



India-EU Trade and Investment Agreements

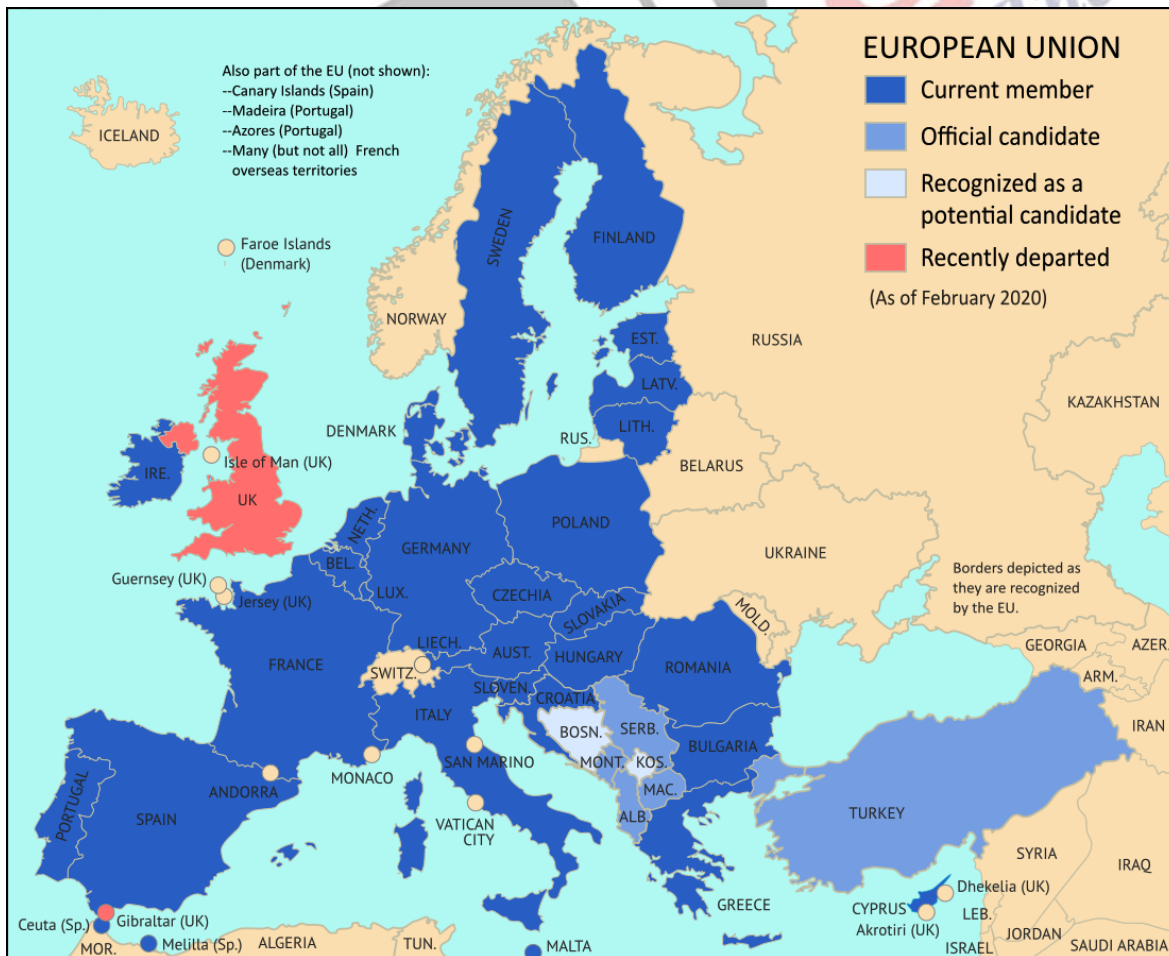
For Prelims: Free Trade Agreement, Data Secure, Non-tariff barriers, India-EU Summit, European Union, Most Favored Nation

For Mains: India-EU Trade and Investment Agreements, Issues leading to Deadlock

Why in News?

Recently, **India and the European Union** concluded the first round of negotiations for India-EU Trade and Investment Agreements in New Delhi.

- **52 technical sessions** covering **18 policy areas** of the **free trade agreement** and **7 sessions** on **Investment Protection** and **Geographical Indicators** were held.
- The **second round of negotiations** is scheduled to take place in **September 2022 in Brussels**.



What is India-EU Trade and Investment Agreements?

▪ About:

- India and EU had launched talks for having a wide-ranging [Free Trade Agreement \(FTA\)](#), officially called broad-based BTIA, long ago in 2007.
- The BTIA was proposed to encompass trade in goods, services and investments.
 - However, the talks stalled in 2013 over differences on market access and movement of professionals.

▪ Scope:

- **India's bilateral trade with the European Union** amounted to over **116 billion dollars in 2021-22.**
- **Despite the global disruptions, bilateral trade achieved impressive annual growth of more than 43% in 2021-22.**
- Currently, the **European Union is India's second-largest trading partner after the US, and the second-largest destination for Indian exports.**
- The EU's share in foreign investment inflows to India has more than doubled from 8% to 18% in the last decade, making the **EU the first foreign investor in India.**

What are the Related Challenges?

▪ Most Favoured Nation:

- EU investment treaty practice illustrates its keenness to include the [Most Favored Nation \(MFN\)](#) provision in its investment treaties.
 - **India is averse to including the MFN provision** in investment treaties.

▪ Fair and Equitable Treatment:

- EU's practice is to include in its investment treaties the **Fair and Equitable Treatment (FET) provision.**
 - FET is an important substantive protection feature that enables foreign investors to hold States accountable for arbitrary behavior.
 - The FET provision is missing in [India's Model Bilateral Investment Treaty](#) and the recent investment treaties that India has signed.

▪ Multilateral Investment Court:

- EU has been battling for a Multilateral Investment Court (MIC) to reform the existing arbitration-based Investor-State Dispute Settlement (ISDS) system.
 - Yet, India's official position on MIC is unknown. India hasn't contributed to the ongoing negotiations towards establishing a MIC, which is perplexing for a country that champions a rules-based global order.

▪ Non-Tariff Barriers:

- **Presence of non-tariff barriers on Indian agricultural products in the form of sanitary and phyto-sanitary (SPS) measures** which are too stringent and enable the EU to bar many Indian agricultural products from entering its markets.
- The **non-tariff barriers in pharmaceuticals that the EU has imposed** include requirements of [World Trade Organisation](#)- Good Manufacturing Practice certification, import bans, antidumping measures and pre-shipment inspection among others.

What is European Union?

▪ About:

- The European Union is a **group of 27 countries that operate as a cohesive economic and political block.**
- **19 of these countries use EURO as their official currency.**
 - **8 EU members (Bulgaria, Croatia, Czech Republic, Denmark, Hungary, Poland, Romania and Sweden) do not use the euro.**
- The EU grew out of a desire to form a single European political entity **to end centuries of warfare among European countries that culminated with World War II** and decimated much of the continent.
- The EU has developed an **internal single market through a standardised system of laws** that apply in all member states in matters, where members have agreed to act as

one.

▪ **Significance of EU for India:**

- The EU works closely with India to **promote peace, create jobs, boost economic growth and enhance sustainable development** across the country.
- As **India graduated from low to medium income country (OECD 2014)**, the **EU-India cooperation also evolved from a traditional financial assistance type towards a partnership with a focus on common priorities.**
- At the 2017 **EU-India Summit**, leaders reiterated their intention to strengthen cooperation on the implementation of the **2030 Agenda for Sustainable Development** and agreed to explore the continuation of the **EU-India Development Dialogue.**

Way Forward

- **Geo-Economic Cooperation:** India can pursue EU countries to engage in Indo-pacific narrative, geo-economically if not from security prism.
 - It can mobilise massive economic resources for sustainable development of regional infrastructure, wield political influence and leverage its significant soft power to shape the Indo-Pacific discourse.
- **Finalisation of Indo-EU BTIA Treaty:** India and the European Union have been negotiating a free trade deal, but it is pending since 2007.
 - Therefore, for closer convergence between India and the EU, both should engage in finalisation of the trade deal as soon as possible.
- **Collaborating With Important Players:**
 - **India's partnership with France** now has a strong regional anchor in the Indo-Pacific narrative.
 - India is also engaged in negotiations for **a trade pact with the UK.**

Source: PIB

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