions; asks the Commission to address the issue during the negotiations on the FTA and asks the Indian government to maximise its efforts to remove the underlying causes in order to end this phenomenon;
40. Acknowledges the introduction of a new Indian child labour law implemented in 2006 which bans children under 14 from working as domestic servants or on food stalls and calls on the European Union to continue to encourage India to ratify the ILO Convention 182 on the Worst Forms of Child Labour and Conventions 138 concerning the minimum age for admission to employment and 98 on the right to organise and collective bargaining, which would signify a positive step towards the eventual abolition of child labour;
41. Underscores that the European Union should press the Indian government to tackle the issue of bonded labour, which affects millions of people - largely from the Dalit and Adivasi community - in India; observes that it is believed that this issue is not being adequately addressed due to a lack of administrative and political will;
42. Urges the EU to include a provision in its FTA with India which ensures that EU companies making use of Special Economic Zones cannot be exempted from respecting fundamental labour rights or other labour rights based on ILO Conventions that have

been ratified by India;

43. Believes that a mechanism should be established whereby recognised workers' and employers' organisations should be able to submit requests for action, which would be treated within a specified time period, and which would result in ongoing follow-up and review provisions, in order to maintain pressure against violations of workers' rights;
44. Stresses that human rights and democracy clauses constitute an essential element of the FTA; is concerned by the continuing persecution of religious minorities and human rights defenders in India and the current human rights and security situation in Indian Administrated Kashmir;
45. Calls on the Council, the Commission and India to ensure that the FTA is not harmful to disadvantaged groups such as Dalits and Adivasis, and that the potential benefits of the FTA reach all members of society;
46. Welcomes the commitments made by the European Union and India to cooperate in civil nuclear research; notes that India is not a signatory to the Non- Proliferation Treaty (NPT) and was given a waiver by the Nuclear Suppliers Group; calls on India to sign the NPT;
47. Stresses that States with complex societies and economies, which move more and more from bilateral trade agreements to more sophisticated bilateral trade relations must ensure a stable and secure environment in general; is concerned about the lack of security in India; calls on India to take the various minor and severe attacks from various political groups more seriously;
48. Asks that during the next round of negotiations the Commission raises with the Indian authorities the continuing illegal trade in tiger skins with Tibet that threatens the extinction of the Indian tiger;

The European Parliament's role

49. Expects the Council and the Commission to present the FTA for assent of Parliament under Article 300(3) second paragraph of the EC Treaty;
50. Asks the Council and the Commission to confirm India's commitment to negotiating an EU- FTA with the incoming Indian Government post forthcoming General Election;

Other considerations

51. Notes the rapid rise in inflation in India; recognises that, in order for India to remain competitive as a growing trading partner with the European Union, it will require substantial investment in infrastructure and a vast increase in power generation capacity; welcomes the government's plan to spend USD 500 billion in this area over the next five years, and calls on private and public bodies to cooperate fully in this huge project;
52. Welcomes the opening by the Indian Prime Minister of the new Srinagar railway line between Baramulla and Qazigund, which provides many thousands of new jobs for local people; believes that economic initiatives such as this will enhance the prospects of a more prosperous and peaceful future for the Kashmiri people;

53. Welcomes India's progress in becoming a donor as well as a beneficiary of development aid;
54. Values progress in cooperation on research and development, including through the EU-funded Framework Programme; welcomes the large numbers of Indian students studying at European universities through the Erasmus Mundus programme;
55. Points out that, if economic cooperation between the European Union and India is based on the Union's system of universal values, it may set a standard for cooperation with other countries;
56. Welcomes the launching of the special action for EU-India cultural cooperation for the period 2007-2009, especially in the area of education, student exchange, training and inter-cultural dialogue;
57. Expresses concern about rising global commodity prices and their effect on the poorest populations, including in India, which pose a challenge to stable growth and increase global inequalities; calls on the European Union and India to coordinate a comprehensive strategy to tackle this issue in an integrated manner;
58. Welcomes the fact that India has made considerable progress towards universal primary education, improving poverty eradication and increasing access to safe drinking water; notes, however, that India is still off track on most of the health-related MDGs such as infant mortality, maternal health, child malnutrition and reducing malaria, tuberculosis and HIV/AIDS; is concerned that Dalits and Adivasis (indigenous tribes and peoples) experience the least progress towards achieving the MDGs, and continue to face discrimination in relation to access to housing, education, employment and access to health-care and other services;
59. Notes that despite sustained economic growth, vast inequalities still persist, with more than 800 million people surviving on less than USD 2 a day; is particularly concerned about the situation of underprivileged sections of the population, in particular women, children, marginalised groups and victims of discrimination such as the Dalits and Adivasis, and the rural population: stresses the need to ensure that the FTA would not restrict powers needed by the Indian Government to address poverty and inequality; calls on the Council and the Commission to work together with the Indian government to improve the situation of those groups and to examine future cooperation as to their contribution towards ending gender and caste discrimination with reference to its above-mentioned resolution on the human rights situation of the Dalits in India;
60. Stresses that increasing environmental destruction in India is a constantly growing problem with unimaginable economic, social and environmental consequences, particularly for the large number of Indians living in poverty, and thus stresses the particular need for continued EU cooperation with India in this field;
61. Is impressed by the development effects of economic growth in some regions of India and calls on the Commission to support research and the main patterns and underlying national and sub-national policies responsible for such effects, in order to facilitate cross-regional learning and best practices;

62. Considers that the EU must pay special attention to the SMEs sector in India, and therefore suggests that in all development cooperation programmes between the European Union and India, SMEs could be strengthened through measures to help finance market-driven local projects proposed by citizens;
63. Welcomes the emergence of the spread of microcredit throughout India, which has gained recognition as an effective way of creating grassroots-led development;

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64. Instructs its President to forward this resolution to the Council, the Commission and the governments and parliaments of the Member States and of India.

EXPLANATORY STATEMENT

Introduction

India is, due to its size, population growth rate of 2% and dynamic economic growth (8,8% pa) in the past two decades, emerging as a major innovator, developer, as well as producer and exporter of high-technology content goods and services and one of the world's nuclear powers able to influence the course of the global economy and security, giving India greater responsibility in multilateral fora such as the UN, the WTO or the International Atomic Energy Agency, and within regional organisations in Asia.

The European Union is the world's biggest economic bloc and India the world's second most populous nation. The EU is India's top foreign investor and biggest trading partner. The two share many economic philosophies and objectives. **Forging an economic alliance is therefore vital to both.** The EU-India action plan recognises this important facet of their relationship and, to that end, India and the EU are successfully pursuing joint initiatives to promote cooperation in a number of important areas that include trade and investment.

General issues

Following the recommendation of the High Level Trade Group in 2006, the European Union and India launched in June 2007 negotiations for a comprehensive Free Trade Agreement (FTA).

The FTA with India forms part of the Commission's Global Europe strategy and, together with similar negotiations involving Korea and the countries of ASEAN, serves as stepping stone, not a stumbling block for multilateral liberalisation.

This report calls for a conclusion of a comprehensive, ambitious and balanced FTA between the EU and India which will improve market access for goods and services, covering substantially all trade, including provisions on regulatory transparency in areas relevant for mutual trade and investment, including standards and conformity assessment, SPS, IPR including enforcement, trade facilitation and customs, public procurement, and trade and competitions, as well as trade and development and human rights clause as an essential element of the FTA.

It also recognises that both the EU and India should continue to give priority to a rule-based multilateral trading system, established through the WTO which offers the best prospects for fair and equitable international trade by establishing appropriate rules and ensuring compliance with them.

Trade in Goods

Between 2000 and 2007, the EU trade in goods with India more than doubled in values; exports rose from €13.7 bn to € 29.5 bn, while imports increased from €12.8 bn to €26.3 bn. India accounted in 2007 for 2.4 % of EU exports and 1.8% of EU imports, and was the EU 's 9th most important trading partner.

It is important that FTA confirms the provisions of the WTO Agreement on Technical Barriers to Trade, establishes provisions that facilitate access to each other's markets, and includes provisions on the adoption of recognised international standards referring to the general principles such as proportionality, undue restrictions, transparency and non-discrimination.

The agreement should also include provisions referring to general principles of the WTO Agreement on the Application of Sanitary and Phytosanitary measures.

In this regard, the rapporteur calls on the Commission to address outstanding issues such as animal welfare. The rapporteur points out that measures needed for health protection and sanitary and phytosanitary restrictions should not be used to shield domestic producers of agricultural products from economic competition.

The rapporteur recognises that India's standards regime is evolving and the Bureau of Indian Standards has come a long way but stresses that its functioning still needs to be improved by raising its standards in line with international standards and improving the transparency.

Trade in Services, Establishment

Services are the fastest growing part of Indian economy. India has offensive interests, particularly, in GATS mode 1 (call centres, down the line software engineering) and mode 4 (business visas, software engineers, accountants, lawyers in both directions) liberalisation, and that the EU would like to complete liberalisation in market access and national treatment in mode 3 in most services, removal of FIPB approval and allowing wholly-owned subsidiaries in the financial sector.

In general, India's services suffer from a range of horizontal barriers such as archaic laws and therefore the challenge for the FTA is not only to accelerate liberalisation in India's services sectors, but also to facilitate the implementation of a range of complementary reforms designed to improve the quality of regulation.

India's service sectors could be grouped into **three categories** - first, sectors that have seen substantial liberalisation and face no explicit barriers (computer related services and telecom), second, sectors that are moderately liberal with a few explicit barriers (construction, health, education, insurance, distribution, banking and other financial services), and third, those that remain largely closed to foreigners (legal services and accountancy).

India occupies a leading position in the export of a wide range of services through **Mode 1**, and in addition being a leading supplier of traditional IT Services. India is now becoming a major exporter of BPO services. The rapporteur notes also that in Mode 1, commitments have already been made in professional, computer and related health and education, tourism, financial data transfer and other business services.

The rapporteur considers that India might be thus looking at increasing the coverage of sub-sectors to research & development, dental and health related sectors and telephone-based sectors.

According a recent study by Boston Consulting, 6 million jobs and revenue worth €109,2 bn be generated by 2020 via Mode 1. This reflects the importance of this Mode of service

delivery for India and that this issue has to be addressed in the FTA.

The rapporteur points out that full ambition of the FTA can not be achieved without MODE 4 - which currently faces a range of barriers like visa formalities, prohibitions, wage-parity conditions, discriminatory treatment and non-recognition of professional qualifications. The elimination of these impediments would generate gains not just for India but also for the importing EU Member States (MS). The rapporteur urges MS that in Mode 4, the issue is that of making effective access possible, the mutual recognition of qualifications and licensing requirements, as well as the increasing sectoral coverage in Mode 4, the duration of stay and the avoidance of double taxation on social security benefits of Indian services professionals abroad. The rapporteur considers it a sensitive issue for the EU Member States and unlikely to yield much, though stresses that there are huge benefits.

Investment

The EU is an important source of FDI for India, accounting for about 20 % of total India's FDI flows, and that India's cumulative direct investments in joint ventures and wholly owned subsidiaries in the EU (from April 1996 to 2006/2007) were € 4315.87 million, making it the largest destination of overseas investment of India; **investment** flows between the EU and India have been rising despite the fact that India's investment regime still deters many EU companies from investing in India.

The rapporteur notes that India has already signed bilateral Investment and Protection Agreements with 18 EU MS.

He calls on the Commission to incorporate a chapter on investment in the FTA being its significant part but not necessarily replacing existing bilaterals, and enabling thus the process of investing in each others markets much smoother by promoting and protecting investment deals. He proposes that such an investment agreement could provide for setting up a system of single point information for investors of both economies explaining them the differences in investment rules and practices and providing information on all legal aspects.

Public Procurement

Unlike the EU, India is not a signatory to the current Agreement on Government Procurement and thus not subject to the latter's disciplines, however is not opposed to an agreement on transparency in government procurement. There are areas of concern to India like "national treatment" requirement, the definition and the scope of government procurement and the issue of procurement methods. The rapporteur considers it important that FTA includes a set of binding rules including adequate transparency provisions that support the setting up of effective and transparent procurement systems.

Trade and Competition

The rapporteur welcomes that India has just adopted a new competition law, whose wording has been widely welcomed but stresses that the assessment of its enforcement can't be done, since it is yet to be implemented. He believes that the EU should incorporate wording based on Articles 81 and 82 TEC in the FTA to secure commitment on competition policy. He

further notes that an effective and transparent competition regime and the cooperation agreement could be useful in tackling abuse of dominance exercised by incumbent firms.

Intellectual Property Rights, Industrial and Commercial Policy

India has strengthened its intellectual property rights regime in recent years and has Agreement on Trade-Related Intellectual Property Rights compliant laws in place. India has also shown firm commitment to ensuring a strong **IPR regime**. However there are still some controversies about a few of the IPR provisions and concerns about its implementation and enforcement regime.

There is a need to ensure effective implementation of IPR laws, train and build capacity of IPR officials, enable law enforcement agencies and the judiciary to prevent and punish IPR infringements, and modernise of IPR offices.

In this regard, a positive initiative is the Commission's intention to introduce TIDP II, as a follow up of TIDP (Trade and Industry Development Project), whose aim, in IPR is to provide training in IPR enforcement and awareness-raising in order to protect businesses and consumers.

The rapporteur welcomes the joint work programme on co-operation between the parties in the field of patents, in particular regular consultations at expert level about the patent grant procedure and training and human resource development.

Trade and Sustainable Development

It is important that the free trade agreement recognises that **sustainable development** is an overarching objective of the EU and India and it aims at ensuring and facilitating respect of international environmental and social agreements and standards.

Both the EU and India have to ensure that foreign direct investment are not encouraged by lowering environmental, core labour or occupational health, safety legislation and standards.

Human rights and democracy clauses constitute an essential element of the FTA. At the EU-India Summit in Marseille, the EU and India reaffirmed their commitments to strengthen their consultations in the United Nations Human Rights Council and sustain their dialogue on human rights with a view to promoting the universality of human rights; However concerns remains over the continuing persecution of religious minorities, human rights defenders in India and extrajudicial killings and unmarked mass graves in the Indian Administrated Kashmir. The rapporteur calls on the Indian Government to grant access for the UN Special Rapporteurs to investigate these mass graves.

The EP role

The rapporteur considers that the legitimacy and public acceptability of an agreement requires that Parliament be closely involved in each stage of the negotiations and be given the chance to express its view on the acceptability of the negotiated text. He expects the Commission and the Council to seek to present the agreement in a form that would require the assent of the Parliament under Article 300(3) second paragraph of the TEC.

9.12.2008

OPINION OF THE COMMITTEE ON FOREIGN AFFAIRS

for the Committee on International Trade

on an EU-India free trade agreement
(2008/2135(INI))

Rapporteur Charles Tannock

SUGGESTIONS

The Committee on Foreign Affairs calls on the Committee on International Trade, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Reiterates the importance of a strategic partnership between the EU and India, a partnership firmly based not only on close economic relations but also on shared values of democracy and human rights, fundamental freedoms, pluralism, the rule of law and multilateralism; welcomes India's commitment, shared by the EU, to combating terrorism and promoting international peace and security; condemns the horrendous attacks perpetrated on 26 November in Mumbai, the commercial capital of India; calls on India to introduce immediately measures to improve the security of all its citizens and foreign visitors and to bring to justice all those involved in this atrocity; calls on the EU and Member States to cooperate with India in the investigation into the attacks;
2. Believes that, over the longer term, India will only grow in attractiveness as a trading partner and will increase its geopolitical importance; welcomes, therefore, the commitment, expressed during the ninth European Union-India Summit held in Marseille on 29 September 2008, to further develop political exchanges and cooperation between the EU and India;
3. Notes the rapid rise in inflation in India; recognises that, in order for India to remain competitive as a growing trading partner with the EU, it will require substantial investment in infrastructure and a vast increase in power generation capacity; welcomes the government's plan to spend USD 500 billion in this area over the next five years, and calls on private and public bodies to cooperate fully in this huge project;
4. Notes the India-US civil nuclear partnership agreement and the Nuclear Suppliers Group waiver, which enables other nations to cooperate with India on nuclear issues and opens the way for EU firms to compete in India's nuclear energy market; stresses that this

waiver reaffirms India's commitment to non-proliferation;

5. Welcomes the opening by the Indian Prime Minister of the new Srinagar railway line between Baramulla and Qazigund, which provides many thousands of new jobs for local people; believes that economic initiatives such as this will enhance the prospects of a more prosperous and peaceful future for the Kashmiri people;
6. Welcomes India's progress in becoming a donor as well as a beneficiary of development aid;
7. Welcomes the existence of an annual EU-India human rights dialogue but is concerned about the slow pace at which India is implementing ILO labour standards, particularly in connection with child labour and bonded labour; calls on India to do more to improve the treatment of women, and to deal with the issue of the death penalty and the persecution of, and discrimination against, religious minorities, for example the treatment of Christians in Orissa and elsewhere;
8. Values progress in cooperation on research and development, including through the EU-funded Framework Programme; welcomes the large numbers of Indian students studying at European universities through the Erasmus Mundus programme;
9. Calls on the Commission to give due weight in its FTA negotiations to human rights considerations, to non-tariff barriers, to ongoing restrictions on foreign direct investment in important sectors and to intellectual property rights;
10. Points out that, if economic cooperation between the EU and India is based on the Union's system of universal values, it may set a standard for cooperation with other countries.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	2.12.2008
Result of final vote	+: 43 -: 2 0: 5
Members present for the final vote	Angelika Beer, Bastiaan Belder, Elmar Brok, Colm Burke, Marco Cappato, Philip Claeys, Véronique De Keyser, Giorgos Dimitrakopoulos, Michael Gahler, Jas Gawronski, Klaus Hänsch, Jana Hybášková, Anna Ibrisagic, Ioannis Kasoulides, Maria Eleni Koppa, Joost Lagendijk, Vytautas Landsbergis, Johannes Lebech, Francisco José Millán Mon, Pasqualina Napoletano, Annemie Neyts-Uyttebroeck, Vural Öger, Ria Oomen-Ruijten, Alojz Peterle, Tobias Pflüger, Samuli Pohjamo, Bernd Posselt, Raúl Romeva i Rueda, Christian Rovsing, Flaviu Călin Rus, José Ignacio Salafranca Sánchez-Neyra, Jacek Saryusz-Wolski, György Schöpflin, Charles Tannock, Inese Vaidere, Geoffrey Van Orden, Ari Vatanen, Marcello Vernola, Jan Marinus Wiersma, Zbigniew Zaleski, Josef Zieleniec
Substitute(s) present for the final vote	Laima Liucija Andrikienė, Árpád Duka-Zólyomi, Martí Grau i Segú, David Hammerstein, Pierre Jonckheer, Tunne Kelam, Evgeni Kirilov, Alexander Graf Lambsdorff, Erik Meijer

11.12.2008

OPINION OF THE COMMITTEE ON DEVELOPMENT

for the Committee on International Trade

on An EU-India Free Trade Agreement
(2008/2135(INI))

Rapporteur: Filip Kaczmarek

SUGGESTIONS

The Committee on Development calls on the Committee on International Trade, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Welcomes the fact that the EU and India committed themselves to strengthening their consultations in the United Nations Human Rights Council and sustaining their dialogue with a view to promoting the universality of human rights at the ninth India-EU Summit on 29 September 2008, as reflected in the published Joint Action Plan; underlines the importance of not separating the developing trade relations between the EU and India from human rights reforms in India, and commends their expansion to include research and cooperation in the areas of decent work, sustainable development and climate change;
2. Welcomes the launching of the special action for EU-India cultural cooperation for the period 2007-2009, especially in the area of education, student exchange, training and inter-cultural dialogue;
3. Expresses concern about rising global commodity prices and their effect on the poorest populations, including in India, which pose a challenge to stable growth and increase global inequalities; calls on the EU and India to coordinate a comprehensive strategy to tackle this issue in an integrated manner;
4. Welcomes the fact that India has made considerable progress towards universal primary education, improving poverty eradication and increasing access to safe drinking water; notes, however, that India is still off track on most of the health-related Millennium Development Goals (MDGs) such as infant mortality, maternal health, child malnutrition and reducing malaria, tuberculosis and HIV/AIDS; is concerned that Dalits and Adivasis (indigenous tribes and peoples) experience the least progress towards achieving the MDGs, and continue to face discrimination in relation to housing, education, employment

and access to health-care and other services;

5. Notes that despite sustained economic growth, vast inequalities still persist, with more than 800 million people surviving on less than USD 2 per day; is particularly concerned about the situation of underprivileged sections of the population, in particular women, children, marginalised groups and victims of discrimination such as the Dalits and Adivasis, and the rural population: stresses the need to ensure that the Free Trade Agreement would not restrict powers needed by the Indian Government to address poverty and inequality; calls on the Commission and the Council to work together with the Indian government to improve the situation of those groups and to examine future cooperation as to their contribution towards ending gender and caste discrimination with reference to its resolution of 1 February 2007 on the human rights situation of the Dalits in India;
6. Stresses that increasing environmental destruction in India is a constantly growing problem with unimaginable economic, social and environmental consequences, particularly for the large number of Indians living in poverty, and thus stresses the particular need for continued EU cooperation with India in this field;
7. Is impressed by the development effects of economic growth in some regions of India and calls on the Commission to support research and the main patterns and underlying national and sub-national policies responsible for such effects, in order to facilitate cross-regional learning and best practices;
8. Considers that the EU must pay special attention to the small to medium-sized enterprise (SME) sector in India, and therefore suggests that in all development cooperation programmes between the EU and India, SMEs could be strengthened through measures to help finance market-driven local projects proposed by citizens;
9. Welcomes the emergence of the spread of microcredit throughout India, which has gained recognition as an effective way of creating grassroots-led development;
10. Calls for EU-India cooperation in the area of employment and social policy to be focused on the problems of labour discrimination against women, forced labour and child labour - given the fact that India has one of the largest numbers of child labourers in the world at approximately 150 million - in order to observe the basic International Labour Organisation (ILO) labour standards and avert social dumping;
11. Acknowledges the introduction of a new Indian child labour law implemented in 2006 which bans children under 14 from working as domestic servants or on food stalls and calls on the EU to continue to encourage India to ratify ILO Convention 182 on the Worst Forms of Child Labour and Conventions 138 concerning the minimum age for admission to employment and 98 on the right to organise and collective bargaining, which would signify a positive step towards the eventual abolition of child labour;
12. Urges the Commission to insist, in the negotiations on a Free Trade Agreement, on a chapter on sustainable development establishing legally binding and enforceable minimum social and environmental standards;

13. Underscores that the EU should press the Indian government to tackle the issue of bonded labour, which affects millions of people - largely from the Dalit and Adivasi community - in India. It is believed that this issue is not being adequately addressed due to a lack of administrative and political will;
14. Urges the EU to promote greater corporate responsibility among EU-based companies investing and trading with India, including their obligation to respect labour and human rights and protect the environment, and at the same time urges that an agreement be reached with the Indian government to set up an effective system for monitoring workers' rights, effective measures to ensure non-discrimination and minimise environmental impact in all business operations in which EU-based companies in India are involved;
15. Urges the EU to include a provision in its Free Trade Agreement with India which ensures that EU companies making use of Special Economic Zones cannot be exempted from respecting fundamental labour rights or other labour rights based on ILO Conventions that have been ratified by India.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	8.12.2008
Result of final vote	+: 16 -: 0 0: 0
Members present for the final vote	Margrete Auken, Alessandro Battilocchio, Josep Borrell Fontelles, Danutė Budreikaitė, Marie-Arlette Carlotti, Nirj Deva, Fernando Fernández Martín, Juan Fraile Cantón, Alain Hutchinson, Glenys Kinnock, Maria Martens, Gay Mitchell, Horst Posdorf, Frithjof Schmidt, Jürgen Schröder, Johan Van Hecke
Substitute(s) present for the final vote	Miguel Angel Martínez Martínez, Manolis Mavrommatis, Csaba Óry, Renate Weber
Substitute(s) under Rule 178(2) present for the final vote	Fernando Fernández Martín, Francesco Ferrari, Zita Gurmai, Emilio Menéndez del Valle, Ramona Nicole Mănescu, Justas Vincas Paleckis, Leopold Józef Rutowicz

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	5.3.2009
Result of final vote	+: 9 -: 3 0: 6
Members present for the final vote	Kader Arif, Francisco Assis, Françoise Castex, Glyn Ford, Jacky Hénin, Marusya Ivanova Lyubcheva, Erika Mann, David Martin, Georgios Papastamkos, Peter Šťastný, Gianluca Susta
Substitute(s) present for the final vote	Ole Christensen, Albert Deß, Sajjad Karim, Zbigniew Zaleski
Substitute(s) under Rule 178(2) present for the final vote	André Brie, Timothy Kirkhope, László Surján