



Mains Practice Question

Q. Evaluate the India-EU Free Trade Agreement negotiations, particularly regarding carbon border taxes and quality control orders, and their impact on bilateral economic relations. **(250 words)**

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Approach

- Briefly introduce the India-EU Free Trade Agreement (FTA) negotiations and the significance of carbon border taxes and quality control orders.
- Examine the EU's carbon border tax proposal and quality control orders (QCOs), their impact on India, and how these issues affect India-EU trade relations and diplomatic ties.
- Conclude suitably.

Introduction

India and the European Union (EU) are negotiating a **long-pending Free Trade Agreement (FTA)** with an aim to conclude it by 2025. However, **non-tariff issues** like EU's proposed **Carbon Border Tax (CBTs)** and India's expanding **Quality Control Orders (QCOs)** have emerged as significant points of contention, influencing the trajectory of bilateral trade and diplomatic engagement.

Body

Carbon Border Taxes (CBTs):

- **EU Proposal:** It is a tariff on **carbon-intensive imports to the EU**, aimed at preventing carbon leakage.
 - Indian economic sectors like **steel, aluminum, cement, and fertilizers**, which are energy-intensive and heavily coal-dependent, would face increased export costs. This could undermine India's price competitiveness in the EU market.
- **India's Concerns:** CBAM is seen as a **non-tariff barrier** that disproportionately affects developing countries.
 - India advocates a just and equitable transition, **seeking differentiated responsibilities** under climate frameworks.

Quality Control Orders (QCOs):

- According to the **Ministry of Consumer Affairs**, **QCOs aim** to protect public safety, environmental health, and prevent unfair trade practices.
 - India has notified 187 QCOs, covering 769 products for mandatory BIS certification.
 - These cover sectors including **electrical appliances, machinery, chemicals, and more.**
- **Impact on EU Exports:** EU exporters face compliance burdens due to India's expanding QCO regime.
 - Especially affected sectors include electronics, pharmaceuticals, and industrial machinery.
- **India's Response:** India believes that these quality checks, while important for consumer safety,

could act as **non-tariff barriers** that limit access to the European market.

- India seeks to negotiate more **flexible standards** and **mutual recognition agreements (MRAs)** on quality to facilitate smoother trade between the two regions.

Impact on Bilateral Economic Relations:

Opportunities:

- **QCOs** can improve India's product standards, making them **globally competitive**.
 - A prime example is **Japan**, where strict internal regulations and robust quality control have led to the development of **globally recognized brands** like Toyota.
 - Aligning with CBT may boost **India's green credentials** and open climate-tech cooperation with the EU.
- With a **stable regulatory framework** and improved market access, EU companies may be more inclined to invest in India, particularly in sectors like **renewable energy, technology, and manufacturing**.

Short-term Strain:

- CBAM and QCOs act as **regulatory hurdles**, slowing down FTA progress. Increased **compliance costs** for both Indian exporters and EU manufacturers.
- The EU seeks supply chain **diversification from China**, India is a key candidate. However, **unresolved regulatory barriers** could redirect investment elsewhere.

Conclusion

While these non-tariff barriers may delay the agreement, they also provide a platform for both parties to address broader concerns related to **sustainability, trade fairness, and global competitiveness**. A balanced approach to these concerns will determine the future trajectory of India-EU economic relations.