

## Government &amp; Politics

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# Yet another delay

Eurozone crisis leads to further delay in the India-EU trade pact



PM with top EU officials: to sign or not to sign?

Sometimes, governments work in transparent ways. On the eve of the 12th India-EU summit in New Delhi, the government announced the appointment of commerce secretary Rahul Khullar as India's next ambassador to the European Union and Belgium. It was the first clear indication that talks on the India-EU broad-based trade and investment agreement (BTIA) were stuck and the services of Khullar, who has spearheaded negotiations on the BTIA since 2009, would now be utilised to push the trade pact. His brief would not be limited to the trade pact alone – he would be the government's eyes and ears in Europe, which is in the midst of a meltdown.

A 1975-batch IAS officer, Khullar has been the top bureaucrat in the commerce ministry since June 2009. His posting in Brussels highlights India's dilemma *vis-a-vis* EU as well as the latter's importance. Apart from being India's third largest trading partner with bilateral trade touching \$91.3 billion in 2010-11, as a region, it is the largest investor in India with FDI totalling \$33.24 billion during April 2000-November 2011. Indian investments in the EU are worth \$30 billion. The Eurozone crisis had recently spooked the Indian stock market.

There is a view gaining ground in the government that New Delhi

should stay its hand in inking a trade pact with the EU, which is in financial disarray and fiscally unconsolidated, till the picture becomes clearer. "Some EU countries will definitely gain if we open up our markets. But there is a question mark over the purchasing power of the Europeans for our goods and services," a top official told *Business India*.

Besides, negotiations for a bilateral trade deal between the 27-member EU and India are stuck over the trading bloc not offering any concessions on trade, especially a freer visa regime. India has been looking forward to harnessing the potential in the IT and ITes sector. It is also keen to send its doctors, nurses and chefs to European countries. But the EU has been holding back – and recent economic downturn has made governments in the continent even more wary of opening up.

### Wait until autumn

The recent India-EU summit in New Delhi saw the signing of the trade pact – negotiations on which began in 2007 – being deferred once again. Singh admitted that "there are obviously some problems" in reaching an agreement, but these could be resolved. Hints were dropped by both sides that a deal could materialise by autumn.

Yet this could be wishful thinking.

Local automobile manufacturers are expected to mount a last-ditch effort to stall any tariff concessions on import of cars from EU – an issue on which India has significantly watered down its position. Apart from a larger play in goods, such as auto (mostly luxury vehicles) and wine, the EU is also pitching for the high-level protection of Geographical Indication (GI) for products such as cheese, olive oil, ham, vinegar and saffron. The EU wants these products to be automatically registered as GI in India without applying for registration again.

The proposed pact has hit another snag with both the law and home ministries ruling out opening up the legal sector to foreign players. The Bar Council of India, a statutory body that regulates and represents the legal fraternity, has also thrown its weight behind the two ministries. The EU is keen to explore the service market in India. It also feels that India offers huge business opportunities in legal, accounting, banking, insurance and retail services.

But the response of the Indian departments has been "mixed." On accounting services, the ministry of overseas Indian affairs has favoured opening up the sector to foreign players since persons of Indian origin and non-resident Indians are already practising in the country. Banking and insurance awaits clarity because the Indian side is uncomfortable with different business jurisprudence in each of the 27 nations. Here, India is likely to adopt a quid-pro-quo approach. As far as courier service and contractors are concerned, officials say that a lack of integration in the legal and market segment in the EU is the main obstacle.

Another obstacle relates to the WTO government procurement agreement, which has been signed by 41 of the 153 members. (India has not signed this agreement but merely joined it as an observer in 2010.) New Delhi maintains that if it signs such an agreement with any nation, same terms and conditions would be available to other bilateral partners too. "But EU wants it in an agreement form. So that is where it is stuck," an official said.

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