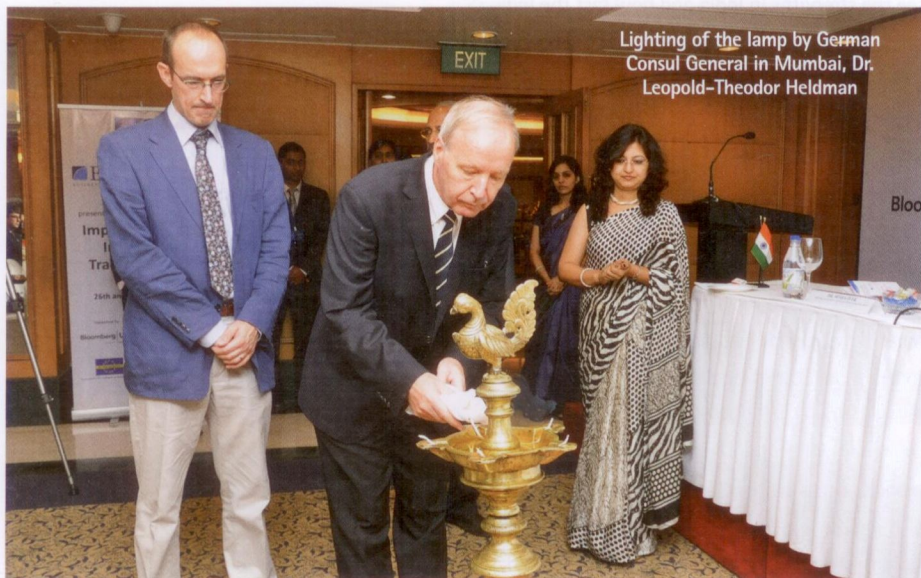


"The Implications of the Indo-EU Free Trade Agreement"

The Centre for European Business Studies (CEBS), a collaboration between S.P. Jain Institute of Management & Research, Mumbai (SPJIMR) and ESBS Business School, Reutlingen, hosted its first ever conference titled "The Implications of the Indo-EU Trade Agreement" on 26th and 27th November 2010. CEBS could not have timed their conference better: David Osalivan – Secretary General of EU Commission and Pascal Lamy, Director-General, World Trade Organization (WTO) recently visited India and the ninth round of negotiations on FTA between India and the EU was held on 10th December 2010 in Brussels.



Lighting of the lamp by German Consul General in Mumbai, Dr. Leopold-Theodor Heldman

So, where exactly does the Indo-EU FTA stand? What are its major stumbling blocks? And how does one convince the Indian public and parties of the need of an FTA? These as well as many more questions were put forth to the eminent panelists at the inaugural panel discussion based on the topic "Towards a Smoother Transition to the Indo-EU Trade Agreement (FTA)", which was chaired by the Director General of the IGCC, Bernhard Steinrücke, The panelists comprised of Marc Llistosella, MD & CEO, Daimler India Commercial Vehicles Pvt. Ltd., Peter Young, Counsellor, Head of Trade and Economic Affairs, Delegation of the European Union to India, Tobias Unkelbach, Director, Association of German Banks and Manab Majumdar, Asst. Secretary General, FICCI, who engaged in friendly discussions and gave some candid opinions and suggestions on the current Indo-EU FTA scenario.

Mr. Young used an old metaphor to summarize how the FTA negotiations were going, "Nothing is agreed until everything is agreed". However, this is not to say that no progress has been made – like the respective opening of at least 90% of tariff on trade in the context of the agreement. The points still under discussion are: What might

be the "Add Ons" and "Additional Flexibility & Liberalization". In areas like competition, trade defense and facilitation, the legal 'cleaning & scrubbing' is largely completed. The two major hurdles are the "Non Tariff Barriers" and the "Standards & Procedures" adapted in the EU and vice versa in India for various products and services. But the good news is that the December Summit would have given the FTA negotiations a much needed push in the right direction. It was essentially stock-taking at a political level of the progress made and the opportunity to maintain the momen-

tum of negotiations by giving clear instructions or guidance for the work in the coming months. The summit's aim was to establish the contours of a deal for the agreement and put the negotiations on the final track for completion of the negotiating process in the first half of the next year. This time frame, according to Mr. Young, is realistic but it still requires a lot of work. However, with both the sides equally committed to reaching a final FTA agreement, the given timeline should be achievable.

India's entry into FTA agreements is late compared to other countries and hence everything was new to policy makers, industries and businesses. The first one India signed with Sri Lanka, sometime in 2000, established more or less the "blueprint" for future FTA negotiations. One particular aspect of an FTA was especially an "eye-opener" for India – the "Rule of Origin". This essentially sets the eligibility norms & parameters for export/trade between the two countries, wherein any third country or non-partner country is excluded from any benefits from the FTA agreement between these two countries. Today India has a limited FTA agreement with Thailand and Singapore and major ones with ASEAN and Korea (as of 01.2010) and is currently negotiating with Japan and the EU. Looking at all these fac-



(l-r) Marc Llistosella, MD & CEO, Daimler India Commercial Vehicles Pvt. Ltd.; Peter Young, Counsellor, Head of Trade and Economic Affairs, Delegation of the European Union to India; Bernhard Steinrücke, Dir. Gen., IGCC; Tobias Unkelbach, Dir., Association of German Banks and Manab Majumdar, Asst. Secy.Gen., FICCI

Cooperation

tors one should have patience. This honest admission was Mr. Majumdar's response to the Chair's provocative statement that India has difficulties in taking negotiations forward due to the high politicization of issues, which makes the Indian public react negatively towards an agreement and thereby causing the collapse of the negotiation. This happened for example during the WTO negotiations in Doha. In view of this development, it would not be unrealistic to say that the Indo-EU FTA may take "years" to be signed. But once an agreement is inked, the trade between India and the EU will rise from the current USD 90 billion to USD 572 billion by 2015 (if the USD remains stable) as per a FICCI study. This shows that it would be of mutual interest to have an Indo-EU FTA at the earliest.

But no agreement is without teething problems. With the EU-India FTA, one of its main issues is "Non-Tariff Barrier" - an issue which was high on the agenda during the recently held FTA meeting. And according to news reports, the EU as well India have made positive steps towards ironing out the hurdles so that an EU-India FTA becomes a reality by mid 2011.

So what exactly is the issue behind non-tariff barriers? Taking the service sector as an example there are intensive discussions on both sides with respect to objectives & expectations. The EU is interested in having a fair understanding on the possibility of participation in the Indian markets such as financial services and others. The Indian side on the other hand is interested to push and is pushing the EU for greater clarity and openness in areas such as cross border provision of services by BPOs and other Indian entities based here.

At this point Mr. Llistosella, representing one of the most "booming" sectors in India - the automobile sector - was asked to share his company's experiences in India and his thoughts of the EU-India FTA. Today "Daimler Trucks" is the largest German investor in India with an investment to the tune of € 700 million. It has even trumped Volkswagen's € 580 million investment. "For me, the FTA is a contract between two nations, two groups and two economic zones. Daimler is a global organization. As a global player, you can't

ask for any country specific solutions, you just have to be interested in free trade."

"Our investment (in Chennai plant) would stay even after the FTA is signed, and I believe that this would have happened even if the FTA was in existence at the time of this investment. We see the strengths in India and how fast the Indians pick up high and latest technologies. So instead of being scared of a free trade market, it should be always perceived as a challenge and also as an opportunity."

These very sentiments were shared, Mr. Unkelbach, the representative from another powerful service sector - banking. On the wish list of the banking as well as insurance sector with respect to the Indo-EU FTA are: more access and openness. "If these are made available then there is tremendous potential in terms of India gaining market access in the EU and vice versa. This would also enable a cross border exchange of professionals, students and qualified labour," he said.

According to Mr. Majumdar, the fear that an FTA would take away domestic jobs is completely unfounded as it opens up new markets and therefore new avenues for job seekers. In terms of the whole non-tariff barrier issue, his take is that as long as EU clubs non-trade issues like child labour in such discussions, it will be difficult to make any progress on this front. He is well aware of the existing difficulties but feels optimistic about overcoming them. One step towards achievement would be getting some regulations say among the 27 member states harmonized. But that would not solve all the problems. The issue is to find out practical and doable solutions. "Nobody on this earth really questioned the need for any scientifically based hygiene and safety requirements. But when in few cases those were twisted to use as a protectionist measure, then it really impacts the

solution to the problem". Basically there is a divergence of standards. In terms of market access, the key stumbling block is the problem of mutual recognition of each other's testing and certification. The right way to approach these issues is through a one window solution in order to reach a mutually respectable solution, he said.

The session concluded with discussions moderated by Mr. Steinrücke on how to prepare the Indian as well as EU public to be ready for more openness, more market access, more competition - in a nutshell be ready for an EU-India FTA, and how to inform them about the benefits of a free trade agreement. To this, Mr. Majumdar said that it was the duty of organizations like FICCI to inform its stakeholders, constituencies and companies with no politics involved, because "we are not politicians - we are business. We are trying to develop through our modest efforts, a kind of consensus and a general opinion in favour of open trade, more liberalized trade and a sort of calibrated globalization process driven by a careful but at the same time an open mind."

About CEBS

SPJIMR, Mumbai and the ESB Business School, Reutlingen University, Germany have collaborated to establish a Centre for European Business Studies (CEBS), the only European Union (EU) funded Centre for European business studies in India. CEBS was inaugurated by the EU Commissioner Günther Oettinger. It intends to enhance Indo-European understanding academic exchange & business awareness. A full time joint MBA programme in International Management (IM) is a step in this direction.

S.P. Jain Institute of Management & Research (SPJIMR), a constituent of Bhartiya Vidya Bhavan has been consistently rated among the top 10 B-Schools in India.

ESB Business School ranks among the top International Business Schools in Germany and is a German State University offering business programmes for over 40 years. It is also one of Europe's largest business schools.

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