



Trade Sustainability Impact Assessment (SIA) in support of Free Trade Agreement and Investment Protection Agreement negotiations between the European Union and the Republic of India

Final Report
December 2023

Prepared by consortium led by Trade Impact B.V.
December 2023



The views expressed in the report are those of the consultant,
and do not present an official view of the European Commission.



EUROPEAN COMMISSION

Directorate-General for Trade
Directorate C – Africa, Caribbean and Pacific, Asia (II), Trade and Sustainable Development, Green Deal
Unit C2, South and South-East Asia, Australia, and New Zealand

*European Commission
B-1049 Brussels*

Trade Sustainability Impact Assessment (SIA) in support of Free Trade Agreement and Investment Protection Agreement negotiations between the European Union and the Republic of India

Final Report

December 2023

The information and views set out in this report are those of the authors and do not necessarily reflect the official opinion of the Commission. The Commission does not guarantee the accuracy of the data included in this study. Neither the Commission nor any person acting on the Commission's behalf may be held responsible for the use, which may be made of the information contained herein.

***Europe Direct is a service to help you find answers
to your questions about the European Union.***

Freephone number (*):

00 800 6 7 8 9 10 11

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

LEGAL NOTICE

This document has been prepared for the European Commission; however, it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

More information on the European Union is available on the Internet (<http://www.europa.eu>).

Luxembourg: Publications Office of the European Union, 2023

ISBN: 978-92-68-09783-0

DOI: 10.2781/47890

© European Union, 2023

Reproduction is authorised provided the source is acknowledged.

ABSTRACT

In June 2022, European Commission Executive Vice-President Dombrovskis and India Commerce Minister Goyal launched negotiations on a Free Trade Agreement (FTA) and an Investment Protection Agreement (IPA) between the European Union (EU) and the Republic of India¹. In line with a well-established EU practice, the European Commission requested a study to analyse potential economic, investment-related, social, environmental, and human rights-related impacts of both agreements for the EU and India.

The study has been conducted by a team of independent experts led by Trade Impact B.V. The general part of the analysis has been complemented by three case studies and followed by conclusions and recommendations, while desk research was accompanied throughout the study by a wide stakeholder consultation programme.

This Final Report presents findings from the analysis across all its pillars and provides recommendations, as well as an overview of consultation activities. It also briefly outlines the methodological approach, while its details were provided in the Inception Report. The Final Report is accompanied by an Annex which presents the analysis of the current situation in the EU and India, three case studies, and an Executive Summary (the latter available in English, French and German).

¹ The Parties also negotiate a separate agreement on Geographic Indications (GIs).

TABLE OF CONTENTS

ACRONYMS.....	4
INTRODUCTION	5
1 ECONOMIC ANALYSIS.....	7
1.1 Impacts for EU-India trade in goods.....	7
1.2 Customs authorities	9
1.3 Impacts for trade in services	11
1.4 Impacts for key non-tariff-measures (NTMs)	11
1.5 Impacts for public procurement	15
1.6 Global effects estimated by the economic model.....	16
1.7 Impacts for EU Outermost Regions (cross-cutting issue).....	17
1.8 Impacts for Least Developed Countries (LDCs)	18
1.9 Impacts for Türkiye.....	20
1.10 Impacts for Small and Medium-Sized Enterprises (SMEs) (cross-cutting issue)	20
1.11 Recommendations	22
2 FOREIGN DIRECT INVESTMENT (FDI).....	24
2.1 Outcomes of the gravity analysis	24
2.2 Introduction to the analysis of investment protection and promotion	24
2.3 FDI flows	25
2.4 Current investment climates in the EU and India	25
2.5 IPA textual proposal tabled by the EU.....	26
2.6 Recommendations regarding the FTA and the IPA	27
3 SOCIAL ANALYSIS	27
3.1 Impacts for employment.....	27
3.2 Impacts for informal economy and employment (cross-cutting issue).....	35
3.3 Impacts for gender equality (impacts for women)	37
3.4 Impacts for working conditions and labour inspection	41
3.5 Impacts for labour standards	48
3.5.1 Child labour.....	48
3.5.2 Forced labour	49
3.5.3 Freedom of association and the right to collective bargaining.....	51
3.5.4 Non-discrimination	54
3.5.5 Occupational safety and health	56
3.6 Impacts for consumers, poverty, and welfare (cross-cutting issue)	57
3.7 Impacts for Corporate Social Responsibility/Responsible Business Conduct (cross-cutting issue)	60
3.8 Recommendations related to social impacts	64
4 ENVIRONMENTAL ANALYSIS.....	69
4.1 Introduction	69
4.2 Climate change	69
4.3 Air quality	72
4.4 Biodiversity	74
4.4.1 State of play.....	74
4.4.2 Methodology to assess EU-India FTA impact on biodiversity.....	75
4.4.3 Estimating the land footprint of the FTA based on output changes (economic model).....	76
4.4.4 Land use change due to forestry and agriculture production in India.....	77
4.4.5 Other indicators	78
4.5 Water resources	81
4.6 Recommendations	83

5	HUMAN RIGHTS ANALYSIS	84
5.1	Introduction and approach	84
5.2	Baseline analysis	86
5.3	Screening and Scoping	86
5.3.1	Human rights provisions in the proposed agreements	86
5.3.2	Specific human rights that are likely to be affected by trade and trade-related measures under the proposed agreements	91
5.4	Detailed analysis of pre-selected human and labour rights	93
5.4.1	Right to an adequate standard of living.....	93
5.4.2	Right to water	96
5.4.3	Right to health.....	98
5.4.4	Right to just and favourable conditions of work.....	101
5.4.5	Freedom of association, right to form and join trade unions, incl. the right to collective bargaining.....	104
5.4.6	Prohibition of all forms of forced labour, including child labour	106
5.5	Recommendations related to human and labour rights impacts.....	108
6	CONTRIBUTION TO ATTAINMENT OF EU STRATEGIC OBJECTIVES	112
6.1	Impacts for the EU's place in India's trade and investments (the first EU strategic objective)	113
6.2	Impact on the EU's supply chain security through diversification (second EU strategic objective)	115
6.3	Impact on providing alternative outlets and sources of supply for EU operators (the third EU strategic objective)	121
6.4	Impact related to promoting the EU as a strategic partner for India in the Indo-Pacific region (the fourth EU strategic objective)	123
6.5	Impact related to promoting the EU's new approach to trade and sustainability (the fifth EU strategic objective)	125
6.6	Recommendations (EU's approach to trade and sustainability)	127
7	OVERVIEW OF CONSULTATION ACTIVITIES	128
7.1	Introduction	128
7.2	Summary of consultation activities.....	129
7.2.1	Meetings with ISG and CSD and other meetings and presentations	129
7.2.2	Interviews and written contributions from stakeholders	129
7.2.3	Online survey	130
7.2.4	Website	130
7.2.5	Social media and electronic communication.....	131

ACRONYMS

ASEAN	Association of Southeast Asian Nations	MFN	Most-Favoured Nation
AEO	Authorised Economic Operator	MoU	Memorandum of Understanding
BIT	Bilateral Investment Treaty	MSMEs	Micro-, Small and Medium-sized Enterprises
CAP	Common Agricultural Policy	NGO	Non-Governmental Organisation
CBAM	Carbon Border Adjustment Mechanism	NTM	Non-Tariff Measure
CCA	Causal Chain Analysis	OECD	Organisation for Economic Cooperation and Development
CGE	Computable General Equilibrium	OHCHR	Office of the United Nations High Commissioner for Human Rights
COP	Conference of the Parties	OR	Outermost Region
CPI	Consumer Price Index	PURs	Preference Utilisation Rates
CSD	Civil Society Dialogue	QCOs	Quality Control Orders
CSR	Corporate Social Responsibility	RBC	Responsible Business Conduct
DG	Directorate-General	RCEP	Regional Comprehensive Economic Partnership
DSB	(WTO) Dispute Settlement Body	RoO	Rules of Origin
EGSs	Environmental Goods and Services	SDGs	Sustainable Development Goals
EP	European Parliament	SEZs	Special Economic Zones
EU	European Union	SIA	Sustainability Impact Assessment
FDI	Foreign Direct Investment	SME	Small or Medium-sized Enterprise
FRA	EU Agency for Fundamental Rights	SPS	Sanitary and Phyto-Sanitary
FTA	Free Trade Agreement	STC	Special Trade Concern (WTO TBT and SPS)
GATS	General Agreement on Trade in Services	TBT	Technical Barriers to Trade
GATT	General Agreement on Tariffs and Trade	ToR	Terms of Reference
GDP	Gross Domestic Product	TRIPS	Trade-Related Aspects of Intellectual Property Rights
GHG	Greenhouse Gas	TRQ	Tariff Rate Quota
GIs	Geographical Indications	TSD	Trade and Sustainable Development
GPA	Government Procurement Agreement	UN	United Nations
GSP	Generalised Scheme of Preferences	UNCTAD	United Nations Conference on Trade and Development
GST	Goods and Services Tax	UNECE	United Nations Economic Commission for Europe
GTAP	Global Trade Analysis Project	UPR	Universal Periodic Review
HRIA	Human Rights Impact Assessment	WTO	World Trade Organisation
ILO	International Labour Organisation	UNCTAD	United Nations Conference on Trade and Development
IPA	Investment Protection Agreement		
IPCC	Intergovernmental Panel on Climate Change		
IPR	Intellectual Property Rights		
ISDS	Investor-State Dispute Settlement		
ITC	International Trade Centre		
LDC	Least Developed Country		
LULUCF	Land Use, Land Use Change and Forestry		
MEAs	Multilateral Environmental Agreements		

INTRODUCTION

In 2022, the EU and India launched negotiations on a Free Trade Agreement (FTA) and an Investment Protection Agreement (IPA).² In line with a well-established EU practice, the European Commission requested a Sustainability Impact Assessment study to analyse potential economic, investment-related, social, environmental, and human rights-related impacts of both agreements for the EU and its Member States on one hand, and India, on the other. Desk research has been accompanied by stakeholder engagement that involved government representatives, business associations, trade unions, NGOs, and academics from each Party, as well as international stakeholders.

The study has been conducted by a team of independent experts led by Trade Impact B.V. The general part of the analysis has been complemented by three case studies, conclusions and recommendations, aimed at strengthening the positive and avoiding or mitigating any potential negative effects of the agreements under negotiation.

The study has been divided into three phases: inception, interim and final. The inception phase provided the framework to define the scope and objectives of the study, to finetune its methodological approach and finalise planning for the consultation process. In the interim and final phase, the analysis was conducted in parallel with stakeholder engagement.

The applied methodology (general analysis)

The general part of the analysis followed a four-step approach, while the environmental and human rights-related analysis chose areas for detailed analysis based on estimated scope and magnitude of the impact and its links to the FTA/IPA.

- **Step 1:** Developing the baseline scenario, by conducting an analysis of the situation in the EU and India since 2010, observed trends and factors influencing them.
- **Step 2:** Developing a heatmap to highlight key issues for negotiations.
- **Step 3:** Conducting an analysis of the potential impacts of the future EU-India FTA/IPA for the whole economy and at the sectoral level, as well as for most relevant groups in the population and for elements of environment.
- **Step 4:** Formulating conclusions, recommendations, and proposals for flanking measures to strengthen positive and mitigate any negative impacts.

The impact analysis across all pillars takes as a starting point outcomes of the economic modelling in two scenarios: ambitious and conservative.

The economic analysis commenced with a description of EU-India trade and investment relations since 2010, as well as observed trends and factors influencing the situation. This included the evolution of EU-India trade in goods and services, a review of existing research on the potential effects of an EU-India FTA, and an analysis of current tariff and non-tariff barriers between the EU and India. The analysis also covered SMEs' participation in trade between the Parties, participation of the EU and Indian economic operators in public procurement procedures of the other Party, and customs operation. Findings that required further attention were captured in a heatmap. The analysis followed with an impact assessment which sought to determine economic impacts of the reduction of tariffs and NTMs between the EU and India. This included effects on trade flows in goods and services, GDP and welfare effects, impacts related to SMEs, Least Developed Countries, the EU's Outermost Regions and some third countries. It finished with conclusions and recommendations.

The additional investment-related analysis sought to determine likely impact of the future IPA on investment flows between the EU and India. It started with a literature review on drivers and international policy recommendations regarding how to attract foreign direct

² The Parties also negotiate a separate agreement on Geographic Indications (GIs).

investment. Against this background, the investment climates and conditions in the EU and India and their changes over the last few years were analysed, as well as access for EU investors to the Indian market, and vice versa. Based on legal analysis and stakeholder engagement, the study identified similarities and differences between both investment environments and determined the extent to which some elements can be considered as barriers or new enablers to investment. In a similar way, the EU and Indian approaches to investment promotion and protection were analysed. Findings from all parts of the analysis aim to provide guidance for IPA negotiators regarding barriers to be reduced and elements to be introduced or enhanced to attract and facilitate EU investment to/in India and Indian investment to/in the EU, while keeping them consistent with social, environmental, and human rights-related obligations and commitments of the Parties.

The social analysis sought to respond to the question of how a reduction of tariffs and NTMs between the Parties through the conclusion of an FTA and IPA, as well as provisions to be included in both Agreements may affect a range of social aspects in the EU and India. Areas covered by the analysis included employment, gender equality, the informal economy, working conditions, labour standards, public policies and services, welfare effects (e.g., wages, poverty, and inequality), consumer rights, and corporate social responsibility/responsible business conduct practices. In the first step, the analysis focused on the current situation in the EU and India, observed trends, and influencing factors. Issues identified as requiring attention and further analysis were marked in a heat map. The study then followed with an impact analysis and finished with conclusions and policy recommendations.

The environmental analysis considered the effects of the FTA/IPA for different elements of the environment generated through the reduction of tariffs and NTMs, and other provisions. It also looked at different channels through which impacts can be generated. In the first step, the analysis described the situation in the EU and India since 2010, observed trends, and influencing factors in five impact areas (climate change, air quality, land use, ecosystems and biodiversity, and waste management and water quality) and two sectors (agriculture and transport). Identified issues requiring further attention and analysis were marked in a heatmap. The study then followed with the impact analysis in four thematic priority areas (climate change, air quality, land use, ecosystems and biodiversity, and water quality) identified in the preceding step, with a more detailed analysis of climate change-related aspects and impacts of increased imports in agricultural products conducted in two case studies. The analysis finished with formulation of conclusions and recommendations.

The human rights analysis looked at how the EU-India FTA/IPA could affect the enjoyment of human rights and state's responsibilities in this area. In the first step, it identified international human rights obligations of the Parties based on the ratification status of core international human rights conventions. It then followed with a description of the situation in the EU and India since 2010 regarding respect for human rights, identifying trends and pre-existing vulnerabilities. As in other pillars, issues requiring further analysis were marked in a heatmap. Then, the study followed a detailed impact analysis of chosen specific human rights identified in the preceding steps as likely to be affected by the FTA/IPA. The underpinning evidence included relevant human rights indicators, outcomes of the economic modelling, legal texts tabled in the FTA/IPA negotiations, and stakeholder views. The analysis finished with conclusions and recommendations.³

An analysis of potential FTA/IPA impacts on EU strategic objectives was also conducted.

Consultations programme

A wide-ranging consultations programme has been implemented which included⁴:

³ Details of the methodological approach were outlined in the Inception Report.

⁴ Details of the programme and proposed approach in all its pillars were outlined in the Inception Report.

- digital communication tools (a dedicated website, e-mails, newsletters, and X (former Twitter) and LinkedIn accounts),
- a public online survey, meetings, and focused interviews with relevant stakeholders,
- Civil Society Dialogue meetings with EU stakeholders,
- meetings with the Inter-Service Steering Group bringing together Commission and European External Action Service (EEAS) officials.

Verbal and written contributions provided by the EU, Indian and international stakeholders have been used in relevant parts of the analysis, with an indication of the source. Results of the engagement programme have been summarised in a Consultation Report included into the draft Final Report package.

Structure of the Final Report package

This (main) Report provides findings from the impact analysis, recommendations in all above-mentioned pillars of the study, and an overview of consultation activities. Detailed findings from the baseline analysis (Step 1 in the methodology) are provided in an Annex to this Report. That file also includes tables with the results of the economic modelling and the list of references (bibliography). Three case studies, which complement the main part of the analysis, can be found in a separate file. The package also includes an Executive Summary (available in English, German, and French).

1 ECONOMIC ANALYSIS

1.1 Impacts for EU-India trade in goods

For the sake of completeness of the analysis and comparison, we provide results for both the conservative and the ambitious scenarios in this section. However, we discuss in detail the results emanating from the ambitious scenario given that changes in this scenario (both gains and risks or losses) are more reflective of what may happen if a meaningful liberalisation is achieved in the context of the FTA. At the same time, results that may be generated by more conservative scenarios (both gains and risks or losses) would be more limited. It is also important to note that the EU economy is much more open and more integrated into world trade compared to India's, which means that the extent of relative liberalisation in the economic model is estimated as higher for India, as also reflected in the received results discussed below.

Accordingly, bilateral EU exports to India are estimated to grow by 107.6% (€112.5 billion) in the ambitious scenario while India's merchandise exports to the EU are expected to rise by 86.6% (€110.7 billion).⁵ Most EU sectors report more than a doubling in value of their bilateral exports to India (though the increase in value is not large in absolute terms in most agricultural sectors). This includes the EU's largest merchandise sectors (chemicals, electronics and machinery) that report a near two-time rise in exports to India, as well as agricultural sectors (with bilateral exports of dairy, sugar, and tobacco and beverages increasing over three times), the textiles sectors (almost a three time increase in bilateral exports of textiles and wearing apparel), pharma, minerals, metals (bilateral exports of non-ferrous metals increasing by 339%) and transport equipment sectors. The industrial sector gains are mainly driven by the reduction of NTMs facing EU goods exports in India. The gains are nearly twice as large in the ambitious scenario, reflecting the assumption that NTM reductions are twice the size in the conservative scenario, coupled with knock-on effects from services liberalisation which drives additional income-driven gains. Several sectors also report large percentage gains in bilateral exports on the Indian side. This is true of India's largest sectors – wearing apparel (148.4%) and chemicals (130.5%) – as well as dairy, grains, sugar, meat, textiles, motor vehicles and transport equipment, all of

⁵ For a comparison, according to a similar SIA study done for the EU-Australia FTA, the agreement would bring about an increase in the EU bilateral exports to Australia by 32.5% (€17.7 billion) in the ambitious scenario, while Australia's exports would increase by 10.4% (€2.0 billion) (BKP, 2020). In the case of EU-Japan FTA, the SIA study estimated an increase in EU bilateral exports for 34%, while Japanese exports would increase by 29% (LSE Enterprise Ltd, 2016).

which report gains in bilateral exports to the EU in excess of 100%. Notably, none of the merchandise sectors in EU and India reports a decline in bilateral exports emanating from the FTA.

Regarding sectors named as priority in the Terms of Reference, both the EU's and India's bilateral exports in textiles are estimated to grow significantly in relative terms, while India's exports are likely to grow more in absolute terms (by €8.4 billion compared to the EU's €1.4 billion). A similar situation is estimated for the leather sector (with India's exports projected to grow by €5.3 billion compared to the EU exports' growth by €970 million) and in ferrous metals (€4.7 billion compared to €2.1 billion). On the other hand, EU bilateral exports in non-ferrous metals are estimated to increase significantly (by 339.4% or €8 billion) compared to India's bilateral exports (increase by 71.2% or €956 million), while in the motor vehicles sector (cars and car parts), bilateral exports are estimated to increase in both directions, with EU exports increasing by 188.3% (€6.6 billion) and India's exports going up by 114.2% (€6.9 billion) in the ambitious scenario.

Table 1.1: Impact of the EU-India FTA on bilateral trade (exports) in goods and services in the ambitious and conservative scenarios

Sector	Bilateral trade (value of and change in exports in the ambitious scenario)				Bilateral trade (value of and change in exports in the conservative scenario)			
	EU-India		India-EU		EU-India		India-EU	
	Change %	Change €mln	Change %	Change €mln	Change %	Change €mln	Change %	Change €mln
Rice	71.5%	1	62.4%	490	33.6%	0	22.0%	173
Grains	99.1%	1	195.1%	20	42.7%	1	89.1%	9
Veg & fruits	192.5%	116	68.1%	152	129.5%	78	26.5%	59
Veg oils	166.6%	88	98.3%	2,890	90.1%	48	41.0%	1,206
Sugar	368.1%	187	176.7%	266	197.1%	100	47.6%	72
Rest Agrifood	326.9%	1,257	163.4%	626	176.3%	678	62.4%	239
Meat	239.1%	78	153.4%	119	150.6%	49	54.7%	42
Dairy	390.2%	105	202.1%	486	206.7%	55	56.6%	136
Forestry	56.1%	106	25.3%	14	43.8%	83	11.9%	6
Fish	81.9%	12	22.8%	31	71.8%	10	15.8%	22
Fossil fuels	59.7%	369	13.6%	1,032	59.1%	365	14.2%	1,076
Minerals	15.4%	7,003	13.2%	276	12.7%	5,794	7.6%	159
Food products	213.9%	1,438	85.6%	986	142.0%	954	29.9%	344
Beverages & Tobacco	335.2%	466	38.5%	150	243.3%	338	14.9%	58
Textiles	296.2%	1,412	112.6%	8,402	177.7%	847	76.1%	5,678
Wearing & apparel	273.5%	384	148.4%	23,974	154.3%	217	100.4%	16,222
Leather	223.7%	970	80.6%	5,346	149.0%	646	46.6%	3,090
Wood	186.0%	541	41.6%	48	116.8%	340	18.9%	22
Paper	153.5%	4,957	78.1%	167	92.4%	2,985	32.8%	70
Chemicals	181.3%	21,747	130.5%	16,286	102.8%	12,338	74.2%	9,258
Pharmaceuticals	187.5%	3,322	72.9%	6,158	108.9%	1,930	33.6%	2,836
Rubber & plastics	205.5%	3,498	76.7%	2,345	109.7%	1,866	34.2%	1,046
Mineral products	179.1%	1,300	53.0%	765	102.9%	747	26.9%	388
Ferrous metals	83.1%	2,103	55.5%	4,750	53.7%	1,361	24.8%	2,126
Non-Ferrous Metals	339.4%	8,013	71.2%	956	136.0%	3,210	42.8%	574
Metal products	213.0%	3,774	62.8%	2,849	118.2%	2,094	28.1%	1,274
Electronics/elect equip.	179.0%	17,548	72.2%	6,696	95.2%	9,330	31.2%	2,897
Machinery	174.1%	17,214	71.0%	6,100	100.9%	9,979	30.7%	2,634
Motor vehicles	188.3%	6,605	114.2%	6,938	115.5%	4,053	65.9%	4,006
Transport equip.	102.4%	3,073	126.9%	4,522	65.4%	1,961	63.6%	2,267
Other manufactures	153.9%	4,785	50.4%	6,877	86.6%	2,693	24.0%	3,273
Other services	5.1%	461	-0.2%	-71	4.0%	362	0.9%	379
Trade	2.3%	13	0.5%	33	1.3%	8	1.5%	94
Transport services	4.7%	461	-0.8%	-74	3.8%	370	0.1%	8
Other bus services	4.5%	612	0.2%	235	3.9%	529	1.0%	1,504
Total goods (1-31)		112,473		110,718		65,152		61,261
Total services (32-35)		1,547		124		1,269		1,985
TOTAL (1-35)		114,020		110,841		66,421		63,246

Source: Authors' calculations based on the CGE results provided by DG Trade

The expected changes in total output for the EU and India emanating from the FTA in the conservative and ambitious scenarios are reported in Table 1.2 below. Focusing again on the results in the ambitious scenario, the EU reports the largest expected gains in total

output in the merchandise sectors in absolute terms in minerals, machinery, electronics, and paper; and the biggest expected losses in textiles, wearing apparel, and ferrous metals. In percentage terms, the EU rice sector is expected to be the worst hit with a loss of 6.9%, while the minerals sector reports the largest gains (2.3%). For India, wearing apparel and textiles are the largest beneficiaries in both absolute and relative terms amongst the merchandise sectors, with gains in total output exceeding €11 billion in each of them. Meanwhile for machinery, electronics, and the paper sectors the economic model estimates the biggest losses, with the latter also reporting the largest percentage loss of 4.7%.

Regarding sectors named as priority in the Terms of Reference, in the ambitious scenario, a decline of EU's output is projected in textiles, leather, mineral products, and ferrous metals, while non-ferrous metals sees growth by 0.8%. The output in motor vehicles is likely to remain unchanged. India's output is estimated to increase in all the above-mentioned sectors.

Table 1.2: Impact of the EU-India FTA on total output

Sector	Conservative scenario				Ambitious scenario			
	EU		India		EU		India	
	Change %	Change €mln	Change %	Change €mln	Change %	Change €mln	Change %	Change €mln
Rice	-2.5%	-130	-0.1%	-172	-6.9%	-349	0.0%	-27
Grains	-0.1%	-98	-0.1%	-102	-0.2%	-177	0.0%	14
Veg & fruits	-0.1%	-88	-0.2%	-235	-0.2%	-192	-0.1%	-213
Veg oils	-0.6%	-617	0.1%	162	-1.3%	-1,382	0.5%	996
Sugar	0.1%	26	-0.1%	-167	-0.1%	-36	0.0%	13
Rest Agrifood	0.1%	118	0.1%	96	0.2%	188	0.1%	198
Meat	0.0%	-216	0.0%	30	-0.1%	-368	0.2%	190
Dairy	-0.1%	-205	0.1%	248	-0.1%	-604	0.3%	763
Forestry	0.0%	35	-0.2%	-186	0.0%	35	-0.3%	-275
Fish	0.0%	-5	0.0%	-3	0.0%	-10	0.0%	6
Fossil fuels	0.0%	-531	-0.1%	-1,214	-0.1%	-687	-0.2%	-1,860
Minerals	1.8%	3,232	-0.2%	-66	2.3%	4,144	-0.2%	-55
Food products	0.0%	139	-0.1%	-115	0.0%	-21	0.2%	333
Beverages & Tobacco	0.1%	287	0.1%	51	0.1%	415	0.4%	262
Textiles	-1.7%	-4,210	2.5%	7,820	-2.4%	-6,000	3.6%	11,171
Wearing & apparel	-2.0%	-3,891	10.5%	10,904	-2.9%	-5,606	15.4%	16,014
Leather	-0.6%	-971	4.0%	2,076	-1.1%	-1,728	7.0%	3,651
Wood	0.0%	18	-0.9%	-305	0.0%	-3	-1.3%	-466
Paper	0.2%	1,583	-2.9%	-2,555	0.4%	2,569	-4.7%	-4,090
Chemicals	0.1%	838	0.6%	2,131	0.2%	2,140	1.0%	3,375
Pharmaceuticals	-0.1%	-642	0.2%	181	-0.3%	-1,358	1.1%	1,273
Rubber & plastics	0.1%	305	-0.3%	-580	0.1%	350	-0.4%	-685
Mineral products	0.0%	-166	0.1%	205	-0.1%	-239	0.2%	352
Ferrous metals	-0.2%	-1,047	-0.1%	-373	-0.5%	-2,616	0.1%	435
Non-Ferrous Metals	0.0%	28	1.8%	2,334	0.8%	2,351	1.0%	1,353
Metal products	0.0%	-129	-0.1%	-217	-0.1%	-497	-0.1%	-158
Electronics/elect equip.	0.1%	938	-0.8%	-3,007	0.2%	2,612	-1.1%	-4,432
Machinery	0.2%	2,586	-1.7%	-5,658	0.3%	4,142	-2.5%	-8,497
Motor vehicles	0.0%	46	0.2%	548	0.0%	186	0.7%	1,509
Transport equip.	0.0%	-140	0.5%	865	-0.1%	-465	1.4%	2,301
Other manufactures	-0.1%	-914	1.4%	3,758	-0.3%	-1,875	2.1%	5,731
Other services	0.0%	5,641	0.2%	9,613	0.1%	11,052	0.4%	17,571
Trade	0.0%	472	0.2%	3,176	0.0%	911	0.5%	6,027
Transport services	0.0%	-37	0.2%	1,632	0.0%	-262	0.4%	3,063
Other bus services	0.0%	-1,277	-0.5%	-2,854	0.0%	-1,327	-1.1%	-6,186
Total goods (1-31)		-3,821		16,452		-5,081		29,185
Total services (32-35)		4,799		11,567		10,374		20,475
TOTAL (1-35)		978		28,019		5,293		49,660

Source: Authors' calculations based on the CGE results provided by DG Trade

1.2 Customs authorities

Stakeholder consultations have revealed that the Registered Exporters System (REX) used in the certification of origin of goods in the GSP scheme (where India is a beneficiary) and

some EU trade agreements⁶ has been a success vis-à-vis India, in terms of the number of users (up to 37,000 Indian exporters have registered on REX which is a number as large as for Turkey). In fact, India was amongst the first REX users and met all pre-requisites. India was also amongst the first training destinations for REX in capacity building activities delivered by the European Commission.

The REX system was launched on 1 January 2017, albeit with an 18 months' transition period for Indian exporters⁷ enabling them to use until 30 June 2018 the existing third-party certification from authorised agencies to issue GSP certificates. It has been based on the principle of self-declaration by exporters, the so-called statement of origin. To be entitled to make such a statement, an economic operator has to be registered in a database by competent authorities to become a "registered exporter". The data of the REX system is published by the EU and is searchable online.⁸ Economic operators using statements on origin are thus able to verify the validity of the registrations of the registered exporters who submit those statements.

While REX registration is free of charge, some Indian agencies were charging exporters for it⁹. This was brought to the notice of the Department of Commerce of the Government of India, which reiterated the free nature of the service.

Before REX, exporters needed a certificate of origin provided by the (Indian) government, while REX involves a system of self-certification, which is easier from the Indian exporter's perspective. There is no publicly available information or data regarding the operation of the REX system with regard to verification requests either in total or for India specifically. From our stakeholder engagement, we understand that it is difficult to speak about a long-term trend in this matter given the influence of many factors, such as a gradual switch of Indian (and other) exporters to REX, the end of the transition period for India and other GSP beneficiaries extended over a few years, and the COVID-19 pandemic which has also played a role. The number of verification requests is also likely to vary considerably by sector/industry.

From India's perspective, stakeholder consultations also revealed that there may have been an instance when one of the EU Member States did not recognise REX in the case of an engineering goods exporter and MFN duty had to be paid for market access. Such issues will need to be addressed in the FTA if REX continues to be used. Moreover, further training and information for economic operators and customs authorities of both Parties may be needed (notably when the FTA is agreed and enters into force) if REX is likely to be used by more exporters and larger trade flows between the EU and India may need to rely on its operation. Other than that, consulted Indian businesses had nothing untoward to report on customs cooperation issues. That said, since REX is now mandatory for all Indian exporters, it could become a barrier for businesses that only export occasionally.

Overall, our discussions suggest that capacity may not be a constraint on the Indian side either in administering rules of origin, in assessing compliance of EU imports with rules of origin, or in customs cooperation with the EU. However, this may be discussed at a later stage of negotiations between the Parties.

This is also confirmed by data on the utilisation rate of EU GSP preferences by Indian exporters over the last decade. The utilisation rate jumped from an average of 82.8% over 2010-2013 to an average of 87.1% over 2014-2022 and while there was a one percentage point decline in 2017-2018 (i.e., at the time of REX introduction) and in 2022, the rate has hovered around 87% since 2014 and in 2019-2021 it recovered to over 87% (see Figure 1.1).

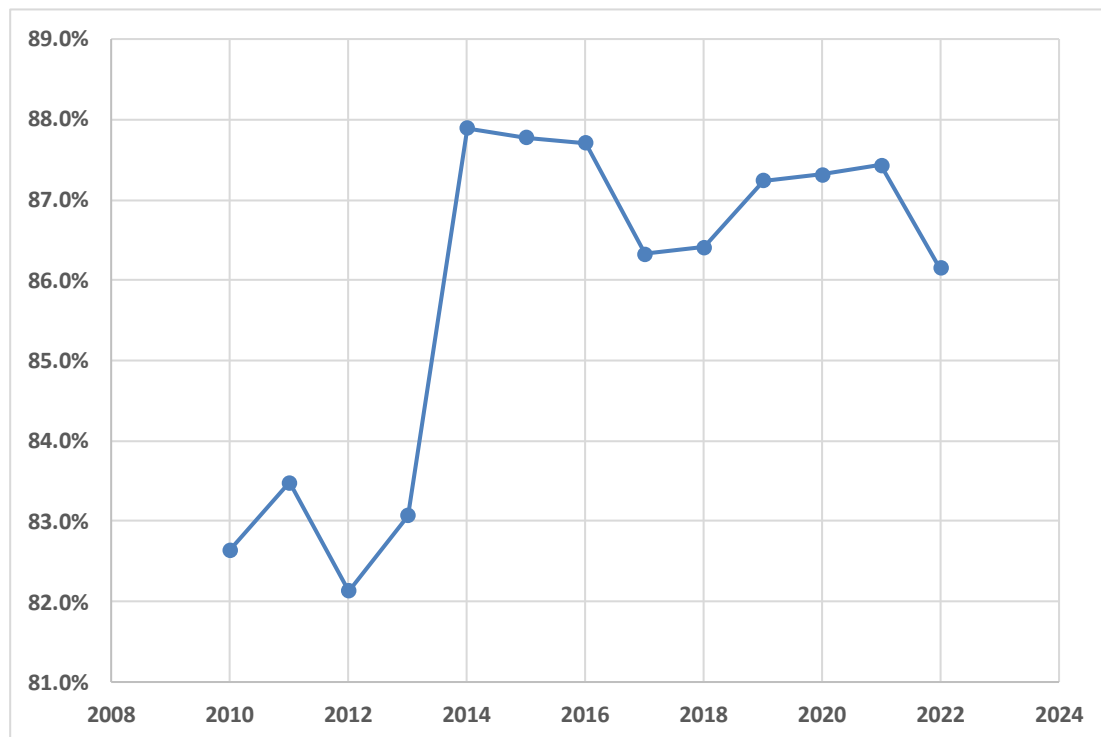
⁶ REX has been used in the EU trade agreements with Canada, Japan, Vietnam, Singapore, the UK, Ghana, Cote d'Ivoire and Eastern and Southern Africa. See: https://taxation-customs.ec.europa.eu/online-services/online-services-and-databases-customs/rex-registered-exporter-system_en

⁷ As the system was gradually extended on GSP countries, transition period for others ended between the end of 2017 and the end of 2020 (the source as above).

⁸ https://ec.europa.eu/taxation_customs/dds2/eos/rex_home.jsp?Lang=en

⁹ <https://content.dgft.gov.in/Website/Rex-Brief%20for%20Uploading.pdf>

Figure 1.1: Utilisation rate of EU GSP preferences by Indian exporters (2010-2022)



Source: UNCTAD's GSP Utilisation Database; own calculations

1.3 Impacts for trade in services

Results from the economic model suggest that the EU-India FTA is likely to reduce the EU's total services exports by 0.3% (€6.2 billion) in the ambitious scenario but increase its bilateral exports to India by 4.7% (€1.6 billion). These expected results suggest that the FTA's trade creation effect on services would be more than offset by the trade diversion effects. The reduction in India's total services exports is larger in both percentage (1.8%) and value terms (€11.9 billion) and the rise in bilateral services exports to the EU far more modest at 0.1% (€124 million). All the constituent services sectors report a decline in total services exports for both the EU and India with other services in the EU (-€3.2 billion) and other business services in India (-€7.6 billion) registering the largest fall in value terms (see Table 1.1). In contrast, all the constituent services sectors for the EU report a rise in bilateral exports to India ranging from 2.3% in trade-related services to 5.1% in other services. Meanwhile, transport and other services report a decline in bilateral exports on the Indian side, while trade-related and other business services register an increase, though the magnitude of the change is less than 1% for all constituent sectors.

Both the EU and India report the largest expected gain in total output in absolute terms in other services (€11 billion and €17.6 billion, respectively) and the biggest expected loss in other business services (€1.3 billion and €6.2 billion, respectively) (see Table 1.3). One limitation of the economic analysis for the services sectors, which would have a bearing on the discussion so far, is that the CGE model does not include effects for Mode 3 or commercial presence, which is the most dominant way by which services trade is transacted not just by the EU and India but by countries across the world.

1.4 Impacts for key non-tariff-measures (NTMs)

Depending on the modelling of the ambitious and conservative scenarios, a comparison of the results from the economic model under the two scenarios provides an insight into the possible impact of NTM liberalisation. In the table below, a cell takes the value one when the gains in the ambitious scenario exceed or losses are less than those in the conservative scenario in absolute terms. For example, in the case of rice, the expected loss in EU exports to India in the ambitious scenario is more than that in the conservative scenario, so the cell takes the value zero. This analysis suggests that the EU's bilateral exports benefit from

NTM liberalisation across sectors assuming that some of the difference between the two scenarios reflects the effect of NTM liberalisation. The opposite holds for India's bilateral services exports, as well as total exports and output of several of the EU's agricultural sectors, textiles and wearing apparel, and transport and business services.

Table 1.3: A comparison of the results of the economic modelling under the ambitious scenario compared to the conservative one

Sector	Total exports		Bilateral exports		Total output	
	EU	India	EU-India	India-EU	EU	India
Rice	0	0	1	1	0	1
Grains	0	0	1	1	0	1
Veg & fruits	0	1	1	1	0	1
Veg oils	0	1	1	1	0	1
Sugar	1	1	1	1	0	1
Rest Agrifood	1	1	1	1	1	1
Meat	0	0	1	1	0	1
Dairy	0	1	1	1	0	1
Forestry	1	1	1	1	0	0
Fish	0	1	1	1	0	1
Fossil fuels	0	0	1	0	0	0
Minerals	1	1	1	1	1	1
Food products	1	1	1	1	0	1
Bev & Tob	1	1	1	1	1	1
Textiles	0	1	1	1	0	1
Wearing & Apparel	0	1	1	1	0	1
Leather	0	1	1	1	0	1
Wood	1	1	1	1	0	0
Paper	1	1	1	1	1	0
Chemicals	1	1	1	1	1	1
Pharmaceuticals	0	1	1	1	0	1
Rubber & plastics	1	1	1	1	1	0
Mineral products	1	1	1	1	0	1
Ferrous metals	0	1	1	1	0	1
Non-Ferrous Metals	1	1	1	1	1	0
Metal products	1	1	1	1	0	1
Electronics & elect eq	1	1	1	1	1	0
Machinery	1	1	1	1	1	0
Motor vehicles	1	1	1	1	1	1
Transport equipment	1	1	1	1	0	1
Other manufactures	1	1	1	1	0	1
Other services	0	0	1	0	1	1
Trade	0	0	1	0	1	1
Transport services	0	0	1	0	0	1
Other bus services	0	0	1	0	0	0

Source: Results from economic model; own calculations

To further assess the likely impact of NTM liberalisation under the EU-India FTA, we look at a few priority sectors for both partners and non-tariff barriers therein (especially those which effectively inhibit trade in priority sectors, such as textiles or automotive), analyse

relevant parts of the texts tabled by the EU in its negotiations with India addressing such constraints, and also provide stakeholder perspectives.

Textiles: While EU exports to India increased in all HS chapters related to textiles and garments, industry representatives point to several non-tariff barriers in India that limit access to its market, including the Quality Control Orders (QCOs) for polyester (2021) and viscose (2022) (for details, see the analysis of QCOs in section 1.4 in the Annex). These QCOs have imposed a de facto ban on EU exports to India. According to the BIS database¹⁰, to-date only two legal entities producing man-made fibres in the EU have received certificates which in addition do not cover all of their products (CIRFS data shared with the study team). EU textile industry organisations have called for removal of non-tariff measures in access to the Indian market (EURATEX, 2022; CIRFS, 2023). Regarding the QCOs for polyester (2021) and viscose (2022), CIRFS requests extension of the transition period for at least one year (the 2022 QCO on viscose entered into force only four months after its adoption), a revision of QCOs to ensure their proportionality, e.g., a clear identification of covered products (through their HS code), introduction of ranges for certain properties or modular properties, and removal of unreasonably high burdens (e.g., requirement to keep hazardous chemicals in companies' laboratories for testing based on prescribed and outdated methods). Moreover, according to CIRFS the QCO should envisage recognition of international standards and product certification, and India should further develop its testing and auditing capacity before introducing QCOs. BIS accredited only one laboratory for the QCO on viscose, already two weeks after the QCO's entry into force, and it has too few auditors, so that waiting for their visit at the production site may extend to seven months. (Since then, more laboratories have been made available, however, the number of auditors has not increased and remains a bottleneck in the process.) There should be also more transparency in announcing planned regulations, proper consultations with stakeholders, and an impact assessment related to future QCOs and other laws should be conducted (CIRFS, 2023). An implementation of these measures within the ambit of the FTA is likely to improve the access of EU firms to the Indian market (we provide some suggestions at the end of this section).

Automotives (QCOs on wheel rims, safety glass, two-wheeler helmets and brake linings – for details, see an analysis of QCOs in section 1.4 in the Annex): The ACEA position paper (ACEA, 2023) outlines the following NTM-related measures to enhance EU exports to India in this sector: (a) ensure that a comprehensive automotive annex is part of a final deal, with the aim of enhancing regulatory alignment and therefore preventing technical barriers to trade; (b) address the complex tax landscape for automobiles in India and aim for a more streamlined approach; and (c) successfully conclude negotiations for an investment protection agreement that ensures fair and equal treatment for established and new investments from EU automakers. The EU-proposed Car Annex¹¹ combines the recognition of UNWP.29¹² as the relevant international standardising body and UN Regulations and Global Technical Regulations (GTRs) under the 1958 and 1998 Agreements¹³ as relevant international standards for the products covered by the Annex. The Annex also states that the Parties will recognise the equivalence of the international standards that are to be listed in a specific appendix, establishing the correspondence between domestic and international regulation. This is likely to help reduce market access barriers as Parties would either have the same regulations and standards or would recognise their equivalence. The proposed Annex also encourages India's accession to the 1958 Agreement providing a foundation for those regulations. Moreover, in the context of EU exports of agricultural tyres to India in particular, ETRMA would additionally like a removal of India's import licenses, the value

¹⁰ BIS database: https://www.services.bis.gov.in/php/BIS_2.0/fmcs/All_fmcs_list.php

¹¹ See EU textual proposals: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/india/eu-india-agreement/documents_en

¹² World Forum for Harmonisation of Vehicle Regulations within the framework of the United Nations Economic Commission for Europe

¹³ 1958 Agreement: Agreement concerning the Adoption of Harmonized Technical United Nations Regulations for Wheeled Vehicles, Equipment and Parts which can be Fitted and/or be Used on Wheeled Vehicles and the Conditions for Reciprocal Recognition of Approvals Granted on the Basis of these United Nations Regulations. 1998 Agreement: Agreement concerning the Establishing of Global Technical Regulations for Wheeled Vehicles, Equipment and Parts which can be Fitted and/or be Used on Wheeled Vehicles

and number of which have been decreasing as a function of their decreasing share in the market set by the Indian authorities (40% of the sales value from the preceding three years reduced to 10% and zero) (ETRMA, 2021).

Engineering and machinery: According to the 2021 VDMA position paper, EU industry regards as NTBs (i) proposed regulation for machinery safety in India, which provides for a general obligation that machinery and equipment must be registered in a database before being imported into India; and (ii) the proposed extension of the BIS product certification to more India-relevant industrial products and components in the mechanical and plant engineering sector, such as electric motors (since 2018) and low-voltage components. Apropos to the mandatory BIS certification, provisions proposed by the EU in the TBT chapter¹⁴ (viz. Article X.6 on conformity assessment) may help reduce such barriers for EU firms and help them get an exemption from the additional certification if they already have a relevant EU certificate (like the CE). This is also beneficial because BIS certification and auditing of factories is often affected by BIS capacity constraints, which leads to new QCOs or conformity assessment with BIS standards to be announced but implemented with delays, and this uncertainty affects EU firms adversely.

In the context of TBTs, the EU has proposed in Article X.3 of the TBT chapter that the WTO TBT Agreement (Articles 2-9) be incorporated into the EU-India FTA. These Articles of the WTO TBT Agreement refer, *inter alia*, to national treatment, the use of international standards in technical regulations, and to a formulation of technical regulations in a manner that does not represent an unnecessary obstacle to trade.

It may also be useful to acknowledge that while the EU proposes supplier self-certification of exports as one of the possible forms of conformity assessment (and proof of compliance with technical regulations which may help address bottlenecks created by requirement of an additional inspection and certification), this is likely to be opposed by India. Also, given that EU standards are either equivalent to or based on international standards, the EU's proposal for India to recognise international standards may facilitate trade between the Parties in both directions. The EU proposal for the TBT chapter also suggests that each Party undertakes regulatory impact-assessment to ensure that its regulations are not more trade-restrictive than necessary. Moreover, the proposal foresees that while developing a new major regulation which may have an impact on trade between the Parties, the acting Party shall allow interested persons, including from the other Party, to provide inputs in public consultations related to the regulation. If these issues are addressed successfully in the EU-India FTA negotiations, this would improve access for EU firms, notably the small ones, to the Indian market and would also benefit domestic Indian industry.

Finally, the EU's proposed text in the chapter on Good Regulatory Practices¹⁵ includes several proposals that are likely to address industry requests raised in the context of NTMs. For instance, Article X.5 ("Regulatory processes and mechanisms"), suggests that each Party "makes publicly available descriptions of the processes and mechanisms used by its regulatory authority to prepare, evaluate or review regulatory measures". Article X.6 ("Early information on planned regulatory measures") suggests that each Party "makes publicly available on at least an annual basis a list of planned major regulatory measures that its regulatory authorities reasonably expect to adopt within a year", with what falls under "major" decided by the regulatory authorities. Similarly, Article X.10 ("Regulatory register") proposes that that regulatory measures in effect in each Party are "published in a designated register that identifies regulatory measures by topic" and that this register "is publicly available on a single, freely accessible internet website". There are also other proposals on public consultations, impact assessment, retrospective evaluation, and exchange of information on good regulatory practices, all of which will not only help address existing NTMs but could also avoid or reduce the risk of creating new NTMs in the future.

¹⁴ See EU textual proposals: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/india/eu-india-agreement/documents_en

¹⁵ See a list of EU textual proposals in the FTA negotiations with India: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/india/eu-india-agreement/documents_en

EU pesticides MRLs: The extremely low levels (0.01 microgram per kg) of pesticide MRLs in the EU for tricyclazole, a fungicide used in basmati rice, and for chillies and tea act as NTBs on Indian exports of these products. It would be important to address this issue in the FTA. In the EU's textual proposal for the SPS chapter, the Parties reaffirm their rights and obligations under the WTO SPS Agreement (Article X.3 of the EU proposal). The WTO SPS Agreement says *inter alia* that SPS measures should be based on international standards and their imposition should be justified by scientific evidence.

EU REACH Regulation: Compliance with the EU's REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulation requires payment of a high registration fee for each chemical and sharing cost and technical data with the EU. This is another issue that can be addressed under the SPS (or TBT) chapter.

Services: Services trade is integral to the EU-India commercial relationship and liberalisation of regulatory barriers to market access on either side is thus extremely important. India's interests lie in Mode 1 (especially information technology enabled services, business process outsourcing and knowledge process outsourcing), and Mode 4 services trade. Improved market access in Mode 4 will allow skilled Indian professionals to temporarily reside and work in EU countries. Barriers to Mode 4 trade include work permits, wage-parity conditions, visa formalities and non-recognition of professional qualifications, all of which can be addressed in the FTA.

India also seeks a data secure status from the EU, but the high cost of compliance with existing data protection laws and procedures (the EU's GDPR) renders Indian MSMEs uncompetitive (stakeholder discussions). In return, the EU would like further liberalisation of FDI in multi-brand retail and insurance, and closed sectors like accountancy and legal services.

NTMs in India's public procurement services market could be addressed by removing existing 'buy local' regulations. EU businesses would also benefit from a comprehensive Digital Trade chapter with strong rules on data protection and security. Cross-border data flows should not be limited by data localisation requirements, subject to a few mutually agreed and well justified exceptions (European Services Forum).

1.5 Impacts for public procurement

We apply a structural gravity model to estimate the likely impact of preferential procurement liberalisation in the EU-India FTA on their bilateral procurement using data on bilateral government final consumption expenditure from the World Input-Output Database (WIOD; Timmer et al. 2015) for 43 countries¹⁶, including the EU27 and India, over the period 2000-2014. A detailed description of the model has been provided in the section 1.5.2 in the Annex to this Report.

Estimates from this model suggest that - everything else being constant - preferential procurement liberalisation may have been associated with a 50.4% increase in public imports, on average for all the 43 countries covered in the WIOD, over 2000-2014. We simulate the effect of preferential procurement liberalisation in the EU-India FTA by turning on the preferential procurement binary dummy from 0 to 1 for EU27-India trading partners over the period of analysis and re-estimating the equation¹⁷. The difference in predicted values from the two estimations translates into a rise of USD 4.4 million in the predicted value of public exports from the EU to India, and to an increase of USD 4.5 million in the reverse direction, over the 2000-2014 period. Thus, average procurement between these two Parties would have been larger by €550,000 per annum over 2000-2014 at the current

¹⁶ The countries include Australia, Austria, Belgium, Bulgaria, Brazil, Canada, Switzerland, China, Cyprus, Czechia, Germany, Denmark, Spain, Estonia, Finland, France, United Kingdom, Greece, Croatia, Hungary, Indonesia, India, Ireland, Italy, Japan, South Korea, Lithuania, Luxembourg, Latvia, Mexico, Malta, The Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, Sweden, Türkiye, Taiwan, and the United States.

¹⁷ This approach assumes that the average level of ambition regarding the coverage of government procurement in the EU-India FTA is likely to be similar to that in the other EU FTAs (e.g., EU-Australia, EU-Canada) that have been concluded amongst WIOD countries.

USD-Euro exchange rate if they had a preferential procurement agreement in effect with the level of procurement ambition similar to the EU's existing FTAs.

Extrapolating the average annual value (€300,000) of Indian public exports to the EU to the present, using the 5.4% average annual increase in the EU's pre-COVID total procurement spending over 2015-2019 (based on OECD data) and the 0.01% share that India had in EU public imports in 2019 (based on the EU's TED), translates into a 6.9% increase in the value of EU public imports from India.

1.6 Global effects estimated by the economic model

Results from the economic model suggest that the EU-India FTA is likely to have a marginally positive impact on the EU GDP and welfare¹⁸ (see Table 1.4). By 2030, compared to the situation without the agreement in place, both the EU GDP and welfare are expected to rise by 0.1% and 0.2% in the conservative and ambitious scenarios, respectively. The corresponding GDP (welfare) effects for India are larger in percentage terms at 0.6% (0.5%) and 1.0% (0.8%), respectively, though in absolute terms, welfare effects for the EU are larger in magnitude.¹⁹ The economic gains for India are largely driven by trade – India's total exports and imports are expected to rise by 5.7% and 6.5% in the ambitious scenario – though the country is also expected to witness a 14.5% reduction in tariff revenue in the ambitious scenario. The corresponding decline in tariff revenue for the EU is expected to be much lower at 6.3%. Finally, real wages for both skilled and unskilled labour are expected to increase as a result of the FTA in both partners, which implies that disposable incomes would rise. As indicated in section 1.1, the EU economy is much more open and more integrated into world trade compared to India's, which means that the extent of relative liberalisation in the economic model is estimated as higher for India, as also reflected in the received results discussed here.

Table 1.4: Summary of overall economic effects

Major macroeconomic indicators	EU27		India	
	Cons.	Amb.	Cons.	Amb.
Welfare (€ billion)	23.7	41.0	18.3	33.8
Welfare (% change)	0.1%	0.2%	0.5%	0.8%
GDP (€ billion)	25.5	47.9	39.0	69.6
GDP (% change)	0.1%	0.2%	0.6%	1.0%
Trade and revenue effects				
Bilateral exports (€ billion)	66.4	114.0	63.2	110.8
Bilateral exports (% change)	48.3%	82.9%	18.7%	32.7%
Total exports (€ billion)	28.5	52.7	53.8	92.1
Total exports (% change)	0.3%	0.5%	3.3%	5.7%
Tariff revenue (€ billion)	-3.3	-3.6	-9.2	-10.4
Tariff revenue (% change)	-5.7%	-6.3%	-12.9%	-14.5%
Factor markets				
Real wages unskilled labour (% change)	0.1%	0.2%	0.8%	1.3%
Real wages skilled labour (% change)	0.1%	0.1%	0.4%	0.6%

Source: Authors' calculations based on the CGE results provided by DG Trade

¹⁸ Welfare is measured in terms of equivalent variation, i.e., minimum amount of money that society would expect to receive in order to forego the trade agreement.

¹⁹ According to a similar SIA study for the EU-Australia FTA, the EU real GDP is expected to increase by €3.9 billion in the ambitious scenario (BKP, 2020) compared to the corresponding €47.9 billion (0.2%) rise from the EU-India FTA. The SIA for the EU-Japan FTA estimated an increase of EU GDP by 0.7% (LSE Enterprise Ltd), the SIA for EU-Canada CETA estimated the EU GDP increase for below 0.1% (Development Solutions, 2011) and the SIA for EU-Indonesia FTA estimated EU GDP increase for up to €3.1 billion (Development Solutions, 2019).

1.7 Impacts for EU Outermost Regions (cross-cutting issue)

In the economic model used for this study, the EU's Outermost Regions (ORs) are not defined as a separate region. In order to identify and analyse the potential impacts for them under the EU-India FTA, a matching analysis is undertaken that focuses on the major exporting sectors in each OR. The rationale behind this approach is that the exports of the ORs to the EU are likely to face more competition from India's exports to the EU and the relative loss of advantage in access to the EU market. The ORs are active exporters in a specific set of industries, as outlined in Table 1.5 below. By matching these identified top sectors with the expected effects of the EU-India FTA on India-EU bilateral exports in the ambitious scenario, we are able to identify potential shocks to the respective ORS sectors.

Table 1.5: Top Outermost Regions' export sectors/products to the EU, 2010-2019

Outermost Region	Export sectors
Guadeloupe	Sugar (more than 40% of total exports), waste, tropical fruits, yachts, perfumes, spirits
French Guiana	Aircraft and Spacecraft (more than 80% of total exports), other equipment, machinery, and motor vehicle
Martinique	Waste (more than 80% of total exports), yachts, aircraft and spacecraft, spirits, machinery, motor vehicles
Mayotte	Electrical equipment (about 38% of total exports), motors, meat, jewellery – due to very low exports strong fluctuations from year to year
La Réunion	Sugar (about 80% of total exports), spirits, waste, canned fish, car parts
Canary Islands	Vegetables (about 19% of total exports), aircraft and spacecraft, vehicles, machinery, essential oils, fish, and crustaceans
Azores	Animals (about 32% of total exports), fish and crustaceans, dairy products, processed food and beverages, meat and fish preparations, machinery
Madeira	Processed food and beverages (about 9% of total exports), transport equipment, boats, alcoholic beverages; animals, fish, and crustaceans

Source: COMEXT database; own calculations

Several export sectors of the ORs are likely to face negative competitive shocks, including vegetables and fruits, dairy products, sugar, beverages and tobacco, fishing, motor vehicles and transport equipment, and the electrical equipment sector. The results from the economic model suggest that India's exports to the EU are expected to rise in these sectors. As all of them play an important role in the small OR's economies (dependent of just a few sectors) and in the export structure of the ORs, the expected increase in India's exports to the EU in these sectors may imply negative effects for the ORs.

The extent to which these potential negative effects will result in a deterioration of the economic situation in ORs should be further assessed in relation to which specific exports from India may directly compete with OR exports. A further analysis of some important product groups shows that India's sugar exports to the EU could increase by 177% as a result of the FTA, which could increase the already existing strong competition that sugar producers in Guadeloupe and La Réunion face in their exports to EU27. Canary Islands, Azores and Madeira mostly export agricultural products to the EU – vegetables, animals, food and beverages, fish, and dairy products – and producers in all these sectors are likely to face competition from a rise in Indian exports to the EU as a result of the FTA. In this context, the Regional Council of La Réunion has recalled in its contribution to this study that in particular regarding agricultural and food products, there is no level playing field between its products and exports to the EU on one hand and products exported from India to the EU on the other, given that unlike India, La Réunion follows the EU environmental standards and sustainable agricultural practices.

Findings from the remaining parts of the analysis include a case study on the agricultural sector, notably an estimation of impacts of the EU-India FTA on the sugar and rice sectors. Based on the evidence and stakeholder engagement, including with sector representatives

and EU ORs, the case study concludes that sugar should be excluded from further liberalisation.

Additionally, we note that in a position paper shared with the study team, the Regional Council of La Réunion highlighted risks to the local economy related to increased EU sugar imports from India. However, the Council also outlined several other areas of interest and a potential for a mutually beneficial cooperation with India. Given the geographical location of La Réunion on the Indian Ocean and its expertise, which La Réunion is willing to share, cooperation could include services sectors (e.g., energy efficiency or waste management), renewable energy, connectivity (including regulatory aspects and infrastructure), digital trade and digitisation of public services and operation of enterprises, adaptation to climate change, sustainable blue economy, and transition to low-carbon economy. On the other hand, La Réunion could benefit from India's expertise in information and communication services, including IT. Such a cooperation and dialogue supported (where necessary) by capacity building could represent one of the many ways of enhancing EU-India strategic partnership in the Indo-Pacific region, thus contributing to the achievement of the fourth EU strategic objective (The Regional Council of la Réunion, 2023).

1.8 Impacts for Least Developed Countries (LDCs)

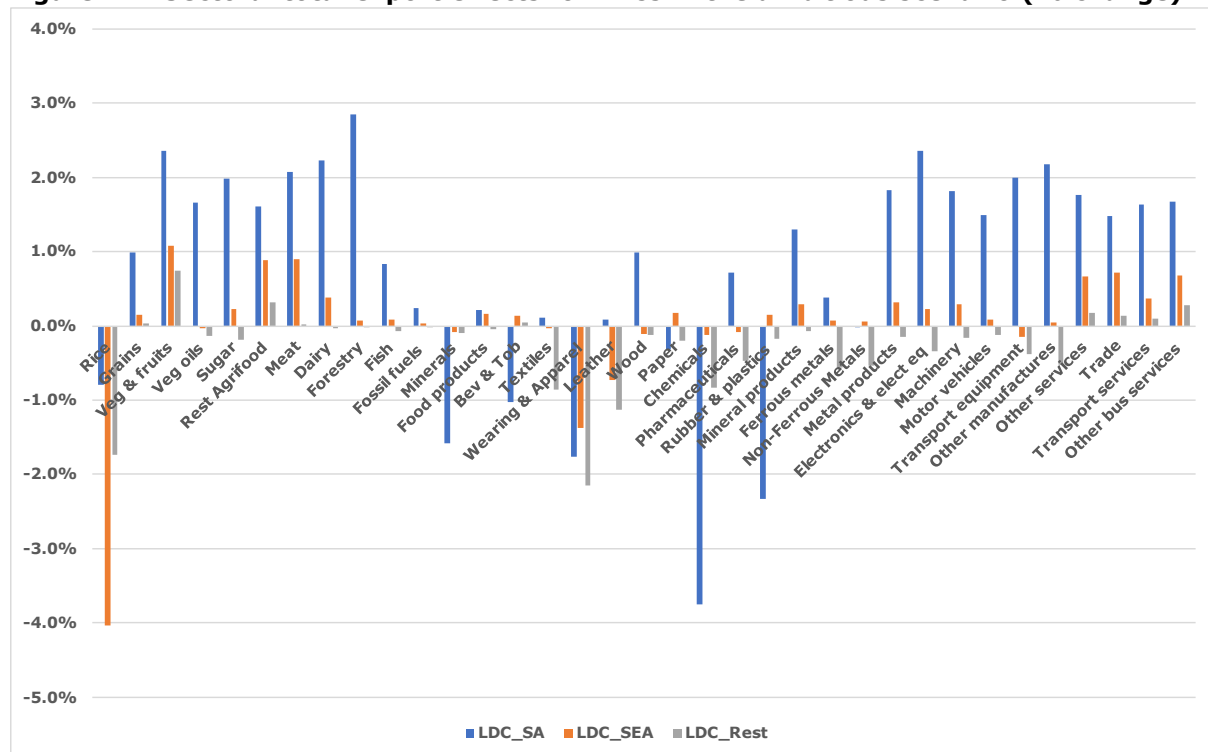
South Asian and South-east Asian LDCs report a 0.1% decline in their GDPs emanating from the EU-India FTA in the ambitious scenario, with the remaining LDCs being largely unaffected (see Table 1.6). In terms of welfare, trade, and tariff revenue effects, South Asian LDCs are relatively more adversely affected than South-east Asian LDCs – their welfare is expected to fall by -0.2%, their total exports by -1.1% and their tariff revenue and total imports by -1.2%.

Table 1.6: Summary of overall economic effects for LDCs

Major macroeconomic indicators	South Asian LDCs		South-east Asian LDCs		Remaining LDCs	
	Cons.	Amb.	Cons.	Amb.	Cons.	Amb.
Welfare (% change)	-0.1%	-0.2%	-0.1%	-0.1%	0.0%	0.0%
GDP (% change)	-0.1%	-0.1%	-0.1%	-0.1%	0.0%	0.0%
Trade and revenue effects						
Bilateral exports to EU (% change)	-3.0%	-4.4%	-2.1%	-3.1%	0.1%	0.1%
Bilateral exports to India (% change)	-0.4%	-0.7%	0.8%	1.6%	-0.3%	-0.4%
Total exports (% change)	-0.7%	-1.1%	-0.2%	-0.3%	-0.1%	-0.1%
Tariff revenue (% change)	-0.8%	-1.2%	-0.2%	-0.3%	0.0%	-0.1%
Factor markets						
Real wages unskilled labour (% change)	-0.1%	-0.2%	-0.1%	-0.1%	0.0%	0.0%
Real wages skilled labour (% change)	-0.1%	-0.2%	-0.1%	-0.2%	0.0%	0.0%

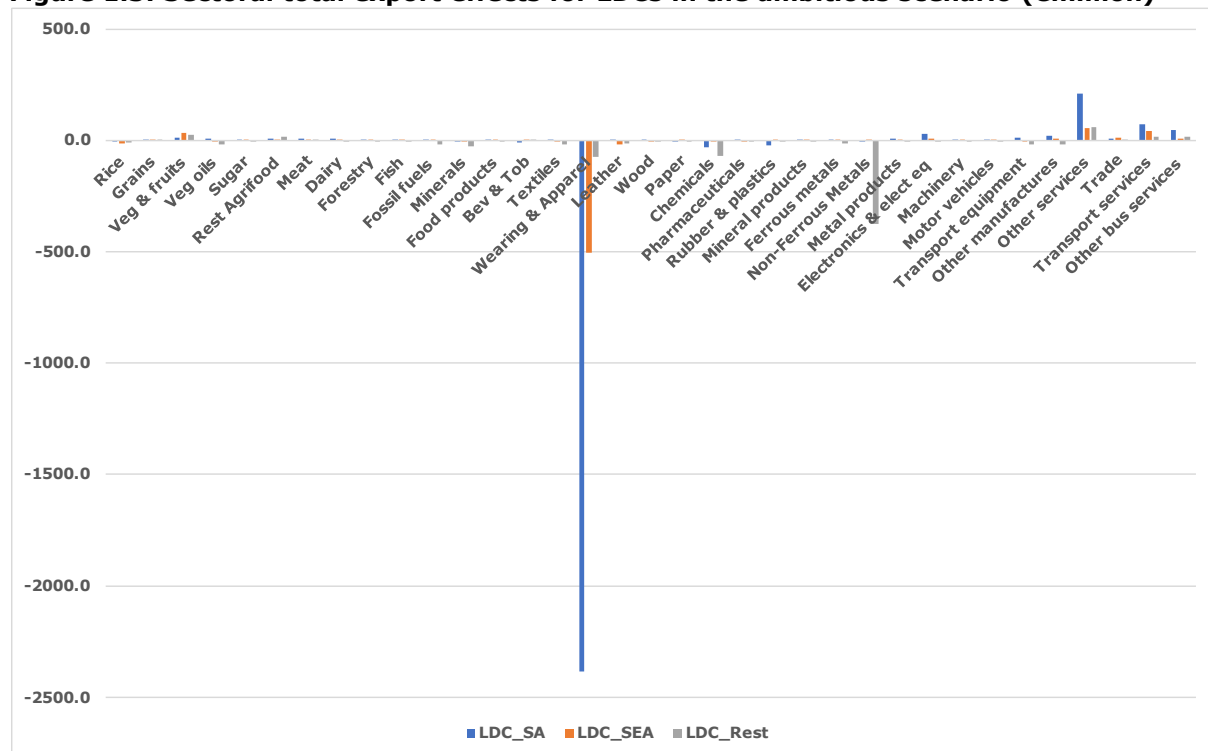
Source: Authors' calculations based on the CGE results provided by DG Trade

Figure 1.2: Sectoral total export effects for LDCs in the ambitious scenario (% change)



Source: Authors' calculations based on the CGE results provided by DG Trade

Figure 1.3: Sectoral total export effects for LDCs in the ambitious scenario (€million)



Source: Authors' calculations based on the CGE results provided by DG Trade

The export decline for South Asian and South-east Asian LDCs emanates largely from wearing apparel (–€2.4 billion and –€504 million, respectively), which is consistent with the analysis on FTA-induced trade diversion risks to South Asian and South-east Asian LDCs apparel exports presented in section 1.7 in the Annex. In several other sectors, however, exports of both South Asian and South-east Asian LDCs are expected to increase in percentage terms though the magnitude of the change is relatively small (see Figures 1.2 and 1.3).

Overall, South Asian LDCs bilateral exports to the EU and India are expected to fall by -4.4% and -0.7% in the ambitious scenario (these declines are not offset by the increase in bilateral exports that South Asian LDCs observe vis-à-vis all other trading partners, as estimated by the economic model). In contrast, South-east Asian LDCs exports to India are expected to increase by 1.6% though their exports to the EU report a -3.1% decline (again, the overall decline is not offset by the increase in bilateral exports that South-east Asian LDCs observe vis-à-vis all other trading partners, as estimated by the economic model, barring Türkiye and South Asian LDCs).

1.9 Impacts for Türkiye

The economic model estimates limited negative impacts for Türkiye which are mainly due to the fall in its trade and production in textiles and garment, both competing with imports from India. As a consequence, its trade in textiles would fall by -1.5% (€-755 million) and in garment by -3.4% (€-1.7 billion) in the ambitious scenario and by -1.1% (€-529 million) and -2.4% (€-1.2 billion) in the conservative scenario. Production in these two sectors would also fall, in textiles by -1.1% (€-1.5 billion) and in garment by -1.6% (€-1.6 billion) in the ambitious scenario and by -0.8% (€-1.1 billion) and by -1.1% (€-1.1 billion) in the conservative scenario. This would also have an impact on employment in both sectors. In the ambitious scenario, employment in the textile sector is projected to decrease by -1.2% for skilled and unskilled workers and in the garment sector by -1.8% for unskilled workers and by -1.7% for skilled workers. In the conservative scenario, employment is estimated to fall by -0.8% in the textile sector (for both groups of workers) and by -1.2% in the garment sector (also for groups of workers). The economic model also estimates a limited increase in trade in a few agricultural sectors (meat, dairy products, rest agrifood, grains, and fruits, vegetables, and nuts), as well as in trade and output in some industrial sectors (rubber and plastics, electronic and electrical equipment, and machinery, among others). Under both scenarios, however, this growth would be too limited to compensate for losses in the textile and garment sectors.

As a consequence of sectoral effects, Türkiye's GDP is projected to fall slightly (by 0.0% or €-748 million) in the ambitious scenario and by 0.0% (€-505 million) in the conservative scenario. Welfare would record a similar reduction (-0.1%; €-838 million in the ambitious scenario and 0.0% or €-560 million in the conservative scenario). Moreover, real wages would marginally decrease (by -0.1% for both groups of workers) in the ambitious scenario and would remain unchanged in the conservative one.

1.10 Impacts for Small and Medium-Sized Enterprises (SMEs) (cross-cutting issue)

Results from economic modelling suggest that the EU-India FTA is likely to have positive impacts on MSME exports. By 2030, compared to the situation without the agreement in place, exports of several of the main MSMEs business sectors in the EU and India, as identified in section 1.8 in the Annex, are expected to increase.

According to Comext data for 2019 (for details see section 1.8 in the Annex and Figure 1.15 there) over 70% of all EU firms trading with India are SMEs, which shows the potential importance of an EU-India trade agreement for EU SMEs. The export-intensive sectors in the EU where MSMEs are important include machinery and metal (both in terms of the number of exporters and the value of exports; see Figure 1.16 in the Annex), rubber and plastics, other manufacturing, paper, and leather. On the Indian side, MSMEs are clustered in the services sector, with almost twice as high the representation as in manufacturing, and within services wholesale and retail trade activities are dominant.

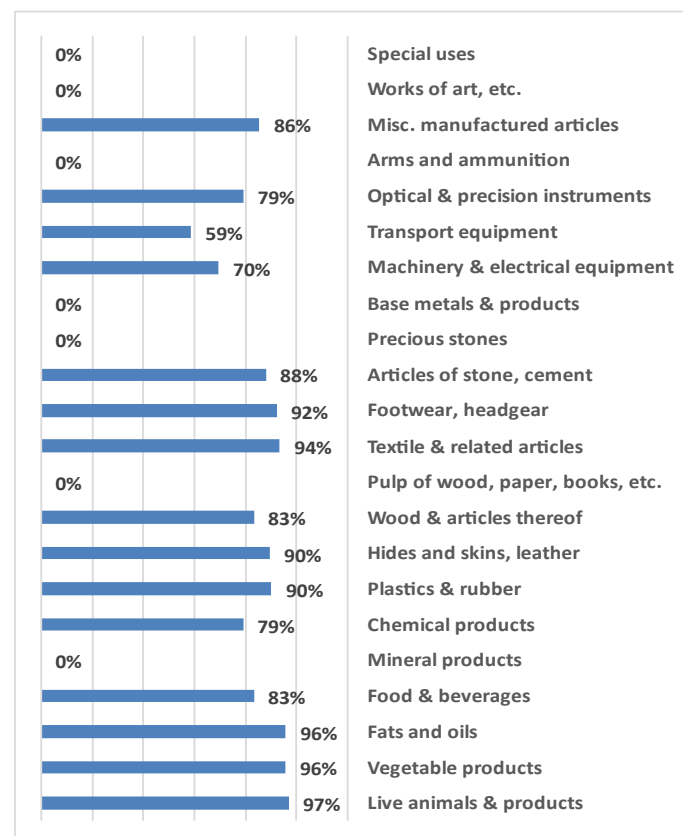
Results from the economic modelling show that in some of its largest MSME-intensive merchandise sectors, like electronics, machinery, rubber, and plastics, the EU reports significant gains from the EU-India FTA in both bilateral and total exports. In electronics and machinery, the total value of EU exports is expected to go up by €10 billion each, while bilateral exports to India are expected to increase by over €17 billion each. Similarly, several MSME-intensive manufacturing sectors on the Indian side (leather, rubber and

plastics, ferrous metals, metal products, electrical equipment, machinery, textiles, and apparel) report large percentage and absolute increases in both total and bilateral exports. In the case of textiles and apparel, the total export gains in terms of absolute value are expected to exceed €15 billion each, while the other sectors report expected percentage gains in total exports exceeding 10% and a near doubling of exports to the EU, with textiles and apparel reporting more than 100% percentage gains in bilateral exports.

However, the impact on output in the SME-intensive sectors is more nuanced in both partners. The EU reports the largest expected gains in total output in absolute terms in machinery, electronics, and paper, but the biggest expected losses in textiles, apparel, and ferrous metals. For India, wearing apparel and textiles are the largest beneficiaries in both absolute and relative terms, while machinery, electronics and the paper sectors are likely to be negatively affected.

India is also expected to witness a rise in bilateral exports and output in distribution services (0.5% gain each), which is the most MSME-intensive sector in the country.

Figure 1.4: India's utilisation rates of EU GSP in 2019



Source: UNCTAD's GSP Utilisation Database; own calculations

However, Indian MSMEs face numerous challenges when exporting to the EU, including high transport and insurance costs, high costs of shipping samples to potential buyers and a difficulty to identify the latter, identification of suitable distribution channels (Tandon, 2020) and prospects of international litigation in the event of a commercial dispute. Regulatory requirements and paperwork are another challenge. Stakeholder experience with the EU's GSP scheme suggests sector-specific challenges such as the rules of origin in machinery and transport equipment or certifications for processed agricultural products, all of which need to be addressed to enable MSMEs to benefit from the FTA (corroborating this, Figure 1.4 on India's utilisation rates of EU GSP in 2019 across HS Chapters shows relatively low utilisation in machinery and transport equipment and food and beverages). Access to funding, help in navigating cumbersome bureaucratic procedures, and capability building activities and advisory services for MSMEs willing to export, adapted to the requirements of the EU market, would be extremely useful in the context of the FTA. The

EU proposal for an SMEs chapter includes provisions on information sharing (Art. X.2) and contact points (Art. X.3), which would facilitate MSMEs participation in the EU-India trade.

At the same time, discussions with EU industry and stakeholders have revealed several challenges that EU MSMEs face in accessing the Indian market. These include tariffs and NTMs, legislation - including technical regulations - adopted without prior announcement and proper consultation with stakeholders, very short period between publication of the new legislation and its entry into force, and applicability and uncertainty around application date (it is sometimes postponed several times at a short notice). Other barriers include the need for in-person inspections in production facilities, high costs of licences (compared to small values of exports) and a need to renew them frequently, low capacity of BIS auditors and laboratories (resulting in long waiting times for inspections and testing), cumbersome and time-consuming procedures, and the use of domestic standards instead of international ones which results in a need for multiple testing and certification.

Addressing these issues in the FTA would enhance the number of EU MSMEs exporting to India. For instance, the EU's proposed text in the chapter on Good Regulatory Practices includes several proposals that are likely to address industry requests raised in the context of NTMs and enhance MSME participation in EU-India bilateral trade. For instance, Article X.5 ("Regulatory processes and mechanisms"), suggests that each Party "make publicly available descriptions of the processes and mechanisms used by its regulatory authority to prepare, evaluate or review regulatory measures". Article X.6 ("Early information on planned regulatory measures") suggests that each Party "make publicly available on at least an annual basis a list of planned major regulatory measures that its regulatory authorities reasonably expect to adopt within a year", with what falls under "major" decided by the regulatory authorities. Similarly, Article X.10 ("Regulatory register") proposes that that regulatory measures in effect in each Party are "published in a designated register that identifies regulatory measures by topic" and that this register "is publicly available on a single, freely accessible internet website". There are other proposals on public consultations, impact assessment, retrospective evaluation, and exchange of information on good regulatory practices, all of which will reduce the costs of regulatory heterogeneity and compliance and facilitate MSME participation.

Also, other EU textual proposals (discussed in detail in section 1.4 above on NTMs) aim to facilitate trade and reduce burdens for exporting companies, including SMEs.

1.11 Recommendations

Based on the likely impacts reported by the quantitative modelling and economic analysis undertaken in this Report, the following recommendations are made:

- Since the effects from the ambitious scenario considerably outweigh those from the conservative scenario, both Parties should aim to conclude an agreement that results in the greatest degree of liberalisation possible. This relates to the removal of tariffs and lowering of tariff peaks in sensitive agricultural products on either side as well as liberalisation of non-tariff barriers to trade, including in services. There are, however, sensitive sectors and products for which additional recommendations are made below and in other parts of the analysis.
- The agreement could consider phasing in tariff reductions and allowing for lengthier transitions for full liberalisation of products where economic impacts and adjustment costs are expected to be greater. For the EU, this should be requested in relation to textiles, wearing apparel, and sensitive agricultural products (especially rice), whereas for India, this would include electronics, machinery, and sensitive agricultural products (especially meat). In addition, representatives of EU sugar sector request its full exclusion from liberalisation.
- To facilitate trade in agri-food products, multiplicity, and differences in standards across importing jurisdictions should be reduced. Moreover, SPS measures should be based on international standards and their imposition justified by providing scientific evidence. Also, given unsafe Indian food products detained at the EU borders, including rice, there is a need to improve production quality control in India by adjusting production

techniques and providing further information and training to Indian producers regarding the EU food safety requirements.

- Aiming to reduce costs of compliance, the Parties should provide a non-discriminatory trade environment and eliminate unnecessary burdens for exporters on both sides. The future FTA, building on the proposals tabled by the EU, should strengthen adherence to the principles of the WTO Technical Barriers to Trade Agreement. Accordingly, it should prevent the use of divergent national technical standards unless one side can clearly demonstrate their better suitability for reaching legitimate goals. Furthermore, the FTA should include commitments to harmonisation with and recognition of international standards on either side, especially in the engineering goods and automotive sectors. The future FTA should also promote better communication and mutual consultation regarding changes in standard technical requirements, conformity assessment procedures and fees, ensuring transparency for actors involved. Thus, newly proposed technical regulations should be pre-notified well in advance and designated contact points should be established, allowing for timely dialogue between sides.
- The services chapter of the FTA should emphasize liberalisation of market access and behind-the-border barriers to Mode 3 trade. Moreover, building on the proposal tabled by the EU, the Parties should allow for a move and temporary stay in the territory of the other Party for business purposes of defined categories of persons and for defined periods, to be agreed by the Parties, with a view to facilitate Mode 4 trade in services.
- The agreement, building on the proposals tabled by the EU, should also include a comprehensive Digital Trade chapter with strong rules on data protection and security. Cross-border data flows should also not be limited by data localisation requirements.
- A future FTA should strive for the maximum harmonisation of domestic standards with relevant international standards and simplification and reduction in NTBs as these are amongst the main issues discouraging MSME-participation in trade and GVC-integration. The EU's proposed text in the chapter on Good Regulatory Practices includes several proposals that are likely to address NTMs by promoting transparency and sharing of information, including in a designated public register and electronically, on planned regulatory measures and the processes and mechanisms used by regulatory authorities to prepare, evaluate, or review such measures. There are other proposals on public consultations, impact assessment, retrospective evaluation, and exchange of information on good regulatory practices, all of which will reduce the costs of regulatory heterogeneity and compliance and facilitate MSME participation. The future FTA should include all these provisions.
- Each Party should also consider ways of explaining the content and functioning of a future FTA to its own MSMEs in order to raise their awareness of the potential benefits of the agreement. To facilitate MSMEs GVC-integration, the EU and India could also cooperate to promote start-up, incubator and entrepreneurship schemes linked to global supply chain integration and exporting. In addition, both Parties should cooperate in capacity building and best practice sharing in facilitating MSME internationalisation.
- Concerning the capacity of customs authorities to implement the rules of origin, the future FTA should include a set of product-specific rules, guided by the principles of non-alteration, self-certification, administrative cooperation, and bilateral cumulation. This should be complemented by clear definitions and criteria for goods to qualify as "wholly obtained products" and "sufficiently worked or processed products" as outlined in the EU's proposed text.
- The Parties should also build upon existing bilateral mechanisms that can be utilised to strengthen custom processing capacity, as well as agree on new administrative cooperative measures. The agreement should also promote further automation of customs clearance procedures, alongside the digitalisation of documents and prior-arrival processing. This would reduce the time taken to trade and also serve as an effective tool against corruption. Finally, an ex-post evaluation of REX used in the context of GSP may also be undertaken to evaluate its strengths and weaknesses.
- The FTA should consider meaningful liberalisation of the public procurement markets on either side, including at the sub-national levels, by removing existing 'buy local' regulations and implement non-discrimination in the award of government contracts.

- The EU could also monitor its trade with South Asian LDCs in particular as some trade diversion is likely to occur, especially in the textile and wearing apparel sector. The EU could consider Trade Related Technical Assistance (TRTA) support to such LDCs on a needs basis. The EU could also monitor imports from EU Outermost Regions to establish to what extent they face increased competition from Indian imports in the same sectors.

2 FOREIGN DIRECT INVESTMENT (FDI)

Our analysis in this chapter starts with a gravity analysis estimating impacts of the EU-India FTA and IPA on FDI. It then follows with an analysis focusing on IPA, in the context of international developments, as well as the EU's and India's practice regarding protection and promotion of investment.

2.1 Outcomes of the gravity analysis

We have applied a structural gravity model to estimate the likely impact of the EU-India FTA/IPA on investment, using data on bilateral investment stocks from 38 OECD countries in 240 destination countries (both developed and developing) over 2000-2019. Much like bilateral trade in goods and services, bilateral investment is governed by the same forces of "gravity" such as the GDP of the source and destination countries, prices, and bilateral costs. The last are typically proxied by bilateral distance between capitals of the two countries, incidence of restrictive FDI regulation, indicators for common international borders, language, legal systems, and membership of trade agreements (TAs) and bilateral investment treaties (BITs).

To estimate the likely effect of the EU-India FTA/IPA on bilateral investment we construct a binary dummy D_{ij} that takes the value one for all source countries belonging to the EU27 and with India as the destination country and include the interactions of this variable with the TA and BIT variables. The estimated coefficients of the interaction terms then provide the differential effect of the likely EU-India FTA/IPA on investment.

The estimates from the gravity model suggest that - everything else being constant - and on average, the EU-India IPA is likely to enhance the stock of bilateral investment from the EU in India by 1.2% (technical details of the gravity model used in this simulation have been described in section 2.5 in the Annex).

2.2 Introduction to the analysis of investment protection and promotion

Recent studies have shown that the conclusion of International Investment Agreements (IIAs) can increase Foreign Direct Investment (FDI) flows (Singh, Shreeti, Urdhwaresh, 2022; Ozawa, 2022; Lejour, Salfi, 2014). Accordingly, the working assumption for this study is that a future EU-India FTA and IPA could increase bilateral FDI flows, leading to increases in national economic growth, competition, and product quality, and thereby benefiting investors and consumers in the EU and India. The draft Final Report will also include a gravity analysis which will provide further insights regarding the potential impact of the EU-India FTA and IPA on FDI flows.

A state-of-the-art IPA, which would reduce or even remove existing obstacles to FDI, coupled with appropriate investment protection standards and access to an Investment Court System (ICS) are likely to further increase the potential beneficial impacts on FDI flows as investor confidence would be improved (Frenkel, Walter, 2019).

Indeed, reflecting recent developments regarding international investment protection best practices, the EU has developed new procedural and substantive protection standards regarding fair and equitable treatment, expropriation, and dispute resolution mechanisms. These are discussed in more detail in chapter 2 in the Annex.

2.3 FDI flows

EU FDI into India

India received the highest annual FDI inflows of USD 84.8 billion in 2021-2022 marking an increase of USD 2.8 billion compared to the previous year. Moreover, it was a continuation of a longer-term trend of increasing FDI. Compared to that, in 2014-2015, FDI inflows to India equalled USD 45.1 billion. FDI equity inflows in 2021-2022 reached USD 59.8 billion (equity inflows in manufacturing accounted for USD 21.3 billion, i.e., 35.6% of the total). Overall, since 2000, India received USD 847 billion of FDI.

The main countries investing in equities in 2021-2022 include Singapore (27%), the US (17.9%), Mauritius (16%), the Netherlands (7.9%) and Switzerland (7.3%).

The top 5 sectors with highest FDI equity inflow in 2021-2022 include computer software and hardware (24.6%), services (financial services, non-financial business services, R&D, outsourcing, courier, technology, testing and analysis, and other) (12.1%), automotive industry (11.9%), trade (7.7%) and construction (infrastructure) activities (5.5%) (Invest India, no date a).

Indian FDI into the EU

India's annual FDI flows to the EU27 (positions) fluctuated over the last decade, from €4.5 billion in 2013 to €9.5 billion in 2015, to fall later to lower values and €6.2 billion in 2021. In a break-down by Member State, larger total values of Indian investments flow to the Netherlands (the first place by a distance, with €4.7 billion out of €6.2 billion in 2021), Belgium, Germany, France, and Spain. On the other hand, over the last few years, there have been an annual outflow of Indian investment from Ireland and Luxembourg, with both countries displaying negative values in the region of EUR hundreds of millions. While there are gaps in data in a break-down by sector, the available evidence suggests that services take a major part of Indian investment in the EU27, e.g., €9.4 billion out of €9.5 billion in 2015 and €6.8 billion out of €7.0 billion in 2018 (EUROSTAT, 2022f; no date b).

2.4 Current investment climates in the EU and India

FDI restrictions and liberalisations

Based on our preliminary findings and the input of stakeholders received so far (see chapter 2 in the Annex), the following FDI areas of concern have been identified.

FDI areas of concern for European investors in India

Lack of access to the public procurement market

The current lack of access to the public procurement market in India has been universally highlighted as a very important area of concern. In particular, the public procurement market should be liberalised at all levels (national, federal, and local levels) and backed up by effective legal remedies procedures for cases of complaints regarding infringements of procurement rules (interview with ESF).

FDI approval routes and FDI caps

Generally, FDI in India fall either within the scope of the so-called "Automatic Route" or the "Government Route" depending on the sector. The FDI falling within the scope of the "Government Route" require prior approval by the Indian Government. Moreover, various levels of FDI caps apply for foreign investors in many sectors. The FDI approval routes and FDI caps are areas of concern and consequently should be removed or at least further liberalised.

Automotive industry

Given the large investments already made in the automotive sector, the lack of fair and equal treatment regarding investments in this sector has been highlighted as an area of concern, which should be addressed by the IPA.

Protection of intellectual property rights (IPR)

Slow procedures for trademark applications in India and slow court proceedings and enforcement procedures of intellectual property rights (IPR) have resulted in a low level of their protection, which has been indicated as an area of concern. Consequently, the IPA should contain provisions that would strengthen the IPR protection.

Investment protection and access to Investor-State Dispute Resolution Mechanism

Following the termination by India of all its IIAs with EU Member States, the lack of any investment protection and lack of access to an effective dispute resolution mechanism for European investors have been universally highlighted as an area of concern.²⁰ Hence, state-of-the-art investment/investor protection clauses, combined with a state-of-the-art dispute resolution mechanism such as the Investment Court System (ICS) is needed. In addition, mediation and other dispute resolution mechanisms suitable in particular for SMEs, which would assist in resolving problems of foreign investors, should also be considered (interview with ESF; Federation of Indian Chambers of Commerce and Industry).

FDI areas of concern for Indian investors in the EU

Given the geo-political tensions and geo-economic competition, it is likely that the screening of FDI in particular in critical sectors and infrastructures will be tightened by all major economies. The same applies regarding foreign subsidies. As a consequence, effective investment protection and access to dispute resolution mechanisms becomes particularly important to protect investors against unfair or discriminatory treatment.

EU FDI Screening Regulation

FDI originating from India may fall within the scope of the EU FDI Screening Regulation and thus could be blocked or only conditionally approved by the respective EU Member State that may impose certain mitigating conditions on the foreign investor.

EU Foreign Subsidies Regulation

If India is providing subsidies to any of its companies, which intend to invest into the EU and which fall within the scope of this Regulation, this could have a restrictive impact on Indian FDI flows into the EU.

EU Carbon Border Adjustment Mechanism

The EU Carbon Border Adjustment Mechanism (CBAM) measure may – to the extent they fall within its scope – potentially have a direct impact on Indian investments in the EU because it increases the administrative burden and costs for Indian exporters, thereby creating additional investment obstacles.

2.5 IPA textual proposal tabled by the EU

In 2022, the EU tabled its IPA textual proposals in negotiations with India, which reflect the EU's current approach as developed in CETA. Accordingly, the proposal contains the

²⁰ See e.g., Observer Research Foundation and Jacques Delors Institute, India, and the European Union in 2030: Building a Closer Economic Relationship, 2023, pp. 7, 58, 68: <https://institutdelors.eu/wp-content/uploads/2023/06/India-and-the-European-Union-in-2030.pdf>.

broad-based definition of investment, a closed list of fair and equitable treatment breaches, most-favoured nation, and national treatment obligations, as well as provisions against (indirect) expropriation. Procedurally, the creation of a two-tiered Investment Court System (ICS) is envisaged, and mediation is also mentioned as a dispute resolution mechanism. Moreover, relevant Joint Committees should be established within the IPA, as it is the case with CETA, which would enable the treaty parties to continuously address and resolve any obstacles for foreign investors and their investments, thereby incrementally improving the investment climates (Lavranos, 2016).

Taken together all these substantive and procedural elements are important and necessary to address the highlighted areas of concern. These elements will contribute to achieving a high level of investment and investor protection, transparency, and fair treatment, which in turn will provide confidence to foreign investors and thus stimulate bilateral FDI flows.

2.6 Recommendations regarding the FTA and the IPA

- To maximise positive impacts of a future EU-India IPA, the negotiators of both EU-India FTA and IPA should strive for removing or at least reducing existing obstacles and limitations for foreign investors when making their investments from both sides.
- Generally, existing FDI caps should be removed and/or applied in a restrained, transparent, and non-discriminatory manner. Also, existing FDI screening mechanisms should be applied in a transparent and non-discriminatory manner and only to the extent necessary.
- As a stable and predictable regulatory policy environment increases investor confidence, it is recommended to include state-of-the-art investment/investor protection clauses, combined with a state-of-the-art dispute resolution mechanism such as the Investment Court System (ICS). At the same time, an appropriate balance between protecting the investor's interest and the policy space for both Parties should be achieved. To effectively address concerns of the Parties and their stakeholders, the EU-India IPA should explicitly preserve the right of the Parties to regulate in terms of upholding their environment, human rights, or social policies.

3 SOCIAL ANALYSIS

3.1 Impacts for employment²¹

This part of the analysis is guided by the results of economic modelling which demonstrate how the reduction of tariff and non-tariff barriers may influence trade between the EU and India and what impact this is likely to have on operation (output) of individual sectors and employment in each of those. The model shows outcomes which may be triggered by the FTA and expected in a longer-term compared to a situation without the agreement in place.

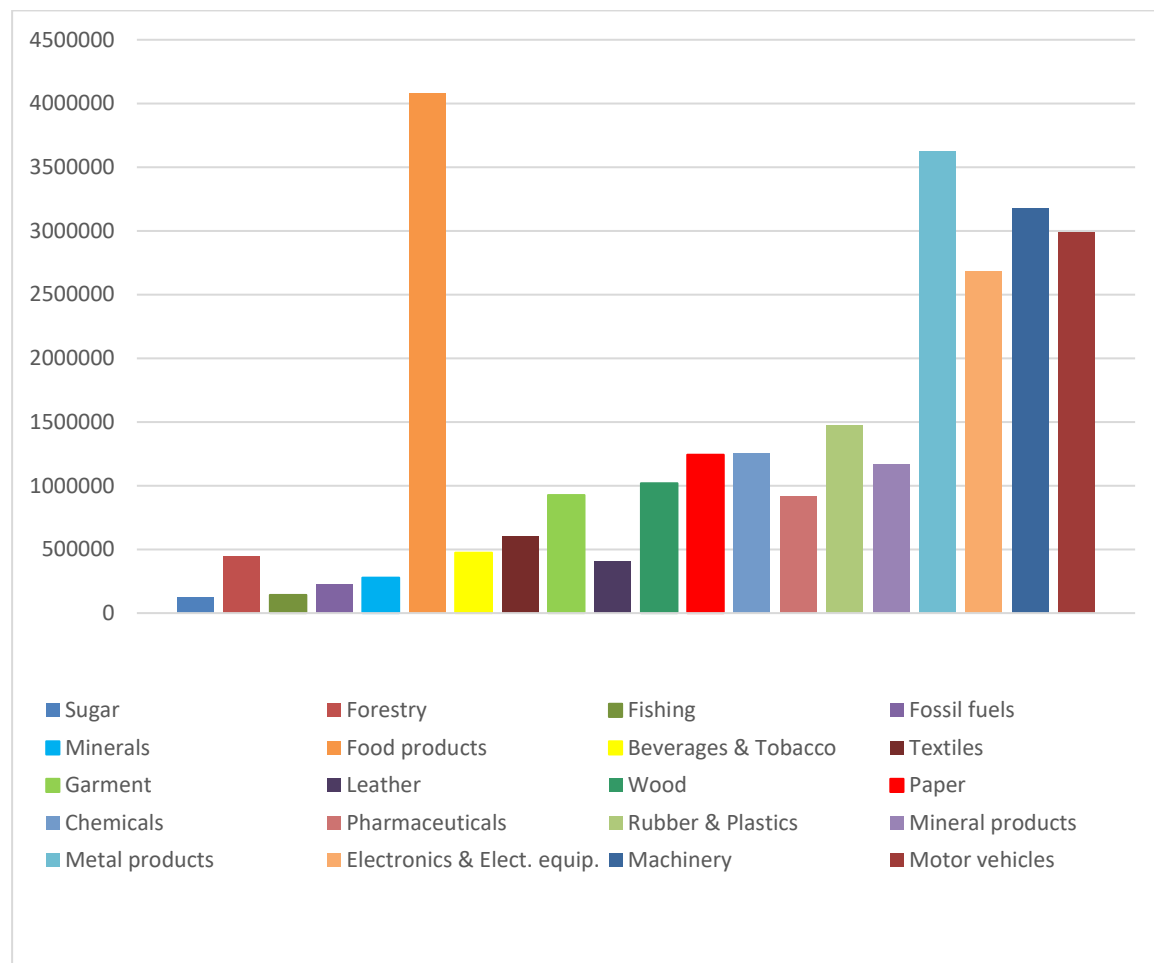
However, it is important to note that the model assumes a simplified situation in the labour market, which may be far from the reality, and therefore, the outcomes of the modelling should be interpreted in a combination with complementary analysis of the situation in the affected sectors. For example, it assumes a fixed employment (a fixed number of jobs), and therefore no changes in the overall employment level can be simulated by its use.²² As a result, any job creation in the growing sectors is compensated by a corresponding move of workers away from other sectors (and employment reduction there). It means that the model can only calculate relative employment shifts between sectors, while in the reality, the total number of available jobs may change as well and so may the total number of workers in the labour market. Hence, any observed workers' move away from any sector displayed in the model should not be interpreted automatically as a job reduction or a contraction of the sector but should be followed by a more in-depth analysis of the real

²¹ The developments in the EU's and India's labour market since 2010, including employment situation in chosen sectors, have been discussed in section 3.1 in the Annex to this report.

²² Instead, the model simulates overall changes in the labour market through effects on wages.

situation on the ground. Also, while the model assumes swift move of workers across sectors, in the reality, this may involve more steps than in the model or may not be feasible. For example, the model does not consider differences in skills required in individual sectors (while in the reality, additional training may be needed, or differences may be too large to overcome) nor spatial distance while the growing and declining sectors may be based in different parts of a country or in different EU Member States. Moreover, as the objective of the model is to isolate effects of the analysed trade agreement, it does not consider other factors, such as changes in technology or other dynamics influencing the situation in individual sectors which in turn may also affect related trade flows, output, and employment.

Figure 3.1: The number of workers in chosen EU sectors in 2022²³



Source: Labour Force Survey (EUROSTAT, no date); for sugar sector (CEFS, 2023; CIBE)

Note: The key for colours and order of individual sectors should be read in rows

Finally, from the employment perspective, the model estimates only relative employment changes in individual sectors, while it does not show the size of total employment in each sector. To complement this, Figure 3.1 outlines the total number of workers in 2022 in those EU sectors for which data are available and which are identical with sectors used in the economic model to facilitate comparisons. Moreover, in the analysis that follows below, we have provided for some sectors illustrative information regarding the estimated number of jobs that may be created or lost due to the EU-India FTA in the ambitious scenario.

Tables 1.29 and 1.30 in the Annex outline the estimated sectoral effects of the EU-India FTA, including percentage moves of workers (changes in employment) across sectors in the EU and India under two FTA liberalisation scenarios (ambitious and conservative), and for two groups of workers: unskilled and skilled ones. In our commentary below, we focus

²³ The Figure does not include services sectors due to their high level of aggregation in the economic model compared to the goods-related sectors.

on the ambitious scenario (Table 1.29 in the Annex) as the one likely to bring about more tangible impacts, both positive and negative. Impacts under the conservative scenario are expected to be more limited and can be consulted in the Table 1.30 in the Annex.

European Union

Accordingly, the highest employment increase (in relative terms) in the EU resulting from growth in exports to India and increased production is estimated for the minerals sector (2.2% for both worker groups in the ambitious scenario) followed by production of non-ferrous metals (1.2%). There are also a few sectors recording employment increase of up to 0.5% in the ambitious scenario. These include paper and publishing sector (0.4% for unskilled workers and 0.5% for skilled ones). The paper sector faced fluctuations in the number of jobs since 2010. After an initial fall from 606,800 in 2010 to 537,200 in 2013, it started growing again, to 638,000 in 2022, while the printing sector witnessed a fall in jobs from 877,600 to 603,900 in the same period (EUROSTAT, no date). Therefore, the EU-India FTA may support (although in a limited way) employment growth in this sector and rebalance the recent losses a bit. Likewise, a limited employment increase is projected for the EU chemicals sector (0.3% for both skilled and unskilled workers in the ambitious scenario). Employment in this sector also fluctuated between 2010 and 2022, however, it remained at around 1.2 million (being by 1,200 jobs higher in 2022 compared to 2010)²⁴ (EUROSTAT, no date). Therefore, growth in trade and production stimulated by the EU-India FTA could help in stabilising and enhancing employment in the sector.

A similar employment growth is estimated for the machinery sector (0.3% for unskilled workers and 0.4% for skilled ones in the ambitious scenario) which has been growing in the period under review, from 2.6 million jobs in 2010 to 3.2 million in 2022 (EUROSTAT, no date). Therefore, the EU-India FTA may support (in a limited way) further employment growth in this sector. Indeed, VDMA, the sector representative organisation sees the EU-India FTA as an opportunity to improve competitiveness and the operation of value chains (VDMA, 2021). The electronics and electrical equipment sectors are estimated to increase employment by 0.2% in the ambitious scenario. Their combined number of jobs has been fluctuating between 2010 and 2022 around 2.6 million, with an increase by 45,300 jobs in 2022 compared to 2010, while trends in both sectors have been opposite, with a fall in the electronic equipment and growth in the electrical one²⁵ (EUROSTAT, no date). The EU-India FTA may therefore support employment growth in the sector or reduce a fall in electronics but in a limited way. Finally, employment increase by 0.2% for unskilled workers and 0.1% for skilled ones in the ambitious scenario is estimated for the rest agri-food sector.

On the other hand, outflow of workers has been estimated for a few sectors in the EU, as a result of increased imports from India and a decline in the EU production. This includes, e.g., the rice sector, with the employment reduction of up to -7.9% for unskilled workers and -7.1% for skilled ones in the ambitious scenario. The sector has already been under pressure due to the need to apply high standards and compete with imports. Its production is important for the local economy in a few regions of Italy, Spain, Portugal, France, Greece and to a lesser extent in Bulgaria, Romania, and Hungary, as well as for the European heritage and cuisine. Italy represents 50% and Spain 30% of the EU's rice production and cultivation area. The sector provides 18,350 direct and indirect jobs jointly in Italy, France, and Portugal (data for the remaining countries has not been identified). While the EU is self-sufficient in Japonica rice variety (representing 75% of the total EU rice production) used mainly in Southern Europe, it imports other varieties, including Indica rice (25% of EU's production) used mainly in the Northern Europe (European Rice, no date; European Commission, no date n). The representative EU farmers' organisation (Copa Cogeca) has underlined a need to consider the current situation in the sector and different sensitivities regarding imported rice varieties (e.g., Basmati rice is less sensitive for EU producers) to facilitate imports that are complementary to the EU production rather than competing with

²⁴ In illustrative terms, if the estimated employment growth thanks to the EU-India FTA was compared to the current number of jobs in the sector, the increase would be of around 3,680 jobs.

²⁵ In the electronic equipment sector, the number of jobs fell from 1,339,200 in 2010 to 1,279,000 in 2022, while in the electrical equipment sector, employment increased from 1,297,000 to 1,403,200 (EUROSTAT, no date).

it (India already provides 21% of rice imported to the EU). According to Copa Cogeca, further increase in imports from India, notably in rice varieties sensitive for EU producers, may have negative impacts for the sector. It may bring down market prices, discourage small farmers from continuing production or force them to sell their farms to big producers, reduce incentives for young persons to take over farms from the older generation and lead to a decline of the sector (interview with Copa Cogeca).

Vegetable oils is another sector that may be negatively affected by increased imports from India and a fall in output. As a result, it may face job reduction up to -1.6% for unskilled workers and up to -1.4% for skilled ones. At the same time, part of this sector (organic oil seeds) has been highlighted by Copa Cogeca as sensitive for EU producers. Increased imports from India may reduce incentives in the EU to pursue organic production, given investment costs and a need to follow high regulatory requirements for organic products (interview with Copa Cogeca). In this context, it needs to be emphasised that the model does not distinguish between organic and non-organic products and equally does not catch further nuances, such as product diversity in a sector or in a product category which means that not all of them can be considered as substitutes for each other.

More limited employment reduction (by -0.2% for unskilled workers and -0.1% for skilled ones) has been estimated for the sugar industry, where employment has been decreasing since 2006 (European Parliament, 2018). The number of direct jobs engaged in sugar production (seasonal and permanent) decreased from 52,000 in 2006 to 28,675 in 2017-2018 (21,368 permanent and 7,307 seasonal) and further to 24,083 in 2021-2022 (18,635 permanent and 5,448 seasonal), i.e., by 27,917 since 2006 and by 4,600 since 2017. In 2021-2022, the highest number of jobs in the EU sugar production were recorded in Germany (5,558), France (5,532) and Poland (4,704) (CEFS, 2023; CEFS, EFFAT, 2022). The number of sugar beet growers (for EU27 and the UK together) also fell from 133,878 in 2017-2018 to 100,442 in 2022-2023²⁶ (data shared by CIBE). Additionally, sugar industry in La Réunion (one of EU Outermost Regions) provides 18,300 jobs for the island's economy, from a total population of around 800,000 (Syndicat du sucre de la Réunion, 2021; The Regional Council of la Réunion, 2023).

The sugar sector has been named as sensitive by Copa Cogeca, CEFS and CIBE (sector representatives) and the Regional Council of La Réunion, with all of them calling the EU to exclude entirely the sugar sector from trade liberalisation, as part of the EU-India FTA. EU stakeholders stressed that sugar production in India has been subsidised and does not represent fair competition in the market. They referred in this context to the December 2021 ruling of the WTO Panel, according to which²⁷ India's support to sugarcane producers and export subsidies for sugar were inconsistent with India's obligations under the WTO Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures (The Regional Council of la Réunion, 2023; CEFS and CIBE, 2023; Syndicat du sucre de la Réunion, 2021; interview with Copa Cogeca).

In interviews, sugar sector representatives also highlighted challenges faced by the sector in the last few years, such as price fall in the follow-up to the end of the quota system in 2017, and more recently increase in production costs, including fertilisers, energy, fuel, and wages, as well as a need to comply with more stringent sustainability standards. This in turn means a difficulty in competing with imports from a country like India, as there is no level playing field (they mentioned issues with the use of pesticides, water use, land use and the recourse to forced labour in the Indian sugar sector) (interviews with CEFS and ASSUC). The available data suggests that production of beet sugar in the EU fluctuates over time.²⁸ It decreased from 19.6 million tonnes in 2017-2018 to 14.2 million in 2020-

²⁶ According to the UK National Farmers Union, in 2021, there were 2,500-3,000 sugar beet growers in the UK (NFU, 2021). This means that around 97,442-97,942 sugar beet growers are in the EU27.

²⁷ See the ruling of the Panel established by the WTO Dispute Settlement Body (India has decided to appeal): https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds580_e.htm

²⁸ The sugar cane cultivation in La Réunion takes place on 21,550 hectares (according to 2021 data) and the total production reached 1.6 million tonnes in 2021-2022 (The Regional Council of La Réunion, 2023). Sugar is also the major exported product to the EU from two of the EU Outermost Regions, Guadeloupe and La Réunion. Though

2021 to increase to 16.3 million in 2021-2022. In 2022-2023, it is expected to fall to 15 million tonnes due to severe summer drought in many EU regions. The number of sugar processing factories decreased from 189 in 2006 to 103 in 2017-2018 and further, to 89 in 2021-2022 (the majority of factories are located in France, Germany, and Poland) (CEFS, 2023; CEFS, EFFAT, 2022). Further pressure on the sector (e.g., through increased sugar imports) may have detrimental effects for jobs and production in the EU, as well as in cooperating sectors along the supply chain. In this context, it is important to note that every job in the sugar factory supports 14 other jobs along the EU supply chain (in 2017, there were 338,500 such jobs). Moreover, negative impacts would also affect interests of the EU Outermost Regions, in particular La Réunion, and also countries exporting sugar to the EU on preferential terms, like ACP/EPA or EBA beneficiaries (Syndicat du sucre de la Réunion, 2021; The Regional Council of la Réunion, 2023; interviews with Copa Cogeca, CEFS and ASSUC; CEFS, EFFAT, 2022). For further details, please, see case study No. 3 in a separate file.

A few other agricultural sectors in the EU (grains, fruits and vegetables, meat, and dairy) may also face employment reduction (workers' outflow) between -0.1% and -0.3%.

Among manufacturing sectors, textiles, clothing, and leather are expected to face increased imports from India, with a resulting fall in own production and employment. In the ambitious scenario, the textiles sector may experience employment reduction by -2.5% for unskilled workers and -2.3% for skilled ones, clothing by -3.1%²⁹ and -2.8% and the leather sector by -1.2% and -1.0%, respectively. This would happen against a trend of declining employment in all three sectors: in textiles, from 663,700 jobs in 2010 to 600,500 in 2022³⁰, in clothing, from 1.3 million to 927,300 and in the leather sector, from 434,000 to 407,500 in the same period (EUROSTAT, no date). Information provided by CIRFS suggests that while the EU has a wider range of products in the man-made fibres sector (as part of textiles) than India, increased imports from India are likely to compete directly with EU production in most popular fibres. Given that imports may be of a lower quality and be sold at a lower price, they will have a potential to push EU products out of the market, also triggering a negative domino effect in the chemicals sector which provides inputs for man-made fibres. On the other hand, as noted in the economic analysis of non-tariff measures, the certification requirement imposed by India in relation to Quality Control Orders of 2021 and 2022 mean (at least temporarily) a de facto ban on EU exports in man-made fibres to India. According to the BIS database, to-date, only two legal entities producing MMF in the EU have received certificates to export, and these do not cover their all their products (interview with CIRFS). Additionally, the above-mentioned Quality Control Orders harm the Indian downstream textile industry preventing their access to high quality inputs for their own products. A similar analysis would be needed for the rest of the affected sectors to compare the range of goods manufactured in the EU and those likely to be imported in the future from India to conclude if there is a high risk of direct competition and potential negative effects, as estimated by the economic model. Moreover, while the model estimates reduction in garment exports from Least Developed Countries and Türkiye in the region of €5 billion in total, this trade diversion would represent 21.2% of the total estimated increase in India's exports to the EU in garment products, therefore a substantial negative impact for the EU sector would remain likely. While sector representative organisation (EURATEX) advocates tariff dismantling for textile and apparel products, it emphasises that this should be done gradually, in a balanced and reciprocal way, to open markets and to take into consideration the specificity and sensitivity of certain product categories on both sides (EURATEX, 2022) which may include the impact on related jobs.

the value of sugar exports from La Réunion to the EU fell over time from €53.3 million in 2010 to €38.4 million in 2019 (after registering higher values, e.g., €62.5 million in 2017), they were still four-fifths of La Réunion's total exports to the EU in 2019. In the case of Guadeloupe, sugar exports to the EU increased from €7.8 million in 2010 to €21.1 million in 2017 and fell to €8.8 million in 2019, still accounting, however, for nearly half of the Guadeloupe's total exports to the EU in 2019 (COMEXT data).

²⁹ In illustrative terms, if the estimated employment reduction due to the EU-India FTA in the clothing sector was compared to the current number of jobs in the sector, it would mean that around 26,000-27,000 workers would need to leave the sector.

³⁰ The estimated employment in the man-made fibres sector (part of the textiles) decreased from 26,638 in 2019 to 25,000 in 2022 (data shared by CIRFS).

This is echoed by CIRFS which calls for a reciprocally beneficial FTA, ensuring a level playing field and sustainability of the textile value chain, with a dismantling of tariffs and non-tariff measures, and a gradual opening over a period of 15 years, for a selected group of products (tariff lines) from the textile (man-made fibres) sector (CIRFS, 2023).

Other sectors negatively affected by increased Indian imports and fall in output include pharmaceuticals (employment reduction by up to -0.4% for unskilled workers and -0.3% for skilled ones in the ambitious scenario), ferrous metals (-0.6% and -0.5%), transport equipment (-0.2% and -0.1%) and other manufactured products (-0.3% and -0.3%). The EU pharmaceuticals sector has been growing dynamically, increasing employment from 694,000 jobs in 2010 to 914,500 in 2022 (EUROSTAT, no date). Therefore, in this case, the effects of EU-India FTA may also mean a slow-down in growth rather than a decline in the sector.

In services sectors, the changes estimated for the EU are very limited which may also be due to the aggregation of those sectors. For example, in other services sector, despite the expected substantial increase in output, the employment will remain the same under both scenarios (given the large employment in absolute terms in that sector, any changes due to the EU-India FTA may be very small as a percentage of the total employment). Also, as pointed out by the European Services Forum (ESF), the economic model does not reflect the importance of investment (Mode 3, commercial presence) as a driver for growth and jobs in services sectors (ESF written input for this study).

India³¹

The outcomes of the economic modelling for India should be interpreted with some caution given high levels of informality in the affected sectors and the fact that their organised and unorganised (informal) parts are inter-twined and (as discussed in the next section) both are involved in the production for exports. The level of informality in each of those sectors will be discussed in the next section. Also, while we use different sources to understand the recent dynamic in each sector, including in relation to the number of jobs, the large share of informality and the lack of precise data series related to the informal part make that task more difficult. Also, as discussed in section 3.1 in the Annex, in the last few years, India witnessed an employment increase in agriculture and a fall in manufacturing (e.g., due to tariff structure).

For India, the model estimates a limited outflow of unskilled workers from all agricultural and other primary sectors, by up to -0.8% per sector. However, at the same time, it shows an employment increase for skilled workers in all agricultural sectors (except forestry), of up to 0.8% per sector. This may suggest (as one of possible explanations) an upskilling opportunity for some workers and a move to other tasks or jobs, as India's agriculture and food sector may undergo changes in production methods. Another possibility is a move of unskilled workers, notably women, from agriculture to work in textile, wearing apparel and leather sectors which are projected to grow significantly (already now, women from rural areas represent a large group of workers in these sectors).

Among manufacturing sectors, the garment sector is likely to increase employment by 15.1% for unskilled workers and 16.2% for skilled ones in the ambitious scenario. The employment in the textiles sector would grow by 2.7% and 3.8%. According to the Annual Survey of Industries (ASI), employment in the registered establishments³² in the garment

³¹ To assess recent developments in individual sectors and the scale of employment they offer, we use two types of data. The first one includes results from the Annual Survey of Industries (since 2010 until the latest available) outlining the number of jobs in individual sectors. However, as the Survey covers only factories registered under the Factories Act (i.e., the organised sector), it does not capture the whole remit of analysed sectors, as it excludes microenterprises and non-registered establishments (the unorganised sector) (see the definition of ASI: <https://www.mospi.gov.in/annual-survey-industries>). To close this gap, we use other sources estimating the total number of jobs in each sector, i.e., including also their informal (unorganised) part and the latest developments.

³² A factory needs to be registered under the Factories Act (1948) "if in that factory ten or more workers worked on any day of the preceding 12 months, and in any part of which a manufacturing process is being carried on

sector increased from 872,962 persons in 2010-2011 to 1.2 million in 2019-2020 (the number of those establishments increased from 9,226 to 11,573 in the same period), while in the textile sector, employment went up from 1.4 million to 1.6 million (the number of establishments fell from 18,584 to 17,996) (MoSPI, 2013; 2022b). The total employment in India's textile and garment industry, incl. informal jobs, is estimated, however, at 45 million workers, out of whom 60% (27 million) are women (Agarwal, 2022; Kane, no date). The textile and garment, along with the leather sector were among a few labour-intensive sectors which suffered due to demonetisation announced in 2016. The withdrawal of INR 500 and 1000 notes and a delayed issue of new ones caused a liquidity problem in sectors based on cash and employing large numbers of daily-wage workers (around 6 million of such workers in the textile and clothing were affected). It is estimated that as a result, around 1.5 million jobs in total were lost (Safi, 2018; Maji, Saha, 2017; Pattanayak, 2016). Both sectors were also affected by the COVID-19 pandemic. Recently, the Government is attracting investment to both sectors through schemes, such as Amended Technology Upgradation Fund Scheme and Production Linked Incentive (PLI) Scheme (Agarwal, 2022). Therefore, the EU-India FTA may support growth in the sector and employment generation further to unfavourable developments. Trade union representatives (interview with IndustriALL) note, however, the existing excess capacities in the garment sector in India. This means, in their view, that at least initially, the future FTA, and the related additional EU orders, would not create new jobs but would utilise the existing capacities.

The leather sector, which is projected to grow by 6.5% (for unskilled workers) and 7.6% (for skilled workers) in the ambitious scenario, increased employment in registered firms from 292,657 jobs in 2010-2011 to 426,093 in 2019-2020 (the number of firms increased from 4,072 to 4,857 in the same period) (MoSPI, 2013; 2022b). It provides 4.4 million jobs in total, out of which 40% are occupied by women. Its leather footwear production and exports, accounting for 42% of the sector in 2022, have been growing (Council for Leather Exports, 2023). However, the leather sector has already faced challenges with supply of raw material due to sensitivity of handling cattle hides and was forced to import them which put jobs and businesses at risk and prompted international buyers to place orders in other Asian countries (Bhardwaj, Kumar, 2017). Hence, the future EU-India FTA could support further growth and employment in this sector, while recurring problems with supply of raw material may put new constraints on this trend.

Other manufacturing sectors projected to increase employment include chemicals (0.3% for unskilled workers and 1.4% for skilled ones in the ambitious scenario). The chemicals sector increased employment in registered businesses from 630,017 jobs in 2010-2011 to 932,428 in 2019-2020 (the number of those businesses increased from 11,202 to 13,459 in the same period) (MoSPI, 2013; 2022b). In total, it provides jobs for over 2 million people and has been growing at high rates (Indian Chemical Council, 2021; McKinsey & Company, 2020). Therefore, the EU-India FTA, with trade, production and employment increase on both sides may provide further boost for the sector.

The automotive sector increased employment in registered businesses from 715,550 jobs in 2010-2011 to 1.1 million in 2019-2020 (the number of those businesses increased from 5,139 to 6,632 in the same period) (MoSPI, 2013; 2022b). In total, it provided 19-25 million direct and indirect jobs in India in the last decade (Ministry of Heavy Industries, 2016; no date) and is projected to grow further, e.g., thanks to the production of electric vehicles³³ (Frost & Sullivan, 2019). The economic model estimates for it increased exports to the EU, production, and employment (the latter by 0.2% for unskilled workers and by 1.2% for skilled ones in the ambitious scenario). At the same time, further growth in the

with the aid of power, or is ordinarily so carried on, or where 20 worked on any day of the preceding 12 months, and in any part of which a manufacturing process is being carried on without the aid of power, or is ordinarily so carried on; but this does not include a mine, or a mobile unit belonging to the armed forces of the union, a railway running shed or a hotel, restaurant or eating place" (Legal Service India, no date). However, the Code on Occupational Safety, Health, and Working Conditions, 2020, which has replaced the Factories Act, has increased those thresholds to 20 and 40 workers respectively which means that less production units will be obliged to register and to comply with labour-related regulations.

³³ Indian states plan to invest in electric vehicles, with the related job creation for 50,000 in Uttar Pradesh, 100,000 in Maharashtra and 60,000 in Andhra Pradesh, to name a few (Frost & Sullivan, 2019).

sector will depend on how it will manage the necessary adaptations, including automation of production processes and the move towards manufacturing of electric vehicles (requiring new worker skills and changes in the production of car components), both likely to have an impact on the number of jobs, type of required skills and the size, profile, and number of contributing businesses (Bajpai, Tandon, Sinha, 2018; Nagaraj, 2022). Our interlocutors were also of the view that additional investments of the European car brands in India may create a limited number of direct jobs given that these are usually capital-intensive plants (interview with an academic labour expert).

Other sectors with estimated employment growth include non-ferrous metals (1.5% for unskilled workers and 2.0% for skilled ones in the conservative scenario), transport equipment (0.8% and 1.8% in the ambitious scenario) and other manufactured products (1.4% and 2.4% in the ambitious scenario).

On the other hand, manufacturing sectors for which workers' outflow is estimated include paper (-5.3% for unskilled workers and -4.3% for skilled ones in the ambitious scenario), machinery (-3.1% and -2.1%), wood (-1.9% and -0.9%), electrical & electronic equipment (-1.8% and -0.8%), and rubber and plastics (-1.1% for unskilled workers). In all these cases, the model estimates increased imports from the EU and reduced production in India.

The paper sector increased employment in registered businesses from 249,019 jobs in 2010-2011 to 323,629 in 2019-2020 (MoSPI, 2013; 2022b). In 2016, it provided in total 600,000 direct and 1.6 million indirect jobs (Central Pulp and Paper Research Institute, no date). The sector has been growing in the last few years, however, in 2022, it started facing difficulties with supply of raw materials, including wastepaper imports, and energy and transport costs (Mancombu, 2022). The rubber and plastics sector witnessed a growth in the number of jobs in registered establishments from 511,842 in 2010-2011 to 843,562 in 2019-2020 (MoSPI, 2013; 2022b). In total, it employs around 4 million people and has been growing (Centre for Financial Accountability, 2022).

The machinery sector increased employment in registered businesses from 677,982 jobs in 2010-2011 to 935,811 in 2019-2020 (MoSPI, 2013; 2022b). In 2017, it provided 8.4 million direct and indirect jobs in total and was projected to grow further. However, MSMEs operating in the sector also faced development constraints in access to new technologies and capital (Export-Import Bank of India, 2017). The electrical equipment industry also increased the number of jobs in registered businesses from 506,628 in 2010-2011 to 635,006 in 2019-2020 (MoSPI, 2013; 2022b). Around this time, it was also reported as providing 500,000 direct and 1 million indirect jobs, as well as 5 million jobs across the entire value chain. It was also projected to grow along with the increased investment in electricity generation and an increasing demand (SESEI, 2019). Therefore, in the case of these sectors, the estimations made by the economic model may also mean a lower growth rate (against the otherwise favourable development) rather than a decline in the sector.

As outlined above, in some sectors, for which we have managed to get evidence, it suggests that regarding sugar, man-made fibres and (partly) rice, the expected imports from India that can result from the future EU-India FTA are likely to represent a direct competition for the EU products. Moreover, in those cases, products imported from India are likely to benefit from subsidies, be of a lower quality and be grown, harvested, or manufactured in conditions falling well below the EU or international standards (as discussed in detail in the next few sections and case studies). Therefore, they are likely to be cheaper than the EU like products and have the potential to push the EU products out of the market, generating negative impacts for the affected sectors, including for employment. Moreover, while part of India's exports to the EU (notably in the garment sector) is likely to replace exports from other countries, this will be a relatively limited share (21.2%). The proposed measures to apply to avoid expected negative consequences include a gradual (over 15 years) opening of the EU market for sensitive tariff lines in the textile sector, stringent rules of origin, reduction of tariffs and non-tariff measures in EU access to the Indian market (to ensure reciprocity and to support exports and employment) and an improvement in production methods and working conditions in India to gradually align with international or EU standards. The sugar sector representatives, on the other hand, call for its exclusion from

further liberalisation in trade with India, while in the rice sector, a different treatment should be applied to sensitive and non-sensitive rice varieties. Other possibilities include (on the EU side) the use of EU funds, such as the European Globalisation Adjustment Fund and European Social Fund, as well as support measures available under the Common Agricultural Policy to soften any negative impacts.

Looking at the Indian side, given that negative employment impacts are projected by the economic model for a few sectors, a similarly granular analysis would be needed to assess to which extent increased EU exports to India are likely to be in direct competition with Indian products and to what extent they are complementary or part of value chains. Also, in some cases indirect benefits are possible (e.g., modern machinery imported from the EU may be used for manufacturing products in other sectors for both the domestic market and exports).

3.2 Impacts for informal economy and employment (cross-cutting issue)

The analysis in this section will seek to establish potential impacts of the agreements under negotiation on the informal sector and employment in the EU and India. Based on data from the baseline analysis regarding informal employment levels in general and informality incidence in individual sectors (see section 3.2 in the Annex), the objective is to estimate the formal/informal type of jobs likely to be created in sectors³⁴ benefitting from the FTA.

European Union

According to data provided by EU Member States in 2017 (the latest available), sectors involving diverse levels of undeclared work included construction, agriculture, transport, accommodation and food services, food processing, wholesale and retail trade, security services, domestic, cleaning, and personal services, and professional services (European Platform tackling undeclared work, 2017). An EU-wide survey conducted in 2019, speaks about personal services (hairstyling, beauty treatments, cleaning services, childcare, and care for elderly persons), construction (home repair and renovations), other repair services and hospitality (Kantar, 2020). An earlier ILO research also adds manufacturing to this list (ILO, no date), however, based on such a broad category, it is difficult to draw conclusions regarding the situation in individual manufacturing sectors.

On the other hand, results of the economic modelling (Tables 1.29 and 1.30 in the Annex) estimate employment increase in the EU (thanks to the EU-India FTA) in sectors including minerals, paper, chemicals, rubber and plastics, non-ferrous metals, machinery, electrical and electronic equipment, and rest agrifood. All of them (except rest agrifood) represent manufacturing. A comparison with data provided by EU Member States suggests that jobs in these sectors are likely to be formal (they do not feature among sectors with identified informal employment). Therefore, assuming continuity of current patterns new jobs, which may be created in those sectors thanks to the EU-India FTA, are also likely to be formal.

India

As outlined more in detail in case study No. 1 and section 3.2 in the Annex, work in the textile, garment, leather, automotive and – to a lesser extent – chemicals sectors in India, estimated to increase production, sales, and employment thanks to the EU-India FTA, remains largely informal, while both formal (organised) and informal (unorganised) establishments, and different workers' categories are involved. Data provided in section 3.1 suggest that formal employment in registered establishments accounts for 6.2% of the total employment in textile and garment sectors jointly (2.8 million out of 45 million), 9.7% in the leather sector (426,093 jobs out of 4.4 million), 4.4%-5.8% in the automotive sector

³⁴ The analysis related to types of establishments and jobs in the chosen sectors is based on general (aggregated) information and data regarding these sectors, while we recognise that working arrangements in some companies (e.g., EU brands investing in India) may be different than the overall picture or than in an average business.

(1.1 million out of 19-25 million)³⁵ and 46.6% in the chemicals sector (932,428 jobs out of 2 million).

Moreover, while each sector has its own characteristics, in general, in all of them large and export-oriented enterprises have their own employees complemented by contract workers and cooperate with a wide network of suppliers, the majority of which are informal. In the textile, garment and leather sectors, subcontractors tend to pass part of the work further, to informal home-based workers (Bajpai, Tandon, Sinha, 2018; Sehgal, 2020; Ravi, 2020; Homeworkers Worldwide, 2019; Kumar, Sharma, 2020; Damle, Singh, 2019). Evidence based on trends observed over time also suggests that inclusion into the supplier network of export-oriented factories does not contribute to changing the status of an establishment from informal to formal and does not influence in a visible way the level of informality in the sector. At the same time, the work fragmentation and the complex network of engaged businesses mean that leading businesses, notably in the textile, garment, and leather sectors, are not accountable for working arrangements further down the chain, including those applicable to vulnerable, home-based workers (Khandelwal, Phansalkar, CMLS in: Access, 2020). Also, while some international buyers requested social audits in the Indian leather companies, they have been limited to the first-tier suppliers, not capturing the reality of the whole network (Ravi, 2020; Homeworkers Worldwide, 2019).

Based on the above, one can conclude that the EU-India FTA may support the operation of both formal and informal establishments in India in the analysed sectors. It is also likely that as a result, some permanent jobs in larger factories may be generated. However, the scale of informal employment in the analysed sectors and trends observed over time suggest that unless there is a major policy or regulatory move in India towards formal economy, most of jobs that may be created thanks to the EU-India FTA are likely to be informal. This will also include informal home-based workers in the textile, garment, and leather sectors. There is also a likelihood of a continued trend to hire contract workers as a cheaper solution for employers (they usually receive lower wages, do not get social security payments and termination of their contracts does not require compensation). The only exception may be roles where high skills or other characteristics may be offered only by permanent workers (Mehrotra, Sofi, Reshi, 2022). In this context, there is a need to highlight factors influencing developments in the automotive sector, including the move towards automation of production processes, and manufacturing of electric vehicles as they are likely to have an impact on the number of jobs in the sector, type of required skills and the size, profile, and number of contributing businesses (Bajpai, Tandon, Sinha, 2018; Nagaraj, 2022). The move towards production of electric vehicles (and any role the EU-India FTA may have in that transition) may contribute to changes in the nature of offered jobs (formal or informal, permanent, or temporary) given that companies will need to attract high-skilled workers and the production processes will shift towards engagement of more engineering and software. That said, a lot will also depend on the exact scope of the transition to electric vehicles which may cover, at least in the first step, mainly two- and three-wheelers to be followed by cars. In the chemicals sector, the share of informal (compared to formal) jobs and enterprises that may be supported by the EU-India FTA is likely to depend on the subsector, as the informality levels vary depending on subsector and manufactured products.

An important role will also be played by the Indian legislation and the attitude to job and business informality as a cost cutting strategy and a way of escaping the obligation to respect labour and other regulations. This conclusion has been confirmed by our interlocutors according to whom the current sector and job structure is likely to remain unchanged. The same is also likely to be true for informality, given that the Indian legislation has loopholes. It sets thresholds of the minimum number of workers or the minimum length of worker's contract to trigger employer's obligations and firms tend to

³⁵ It is reported that 70% of firms in the automotive sector in India are informal (Bajpai, Tandon, Sinha, 2018) and as permanent employees are replaced by temporary contract workers, in some workplaces, contract workers already represent the majority with a 70:30 ratio (Bajpai, Tandon, Sinha, 2018; Sehgal, 2020). This practice is also said to increase flexibility in production capacity and to reduce the probability of workers establishing a trade union. At the same time, the firms admit, the work organisation would allow for regularising around 70% of their workforce (Kerswell, Pratap in Sundar et al, 2019).

underreport the number of workers or terminate contracts early to avoid their legal duties (interview with an academic labour expert). In this context, it is important to highlight that the Factories Act (1948) has been abolished by the latest labour reform, and the new Code on Occupational Safety, Health, and Working Conditions (2020) increased thresholds obliging establishments to register from minimum 10 to 20 workers in establishments using power in the production process and from 20 to 40 in those working without power. This means that less establishments will be obliged to register and to comply with labour regulations (PRS Legislative Research, no date).

3.3 Impacts for gender equality (impacts for women) ³⁶

European Union

In 2022, out of 91.6 million women (aged 15-64 years) working in the EU, 2.2 million (2.4%) worked in agriculture, 9.7 million (10.6%) in manufacturing, 13.2 million (14.5%) in wholesale and retail trade, 2.3 million (2.6%) in transport and 62.8 million (68.5%) in public administration and diverse services sectors, also including education and health care (EUROSTAT, no date). If compared to outcomes of the economic modelling (Tables 1.29 and 1.30 in the Annex), this means that over two thirds of women (68.5%) work in sectors (identified as “other services” in the economic model) for which there would be no effects (0.0%) of the future EU-India FTA³⁷. For trade and transport services, the model estimated very limited changes in employment (up to -0.1% for unskilled workers), while they are for the total of workers, i.e., both men and women. Given that in 2022, 8.1 million men worked in transport services (77.9% of workers in the sector), it is likely that they would be more affected than women by any changes caused by the EU-India FTA, while this may also depend on the sub-sector, if impacts are not spread equally.

At the same time, some of 11.9 million women, i.e., part of those working in agriculture and industry, may be affected by the future FTA in different ways, depending on the sub-sector. For example, in the sugar industry, estimated to be negatively affected by the EU-India FTA, men account for the majority of workers (80% in 2014), with the women’s share improving slightly (currently 21%-22% on average, with shares in individual companies varying between 10% and 25%, being higher in administrative or white collar jobs, where women account for up to 35% of workers) (CEFS, EFFAT, 2022). Therefore, in this case, men may be more likely to be affected by the agreement than women.

For example, in the textiles, clothing and leather sectors, for which outflow of workers has been estimated, women represented 53%, 81.3%³⁸ and 58.5% of workers respectively in 2022. Given that 85.8% of EU jobs in the clothing sector lost since 2010 (319,400 jobs out of 372,200) (EUROSTAT, no date) had been occupied by women, and also given their high representation in the sector, it is more likely that women will be more exposed to negative impacts of increased imports from India than men. In pharmaceuticals sector, also estimated to be negatively affected by the EU-India FTA, women represented 48.9% of workers in 2022 (down from 51% in 2010). Moreover, while the sector has been growing in the last few years, women received 42% of newly created jobs (93,000 out of 220,500) (EUROSTAT, no date). Therefore, they may be affected to a similar degree as men, while a more detailed analysis would be necessary to assess the EU-India FTA effects across job categories or types of enterprises employing men and women to identify if there are any significant differences between them³⁹.

³⁶ The situation of women as workers, entrepreneurs and traders in the EU and India, since 2010 until now, has been discussed in section 3.4 in the Annex.

³⁷ In services sectors, effects for employment may be generated through foreign direct investment and commercial presence abroad (Mode 3) which, however, is not reflected by this type of the economic model.

³⁸ According to EURATEX (2022a), women represent 70% of workers in the textiles and clothing sectors combined. This has been confirmed by EUROSTAT data for 2022 (70.1%) (EUROSTAT, no date).

³⁹ The EUROSTAT Labour Force Survey does not include data related to employment in agriculture in a breakdown by sub-sectors and equally, there is no data or incomplete data available for female employment in a few other sectors, such as other transport equipment, minerals, non-ferrous metals, and paper, all estimated as likely to be affected (although in different ways) by the future EU-India FTA. Therefore, we report data related to the remaining sectors, where it is available for most or all EU Member States.

Turning to sectors projected to grow, thanks to the EU-India FTA, in the machinery sector, women accounted for 19.4% of workers in 2022. While their share increased from 17.9% in 2010, the number of jobs occupied by women increased by 136,000 in 2010-2022, while those held by men, went up by 369,300. Therefore, if the current employment structure in the sector and dynamic are upheld, more men than women are likely to benefit from job creation thanks to the EU-India FTA. In the chemicals sector in 2022, women accounted for 31.5% of workers, compared to 30.3% in 2010. The number of jobs in the sector has been fluctuating over time, remaining at around 1.2 million in total. A similar dynamic with periods of growth and decline has been observed in the electronics sector, with the share of women in the total of workers remaining the same (34.7% in 2022 compared to 34.8% in 2010), as well as in the electrical equipment sector, with women accounting for 33.9% of workers in 2022 compared to 33.2% in 2010 (EUROSTAT, no date). Therefore, while it is difficult to predict the future trend, the available evidence suggests that the proportions of men and women in the three sectors remain the same irrespective of whether the sector grows or declines, hence men are likely to benefit more than women (by getting around two thirds of jobs created) if the sectors grow thanks to the EU-India FTA.

Regarding participation in international trade, a 2019 study of the European Commission and International Trade Centre (based on interviews with firms from 12 EU Member States) revealed that women-led EU companies exporting goods were well represented in exports of clothing, fresh and processed food, agrifood products, metal products, and electronic components. They also exported (although to a lower degree) wood and paper products, chemicals, textiles, and leather. They also faced challenges related to the sector, size of companies, and other factors. For example, firms in clothing, electronic components, fresh and processed food, agrifood products, and metal manufacturing faced frequent NTMs related to strict labelling requirements, rules of origin and product certification. Moreover, 19% had to comply with private standards for goods (European Commission, ITC, 2019). A comparison with outcomes of the economic modelling for EU-India FTA suggests that all these sectors are likely to benefit from increased exports to India while most of them (all except electronic components and chemicals) would start from a rather low base of trade flows without an FTA. The chemicals sector would record the highest growth in exports in absolute terms (€21.7 billion in the ambitious scenario), followed by the electronic and electrical equipment sector (€17.5 billion), while other sectors would record higher relative growth rates (up to 390.2% in the dairy sector which would equal, however, only €105 million). That said, the overall small size and the sector structure of women-led EU firms also suggest challenges in exporting to India in form of high tariffs and NTMs some of which may be addressed in the ongoing EU-India FTA negotiations. Finally, the study confirmed experience of women-led EU businesses in trade with India. India ranked 10th among their exporting destinations and 6th among importing sources.

Given the lack of comprehensive EU entrepreneurship data in a break-down by gender, we use the Global Entrepreneurship Monitor (GEM, 2019) survey covering 18 Member States, with individual findings for each of them. Accordingly, engagement of surveyed women-led enterprises in agriculture varied from nil answers in Ireland and Germany, over a few countries with rates around 3%-4% (Austria, Bulgaria, Estonia, and Italy), up to Poland, Sweden, Greece, and Latvia, with rates between 10.1% and 18.9%. Manufacturing and transportation attracted nil answers in France, Italy, and Slovenia, while a few countries had 5%-8% rates (Austria, Croatia, Germany, Greece, Ireland, Latvia, Poland, and Slovak Republic), with the highest rates (10%-15%) reported by Bulgaria, Estonia, Luxembourg, Spain, and Sweden. Yet, this means that over 70%-80% of EU women-led enterprises operate either in the wholesale and retail trade or in other services sectors, with a leading sector depending on the country. For example, wholesale and retail trade had the largest share in Bulgaria (51.9%), Greece (56.8%), Italy (48.1%), Poland (39.3%), Slovak Rep. (37.5%), Slovenia and Spain (both around 30%), while in Germany, 40.6% and in the Netherlands 47.9% of women-owned firms operated in social, healthcare, and educational services, and in Croatia, 30.4% in financial and professional services.

While the economic model does not fully reflect the EU-India FTA/IPA impacts on services sectors, it suggests a limited output increase in wholesale and retail trade and a larger increase (€11 billion) in other services. The latter cover a wide range of sectors, including

communication and financial services, as well as education, health care or social services, among others. Therefore, women-led companies may also benefit from it. Regarding other sectors, GEM report does not include a further break-down of agriculture or manufacturing into individual sectors which means a lack of possibility to estimate women's share in those and effects of the future FTA. Hence, taking the above-mentioned study on women-led exporting businesses and a small survey with 316 responses from women entrepreneurs from across the EU (Cooney, 2021) as a non-perfect guidance regarding sectors where women-led EU businesses operate, one arrives at a selection including agri-food products, beverages and tobacco, clothing, textiles, and leather products, electronic components, wood, paper and metal products, and chemicals. Based on this, one can conclude that the economic model estimates output reduction for EU firms in the clothing, textile, and leather sectors⁴⁰, as well as for most agricultural sectors, including food products (a limited output increase of 0.1% or €415 million is estimated only for beverages and tobacco sector). Therefore, many women-led enterprises operate in sectors likely to be negatively affected by the future EU-India FTA. On the other hand, those operating in the chemicals, paper and electronic components sectors are projected to increase their output (by 0.4% for paper and 0.2% for the remaining two sectors or by over €2 billion per sector for each of the three sectors in the ambitious scenario).

India

As discussed in section 3.1 above, the economic model estimates for all agricultural and food production sectors in India an outflow of unskilled workers of up to -0.8% per sector and an employment increase for skilled workers, up to 0.8% per sector. In 2020, 75.7% of women in rural areas were employed in agriculture (MoSPI, 2011; 2021), therefore the estimated changes may affect them in different ways. There may be opportunities for upskilling and modernising production techniques and staying in current or moving to other jobs in agriculture, while other scenarios include unskilled women's outflow to work in the textile, garment or leather sectors which are projected to grow. Given that in some states, e.g., in Karnataka and Tamil Nadu, garment factories are moved to rural areas to cut down production and labour costs, some women from rural areas may potentially find new jobs by being employed in factories moving to their areas of residence. Prospects for women may also depend on the migration of men from or to rural areas. The economic model also estimates an increase in exports in all agricultural and food production sectors in India and an increased production in all of them, but rice and fruits and vegetables. Women play an important role in a number of those sectors. For example, women producers represent the workforce majority in dairy industry which provides jobs for over 80 million households (Ministry of Fisheries, Animal Husbandry and Dairying, 2022). Sugarcane cultivation offers the source of livelihood for 6 million smallholder farmers, including women, and reportedly, around 60% of work in the sector are done by women (Teunissen, Dilshad, 2019). Rice cultivation has also been a major job provider for women. However, over the last decade, their employment decreased due to work mechanisation and the shift of female workers towards other crops like cotton or horticulture. The share of female workers increased only in those states which reported emigration of men (Niyati, Bora, 2021).

Regarding manufacturing sectors, the economic model estimates employment increase in the garment sector by 15.1% for unskilled workers and 16.2% for skilled ones in the ambitious scenario. The employment in the textiles sector would grow by 2.7% and 3.8%. While the total employment in India's textile and garment industry is estimated at 45 million workers, women account for 60% of them (27 million) (Agarwal, 2022; Kane, no date). A large part of the sector is informal, and women are likely to be in semi-skilled and unskilled jobs, including as home-based workers, while the majority of supervisory roles are allocated to men (Kane, no date; Fair Wear Foundation, 2019; Fotedar, 2021; Jansen et al, 2011). Women are, therefore, likely to benefit from potential job creation in both sectors and get the majority of new jobs while most jobs are likely to be informal, based on precarious terms and low-skilled or semi-skilled. A similar situation is also observed in the leather sector which is projected to grow by 6.5% (for unskilled workers) and 7.6%

⁴⁰ In the ambitious scenario, the model estimates output reduction for the wearing apparel sector by -2.9% (or €5.6 billion), for the textile sector by -2.4% (or €6.0 billion) and for the leather sector by -1.1% (or €1.7 billion).

(for skilled workers). It provides 4.4 million jobs out of which around 40% are occupied by women⁴¹ (Council for Leather Exports, 2023). It also includes informal home-based workers, mostly women (Ravi, 2020; Homeworkers Worldwide, 2019).

Until recently, the automotive sector, also projected to grow in sales, production, and jobs (by 0.2% for unskilled workers and 1.2% for skilled ones) has employed predominantly men (Bajpai, Tandon, Sinha, 2018). This trend started changing a few years ago and now some brands actively pursue gender diversity in recruitment. While this process is at an early stage and women represent thousands of workers in an industry employing 19-25 million people,⁴² it is projected to continue, in particular as production of electric vehicles involves more diverse skills. Women work in factories producing bikes, passenger cars, and commercial trucks in quality testing, research and development, and assembly (Economic Times, Auto, 2022; Times of India, 2023; Roy, 2021). Women can therefore benefit from the EU-India FTA in this sector, while this will require technical skills development among workers and further adaptations in the automotive companies.

Given the existence of a large unorganised (informal) sector in India, in which women are overrepresented, it is difficult to identify comprehensive data regarding sectors employing women⁴³. Data from the Annual Survey of Industries covering only organised (formal), i.e., small part of the economy, shows that in addition to already discussed textile, garment, and leather sectors, in 2019-2020, women represented 20% or more of workforce in tobacco, food products and computer, electrical and optical products (Dhamija, 2023; MoSPI, 2022b). For the latter, the economic model predicts increased imports from the EU to India causing a fall in production and employment (by -1.8% for unskilled workers and -0.8% for skilled ones in the ambitious scenario). Women may be negatively affected by this development, while the situation in the sector may require a more detailed analysis.

According to data from the sixth economic census in India conducted in 2013-2014 (data from the following one of 2019-2020 is not available yet), women owned around 8 million establishments representing 13.8% of all Indian enterprises. In a break-down by sector, 34.3% of women-owned enterprises operated in agriculture, 29.8% in manufacturing and 17.8% in retail trade (MoSPI, 2016). According to a 2020 study including interviews with 1,235 women entrepreneurs from 13 Indian states, 38% of women-led enterprises were active in retail trade, 27% in manufacturing of food, handicrafts and household items, and 35% in services sectors, including beauty parlours, tailors, tuition and drivers (Edel Give Foundation, 2020). Given the large informal sector, data on women-led enterprises is very fragmented. However, there is evidence of such businesses operating in textile and apparel sectors (e.g., in 2010-2011⁴⁴, women owned 1.3 million of unincorporated enterprises in the textile sector in India, accounting for around 50% of all such enterprises in the sector) (Swami, Padma, 2016; ILO, 2022b). Women also own businesses in the leather sector and cosmetics, although we did not manage to find any statistics outlining their share in both sectors (the available evidence is mostly related to individual brands owned by women).

The economic model estimates a large increase in output⁴⁵, employment and exports for the textile, garment and leather sectors which means that women-led enterprises may be able to benefit from it, either as sub-contractors of larger companies or producers on their own merit. In this context, we note that according to recent estimations, around 1% of women owned enterprises in India generate more than INR 5 million of revenue and employ more than 10 persons, 14% generate less than INR 5 million of revenue and employ less

⁴¹ In 2016, in Tamil Nadu leather sector, women represented 20%-30% of workers in tanneries, 80%-85% in factories and 100% of home-based workers (Arisa, 2021).

⁴² For example, women account for 3,000 workers across six plants of one automotive brand, including one plant with an entirely female workforce of 1,100 persons. They also represent 34% out of 2,000 workers in a factory of another brand. Also, 1,500 female workers represent 9.3% of the total workforce in a third brand while in a fourth brand, 667 women represent 6.8% of the workforce (Economic Times, Auto, 2022).

⁴³ The latest publication "Statistical profile on women labour" (Ministry of Labour and Employment, 2019a) provides data only up to 2014, which in addition is incomplete as not all states have provided inputs.

⁴⁴ MoSPI (2012), Key results of survey on unincorporated non-agricultural enterprises, excl. construction, in India

⁴⁵ Output is projected to increase by 3.6% in the textile sector, by 15.4% in the garment and by 7% in the leather sector in the ambitious scenario, while in the conservative scenario, production in the three sectors would increase by 2.5%, 10.5% and 4% respectively.

than 10 persons, 69% are self-employed women working on their own and 16% are farm-based businesses (Bain & Company and Google, 2019). Self-employed women may sell their products through intermediaries. For example, a study in Rajasthan and Tamil Nadu, interviewing 800 self-employed women owning handloom or handicraft businesses revealed that in Rajasthan, 91% of female handloom owners were selling their products through a contracted company and 7% through a cooperative or Self-Help Group, while in Tamil Nadu, 26% used a contracted company and 67% a cooperative or an SHG. In such cases, the intermediary provides raw materials and collects finished products, and female entrepreneurs operate on a piece-rate basis (Wangchuk et al, 2020). We note in this context that some self-employed women may be in fact informal home-based workers, depending on the exact terms of their activity.

We did not identify data regarding exports by women-led Indian enterprises.

3.4 Impacts for working conditions and labour inspection⁴⁶

European Union

Given that for most EU sectors, the economic model estimates limited changes in jobs and production (less than 0.5%), one can assume that these are not likely to have an impact on working conditions, as in addition, effects will probably be dispersed among the Member States. Therefore, the analysis in this section for the EU focuses on the sugar sector, named as sensitive, as well as textile, garment, and leather sectors as those estimated to be most negatively impacted and employing a considerable number of workers.

The sugar sector has been facing a challenge to attract new workers due to the localisation of sugar processing plants in rural areas and work in shifts⁴⁷ which increases during the harvesting and processing campaign (119 days a year on average), thus making the work-life balance more difficult to achieve. On the other hand, the sugar sector offers for 80% of its workers permanent contracts and wages above the average for food industry. Also, as discussed in section 3.5.3, the sector has been well-covered by collective bargaining agreements and more recently, offers more technical and other jobs for skilled workers. Further job and career development opportunities may also be created based on policies proposed by the European Green Deal (CEFS, EFFAT, 2022). Any negative impacts for the sector, e.g., through increased imports, would therefore affect jobs that are permanent, of quality, in a sector where social dialogue is present, and which offers job diversification to people in rural areas.

Regarding textile, garment, and leather sectors, we provide below a summary of findings regarding jobs and working conditions in Italy, Bulgaria, Romania, Croatia, and Czechia while a detailed analysis has been included in case study No. 1.

While there are some differences between operation of the analysed sectors in individual EU Member States, overall, the available evidence suggests common patterns, notably in establishments delivering orders for exports and international brands. The jobs are mainly formal (although, migrant workers from China, Bangladesh, Pakistan, and Sub-Saharan Africa tend to be hired on temporary contracts or informally in Italy) (Fair Wear Foundation, 2020). Wages are generally low, although they are higher in Italy where they are agreed in the collective bargaining process for the whole sector and different types of businesses (Fair Wear Foundation, 2020). In other analysed countries, they are close to the minimum wage level. Moreover, as workers may need to take overtime to meet the production targets or deliver orders at short notice, and overtime is paid with a delay or at normal rates (not higher rates envisaged by the law), the total income, if compared to working hours, may fall below the minimum wage. Given purchasing practices of international brands, including delayed payments and low prices, suppliers often struggle financially, and - as a result -

⁴⁶ The analysis regarding working conditions and labour inspection in the EU and India since 2010 has been provided in section 3.6 in the Annex.

⁴⁷ Shifts cover in total 24 hours / seven days a week which means a need to work, at least from time to time, at night or over the weekend.

reduce investment, cut bonuses and other social benefits, and delay payments to workers, including wages and social security contributions. There is also less focus on training and investment in the occupational safety and health (Fair Wear Foundation, 2020; 2021; 2019a; Clean Clothes Campaign, 2020; Ljarja, Musiolek, Vanpeperstraete, 2023).

As indicated in section 3.1, in sectors, for which we have managed to get evidence, it suggests that regarding man-made fibres (part of textiles), as well as sugar and (partly) rice (both covered by case study No. 3), the expected imports from India that can result from the future EU-India FTA, are likely to represent a direct competition for EU products. Moreover, in the garment sector, India's exports to the EU likely to replace exports from other countries, will have a relatively limited share (21.2%) in the total additional India's garment exports to the EU (compared to the situation without an FTA). The remaining 78.8% are likely to represent new trade flows generated by the Agreement. Therefore, while further analysis of the remaining parts of the textile, garment and leather sectors is required to better understand to what extent the estimated increased imports from India may represent a direct competition to the EU-based production and to what extent they may be complementary, it becomes clear that they are likely to put the sectors under further pressure. While at least in the short-term, transport and other aspects related to logistics will mean that small orders with short lead times placed in the EU are likely to remain complementary to larger orders placed in Asia, including in India, other aspects will require a closer look. Based on the above evidence, one may assume that any further pressure on the EU textile, garment and leather sectors is likely to have a negative impact on working conditions. This may include keeping wages close to the minimum wage and not differentiating them across skills categories, reducing bonuses and other benefits, underreporting overtime, delaying payment of wages and social security contributions, and the lack of or minimal investment in training and facilities to secure better health and safety at work, such as light, ventilation or ergonomic chairs for workers. Moreover, there may be inclination to move some production outside the EU (e.g., to the EU neighbours) where production costs may be still lower, or to outsource production to informal establishments or those employing Chinese nationals or other migrant workers.

India

As outlined in detail in case study No. 3, in the sugar sector, the available evidence details several labour rights violations towards migrant workers hired for the harvest season. This includes no extra payment for additional work (like other work on the farm or odd jobs in the landlord's household), verbal abuse, and threats of getting fired. Moreover, workers only receive payments at the end of the season and do not have weekly rest or leaves. Finally, health and safety issues are reported in relation to the use of pesticides (Oxfam, 2018). Most workers are hired as couples and often live during the harvest season in very poor conditions, without access to toilets, while provision of running water and electricity depends on the employer, i.e., a farm or a sugar mill (Arche Advisors, 2019; Chandran, 2016). While the national Government or state Government of Maharashtra have proposed measures to improve working conditions of informal workers and their access to social security, those measures have not been implemented (facing opposition from owners of sugar factories) or have not brought about expected results (Chadha, 2019). Therefore, there is no high likelihood of changes in working conditions without a change of approach in the sector, either on own initiative or under external pressure.

In the rice sector, in Madhya Pradesh, large farmers (among them suppliers of processing factories exporting to the EU) contract migrant workers, considered as a cheap labour source, with their entire families, including children. During the whole harvest season, i.e., at least a few months, workers live with their families in plastic tents in the fields, without access to toilets or other basic facilities. Given that work in rice fields implies remaining for long hours with legs in water and mud, people often develop feet injuries and infections. As a rule, workers are hired informally, with no written contract, no right to leave days and no access to the social security. They are paid on a piece rate basis or receive daily wages. In the analysed case, the rice processing factory exporting to the EU was not in a position, despite its declaration to the contrary, to monitor working conditions at supplying farms

and to request changes (Impact Buying BV, 2023)⁴⁸. This suggests a need for a monitoring mechanism along the supply chain by the international buyer, the first tier supplier or done in another way to identify and address labour rights violations which occur often in farms of the immediate suppliers of the exporting processing company.

As outlined in detail in case study No. 1, in the textile and garment sector, while working conditions may vary between factories and hubs of New Delhi, Bangalore in Karnataka and Tirupur in Tamil Nadu, there are trends common to most of the sector. The factories increasingly recruit migrant workers from other states and rural areas, including member of Scheduled Tribes (Adivasi) or Scheduled Castes (Dalits), as they are less aware of workers' rights, have lower expectations and are easier to control or manipulate, as they sometimes do not speak the local language. Working long hours is common and overtime is sometimes compulsory, and often either not paid or paid with a delay or at lower rates than foreseen by the law. Depending on the worker's category and factory's size, workers either do not qualify for social security payments or sometimes see payments deducted from their wage but not paid on their account. Minimum wages vary across states and are often below the living wage level. Verbal and physical abuse and sexual harassment are frequent, affecting notably women. On the other hand, workers new to the sector may follow vocational training for a month or two, run by private training institutes, while there are diverging reports as to whether that training is paid by the Government or participants (Fair Wear Foundation, 2019; Ray, Peepercamp, 2018).

Labour inspections are reported as infrequent (due to the insufficient number of labour inspectors and schedule) and not having much influence on working conditions. Moreover, according to trade unions, actions taken by the Government recently seem to aim at dismantling labour inspections (interview with trade union from Tamil Nadu)⁴⁹.

Also, several sources coincide in a view that there are no differences (or very limited ones) in working conditions offered by export-oriented textile and garment factories compared to the rest of the sector (interviews with academic labour experts and a trade union from Tamil Nadu). There is evidence of high production targets in export-oriented factories and tight control, forcing workers to work during breaks or take overtime to achieve them (López, 2023). In the same way, additional orders are delivered with existing capacities, by increasing workload. In such cases, there is also a higher incidence of abuse, given the pressure put by international brands on factories which then goes down to managers and workers (interview with IndustriALL). In this context (as outlined in detail in case study No. 1), doubts have been expressed as to the effectiveness of certification schemes and other practices, like Codes of Conduct, applied by international brands (the objective of which should be the improvement of working conditions), notably if combined with brands' purchasing practices and their lack of engagement with local trade unions.

In case the current trends continue, one may assume further establishment and operation of large factories producing for exports and benefitting from the future EU-India FTA. In such a case, they will need to be registered under the provisions of the new Code on Occupational Safety, Health, and Working Conditions (2020) (replacing the Factories Act) and comply with labour regulations. Moreover, at least part of their workers (although probably a decreasing one) are likely to be permanent and qualify for social security and other statutory benefits⁵⁰. The buildings may also offer slightly better health and safety at work conditions than the rest of the sector, notably than informal establishments. However, it is also likely that given the global competition and practices of international brands,

⁴⁸ At the same time, landowners (notably large ones) producing rice admit that rice cultivation has generated income enabling their families to improve living conditions, including housing and equipment, access to (better) schools for children and to health care for all family members (Impact Buying BV, 2023).

⁴⁹ Evidence provided in section 3.6 in the Annex confirms a decrease in the number of labour inspectors in India since 2011, and a lower than before number of inspections and inspected facilities. Moreover, labour inspection has been weakened allowing employers to provide self-declaration of compliance with labour laws, while larger enterprises will be inspected according to the plan, every three or five years. There will be no possibility to conduct unannounced inspections, based on signals about labour rights violations. Inspectors will become facilitators providing advice to employers and workers (Jayaram, 2019, Anti-Slavery International, 2021).

⁵⁰ Only 7%-8% of all workers in India are covered by social security (Mehrotra, 2020; Agewell Foundation, 2019).

trends of cutting down costs will continue and so will recruitment of migrant workers, moving factories to rural areas, reducing the number of jobs for skilled workers, and replacing permanent workers with contract staff. It is also likely that wages remain low, and workers will do overtime to meet high production targets and continue to work on precarious terms. Therefore, while some workers may benefit from better working conditions, their number will probably be limited to thousands while the sector employs 45 million people. Otherwise, the literature and interviews suggest that the EU-India FTA on its own is not likely to bring about any substantial changes in working conditions in the garment sector. To achieve any positive results, the trade agreement would need to be accompanied by a range of other measures, examples of which have been provided below. In our engagement with labour experts knowing the sector, it was suggested that brands should engage with suppliers for a longer-term to pursue stable business relations, reduce uncertainty and support planning and risk management for both sides. Also, in addition to prices set for finished products, contracts with suppliers should define the share to be paid to workers to secure decent wages and to avoid a situation that a too low final price leads to cost cutting at all production stages, including labour costs. More transparency is also needed in defining on a label the establishment in which a piece of clothing was produced to enable a link between the two and tracing the product back to manufacturer in case of the latter's incompliance with labour standards (apparently, such detailed labels are used in products manufactured for the Indian domestic market) (interview with labour expert). There is also a need for international brands to stop or avoid unfair purchasing practices. Civil society organisations have suggested in this context adaptations in the proposal for a Directive on corporate sustainability due diligence.⁵¹ Accordingly, the Directive should take a more balanced approach with regard to remedying adverse impacts of business activity. While it currently focuses on steps to be taken by suppliers, including action plans or codes of conduct, it should acknowledge that some adverse impacts are caused by EU companies and their unfair purchasing practices and that these may need to be changed in the first place to remedy the situation (11.11.11 et al, 2022; Action Aid International et al, 2023) (for details regarding their proposals, see case study No. 1).

Along the same line, according to our interlocutors, including trade union representatives, the future EU-India FTA should be accompanied by an effective complaint mechanism enabling trade unions and other relevant stakeholders, like NGOs, from the EU and India or international ones to submit complaints to the EU, including against international brands based in the EU when in factories delivering orders for them, there are acts of anti-union discrimination violating trade union activity or other workers' rights are violated. Such a mechanism should be transparent, with information provided on how and when the complaint will be addressed and engaging with interested parties. In this context, we note that the European Commission has established a Single Entry Point (SEP) as a mechanism for EU stakeholders to submit complaints regarding market access barriers and non-compliance with sustainability in the context of Trade and Sustainable Development.⁵² While it may provide a solution meant by our interlocutors, to play that role effectively, its proceedings need to be accessible for international stakeholders (like international trade unions or NGOs) and at least the main recognised organisations from partner countries, like India. In the absence of a possibility to submit a complaint directly, under the current rules governing SEP, the international or third country stakeholders would need to act in a cooperation with EU counterparts (or EU-based office or branch of own organisation) and ask them to submit the paperwork.

The leather sector includes large (organised) factories and a network of informal suppliers and homeworkers. The evidence (as detailed in case study No. 1) suggests that even in large factories, working conditions fall below the statutory minimum with an increasing share of contract workers compared to permanent ones. Literature mentions low wages, long working hours, involuntary overtime, labour casualisation, the exclusion of informal workers from access to social security and healthcare insurance, occupational safety, and health risks related to handling toxic chemicals and machinery, the lack of or low level of

⁵¹ Proposal for a Directive on corporate sustainability due diligence:

https://ec.europa.eu/commission/presscorner/detail/en/IP_22_1145

⁵² Single Entry Point: <https://trade.ec.europa.eu/access-to-markets/en/content/single-entry-point-0>

freedom of association and the lack of or ineffectiveness of grievance redressing mechanisms (INKOTA Netzwerk, 2018; Ravi, 2020). Additionally, in the informal part of the sector, including small establishments and home-based workers, orders were irregular, providing work and wages for a few months in year. Workers were also likely to develop allergies, and skin and respiratory diseases. Moreover, wastewater from tanneries (containing chromium) polluted waterways and groundwater, affecting peoples' health and yields in agriculture. Some informal establishments lacked basic facilities, like toilets or proper light and ventilation, and workers did not get protective equipment beyond gloves (INKOTA Netzwerk, 2018).

Overall, as in the textile and garment sectors, it is likely that in the leather sector, working conditions will remain as described above, given that large, export-oriented tanneries and shoe factories already work for the EU market, including for international brands. Yet, in several aspects they fall below the level established by labour regulations. It is possible that over time, more jobs will be provided by such large establishments, and these will be more likely to have access to limited raw materials and therefore, will be able to offer continuous work during the whole year compared to small enterprises which already now struggle with sourcing. Therefore, more workers may potentially benefit from regular income and work in slightly better facilities, however, this does not exclude hard working conditions in other aspects, including wages below the minimum wage level. On the other hand, some small informal tanneries or shoemakers may close down due to the insufficient quantity of raw materials, which is already observed⁵³. Given the similarities between the situation in the textile and garment and the leather sectors, measures suggested at the end of the section should also be considered as applicable to the leather sector, while steps recommended to be taken by India should apply for the whole economy.

In the automotive sector, there is a trend to hire workers on non-standard arrangements, either as contract workers provided by intermediaries or as fixed-term contract workers recruited directly by companies (Bajpai, Tandon, Sinha, 2018). Both categories are considered as cheaper solution for employers. They receive lower wages than permanent staff, do not get social security payments and termination of their contracts does not require compensation (Mehrotra, Sofi, Reshi, 2022). Additionally, using contract workers reduces the probability of workers establishing a trade union (Kerswell, Pratap in Sundar et al, 2019). In some workplaces, the proportion of contract workers to permanent staff has reached 70:30 ratio. Moreover, as part of strive towards increased productivity and costs cutting, time for executing each task has been shortened, the number of workers on the plant floor has been reduced, and time foreseen for training has been shortened considerably. This, together with working overtime, has a potential to increase risks to health and safety at work and workers' wellbeing (for further details, see section 3.6 in the Annex) (Bajpai, Tandon, Sinha, 2018).

As indicated in section 3.2 above, it is likely that types of jobs and working conditions in the sector remain largely the same, also with the EU-India FTA in place, given India already exports diverse types of vehicles and parts to the EU and so far, we have not seen an indication that this may have influenced working conditions in the sector. However, the move towards production of electric vehicles (and any role the EU-India FTA may have in that transition) may contribute to changes, given that companies will need to attract high-skilled workers and the production processes will also shift towards engagement of more engineering and software. That said, a lot will also depend on the exact scope of the transition to electric vehicles which may cover, at least in the first step, mainly two- and three-wheelers to be followed by cars.

Like in other sectors, also in the chemical industry, there is a trend to hire contract workers on precarious conditions, with lower wages, rather than to rely on permanent employees (the latter represent around 12% of the total workforce in the sector). Contract workers are often migrants from other states and rural areas, with low awareness of their rights.

⁵³ As noted in section 3.1., the leather sector faces a challenge of raw material supply due to sensitivities around handling cattle hides in India. This causes closure of factories or their move to other Indian states (e.g., from Uttar Pradesh to West Bengal), leaving workers behind or forcing them to migrate.

Also, as the National Employment Enhancement Mission initiative requires employers to hire part of the staff as apprentices, there have been fears that this will provide another avenue to replace permanent workers with short-term ones, on much lower wages (IndustriALL Global Union, 2019; Tariq, 2022; Burke, 2020). In our engagement with trade unions from the chemicals sector in India, we focused on large production plants which already produce for exports, including to the EU, and are likely to continue exporting under the future EU-India FTA. That part of the sector includes investment of EU chemical brands. Accordingly, while the sector has been growing recently and new jobs have been created, new roles go mostly to contract workers hired through external agencies for a short term, usually 2-3 months, and no longer than six months. Unlike permanent staff, contract workers do not have the necessary skills or experience in the sector, e.g., in handling dangerous substances. This leads to accidents (even if the contract workers receive health and safety training and personal protective equipment, this will not replace the necessary experience which develops over time) (for further details, see section 3.6 in the Annex). While it was difficult to foresee if the EU-India FTA may influence working conditions in the sector, notably in large factories, a desired effect of an increased production and exports to the EU would be for trade unions a closer alignment with objectives of EU brands applied in their own production plants in the EU, with more emphasis being placed on experience, skills, and workforce stability. As a result, a larger share of workers could become permanent in Indian factories (interview with a trade union representative from the chemicals sector in India; interview with IndustriALL Global Union).

According to trade unions, it is also important that employers respect the workers' right to be informed about working conditions and risks at work (interview with IndustriALL Global Union). However, the new Code on Industrial Relations (2020) increased the threshold for companies having an obligation to establish the rules for a grievance redressal mechanism and the way of informing workers about wage rates, working hours, holidays, etc. According to the new provisions, such an obligation will apply to establishments having at least 300 workers instead of the previous 100 (PRS Legislative Research, no date). This in turn means that less companies will need to comply with this obligation.

As mentioned throughout this section, there is a need for certain measures to be taken by the EU, India, international buyers, and the private sector in India to improve the current situation in the analysed sectors, in addition to any provisions that may be included into the future EU-India FTA. This includes a need for international buyers to take their part of responsibility for working conditions in their supply chains, pay prices allowing for decent wages, avoid or stop applying unfair purchasing practices and ensure that workers in Indian subsidiaries are treated in the same way, in line with Codes of Conduct or global policies as elsewhere in the world.

Moreover, increased transparency by brands disclosing suppliers on websites and labels and establishing long-term business relationships along the supply chain should also help. Monitoring mechanisms and audits should also be extended beyond tier one suppliers given that many violations occur further down the chain. Likewise, an improved due diligence Directive (committing also international brands to stop or avoid applying unfair practices that may create adverse sustainability effects), once adopted, may support this trend. Most importantly, however, India should move towards formalising all enterprises and covering all worker categories by labour regulations, including social security coverage, minimum wage provisions,⁵⁴ and occupational safety and health. This would also mean reversing changes made in the latest labour reform which raised minimum thresholds for certain

⁵⁴ The literature, e.g., Bhardwaj (2023) highlights that the Contract Labour (Regulation & Abolition) Act (1970), which aimed to abolish contract work in roles related to core functions of the enterprise, was repealed by the Occupational Health and Safety Code (2020). The Code has introduced new provisions prohibiting contract work in core activities of a business, however, with exceptions, therefore a lot will depend on how these new provisions will be implemented. Moreover, the new Industrial Relations Code (2020) introduced a new type of fixed-term contract under which a worker may be hired in any role, incl. a similar one to those exercised by permanent workers. The new fixed-term contract foresees the same benefits as for a permanent worker (medical insurance and pension), and the person would be on a payroll of the company and would be hired directly, not through a contractor which means a difference compared to contract workers (PRS Legislative Research, no date). There is a question, however, how these fixed-term contracts will be used in practice, based on a guidance to be provided by implementation Rules.

obligations. They mean that less companies than before and only larger ones need to comply with labour regulations. Likewise, the latest trend and legislative changes that weaken labour inspection should be reversed to enable unannounced visits in establishments (based on complaints) and strengthen labour inspection's capacity in terms of people and resources.

Also, given the limited effectiveness of labour inspection, the existing grievance redressing mechanisms in India and monitoring applied by international brands, the EU-India trade agreement should be accompanied by an effective complaint mechanism enabling trade unions and other relevant stakeholders, like NGOs, from the EU and India or international ones to submit complaints the EU, including against international brands based in the EU when in factories delivering orders for them, there are acts violating trade union activity or other workers' rights are violated. Such a mechanism should be bespoke, transparent, with information provided on how and when the complaint will be addressed and engaging with interested parties. We note that the European Commission has established a Single Entry Point (SEP) as a mechanism for EU stakeholders to submit complaints regarding non-compliance with sustainability in the context of Trade and Sustainable Development. While it may provide a solution, to play that role effectively, its proceedings need to be accessible for international stakeholders and at least the main recognised organisations from partner countries. In the absence of a possibility to submit a complaint directly, under the current rules governing SEP, the international or third country stakeholders would need to act in a cooperation with EU counterparts (or EU-based office or branch of own organisation) and ask them to submit the paperwork.

In case the EU and India agree for establishment of the civil society Domestic Advisory Groups under EU-India FTA institutional provisions and the DAGs operate effectively, they could also be used to raise concerns formally, e.g., through letters to the EU Trade Commissioner or to Single Entry Point. In any case, such a bespoke mechanism should complement the overall dispute settlement mechanism and enable a reaction and problem solution in cases of labour rights violations that are serious and related to EU-India trade relations, however, may be limited in scale (e.g., emerging in one factory) and therefore unlikely to trigger a dispute under a general system. Moreover, the aim of that mechanism would be to look for solutions and remedying the situation to enable as many people as possible to benefit from the EU-India FTA, and in this case, this would enable workers to enjoy their rights while contributing to trade between the Parties. Also, while we refer to this solution in the working conditions section, the mechanism would also apply to labour standards discussed further down.⁵⁵

Finally, while the EU proposal for TSD chapter tabled in talks with India includes a provision on a strive by the Parties to improve the levels of labour protection, it is left to the Parties' discretion what a level they will consider appropriate (Article X.2). Likewise, a provision in Article X.3.7 with a commitment of each Party to promote through its laws and practices decent working conditions for all seems to be insufficient to bring about a change. There is also a provision on maintaining an effective labour inspection system consistently with commitments under the ILO (Article X.3.8). Given India has ratified ILO convention No. 81 (labour inspection), this provision, if agreed, may provide some leverage in case the ILO Committee of Experts or the Committee on the Application of Standards considers the latest changes regarding labour inspection in India as non-compliant with the convention. Also, provision in Article X.3.6 according to which "the violation of fundamental principles and rights at work cannot be invoked or otherwise used as a legitimate comparative advantage" and provisions in the proposed Article X.2 (points 3-5) regarding the weakening of protection levels, derogations, and the lack of enforcement of labour laws to attract trade or investment could be invoked (if agreed) if such practices are reported.

⁵⁵ There are also other existing initiatives for the garment sector which go beyond the EU-India FTA, and which have as objective to improve working conditions, respect for workers' rights and social dialogue in cooperating factories (e.g., ILO-IFC Better Work Programme; see: <https://betterwork.org/>). Some of those initiatives also engage international brands, e.g., International Accord for Health and Safety which started after the Rana Plaza collapse in Bangladesh and recently has been extended to Pakistan (see: <https://internationalaccord.org/>). Such initiatives could be considered to be extended to India. This would require engagement of the Government and sector representatives, including business, brands, and trade unions.

3.5 Impacts for labour standards

3.5.1 Child labour⁵⁶

Given that according to the available data, child poverty in the EU has not been linked to a concrete set of sectors, impacts of the EU-India FTA may only be discussed in the context of impacts for welfare and consumers (see section 3.6 below). Therefore, the analysis in this section will focus on child labour in India. While section 3.5.1 in the Annex provides data on the scale of child labour, its root causes, and sectors where it occurs, below, we analyse child labour cases in sectors projected to grow thanks to the EU-India FTA.

As outlined in detail in case study No. 1, child labour has been identified in the garment and leather sectors in India, mostly in small informal units and in households of informal home-based workers. The poverty, very low piece-rate income earned by parents, the need to contribute to the household's budget, time-consuming and labour-intensive nature of work, and the need to work towards short delivery deadlines were mentioned among the factors behind the child labour in researched cases. In some cases, the lack of school facilities was also raised. As a result, both children below the minimum age for admission to work and minors (15-18 years) were identified as working either on their own or helping parents and contributing to the household's budget. While some children attended school and worked in the evening, others dropped out of the school system prematurely. Depending on the study and target group, the children were either migrants themselves, were born in families of migrant workers or belonged to the Muslim community or Scheduled Castes (Save the Children, 2015; Kara, 2019; Fair Labour Association, iMentor, Stop Child Labour Coalition, 2017; INKOTA Netzwerk, 2018). In one of the studies, 85% of surveyed adult home-based workers worked exclusively for supply chains exporting garments to the EU and the US, while the remaining 15% for a mix of companies producing for exports and domestic market (Save the Children, 2015; Kara, 2019).

Moreover, as discussed in case study No. 3, child labour has been identified in sugar and rice sectors in India, notably at farms engaging migrant workers and their families at the time of the harvest (4-6 months). Children observed working along their parents included those below the minimum age of admission to employment, as well as minors. Very few of them attended school during that time, while many worked in conditions considered as hazardous. In some of the researched cases, the producing companies exported to the EU, while they did not monitor the situation at supplying farms (Arche Advisors, 2019; Impact Buying BV, 2023). There are also reports about children being trafficked between the Indian states for work at sugarcane farms (Qadri, 2023), as well as children brought from other states as workers under false promises, with lumps sums being paid in advance to their parents (as a result, hired children could not withdraw from work) (Oxfam, 2018).

In the absence of recent comprehensive official data regarding child labour in India, one-off research reports and interviews provide insights in the situation in chosen states and export-oriented sectors. Accordingly, child labour has been detected in value chains engaged in production for exports, including to the EU, mainly in their informal part, which is not regulated and, in most cases, falls outside audits and monitoring mechanisms. Therefore, one can assume as likely that current and future exports to the EU may include products involving child labour in sectors, such as garment, textiles, leather, sugar, or rice. These sectors are also projected to grow and to expand their exports thanks to the EU-India FTA. In this context, there is also a need to consider provisions of the Child Labour (Prohibition and Regulation) Act, 1986 (as amended in 2016), according to which children under 14 years of age (or the age established for free and compulsory education) are not permitted to work, except when they help their family or family enterprise after school or

⁵⁶ In this section, to the extent more granular data is available, we refer to child labour essentially in cases related to children under the minimum age for admission to work in India (i.e., under 14 years of age) and to working minors when they are 15-18 years old. In such cases, we also provide reference to their exact age. However, in cases where the information source does not include such details, we speak about child labour in relation to all persons under 18 years of age (given that hazardous work is also prohibited for all minors).

during holidays, provided the type of exercised work is not hazardous.⁵⁷ In addition, Rules⁵⁸ to the Act explain that the permission does not apply to any manufacturing process for which the child or the family is remunerated. Moreover, the work cannot be performed for more than three hours, in the evening, at night, or in a way interfering with education. Therefore, the cases described above would most likely fall in the category of child labour, not permitted for children under 14 years of age, also under India's domestic legislation.

While the proposed TSD chapter in the EU-India FTA includes provisions about the effective implementation of ratified ILO fundamental conventions (including on elimination of child labour) and the Proposal for EU Corporate Sustainability Due Diligence Directive may focus on preventing and eliminating child labour, they may only be effective if applied also to the informal part of the exporting Indian sectors. However, on their own, they are not likely to address root causes of child labour. According to stakeholders (interview with an NGO working in the garment sector), the future EU-India FTA may only perpetuate the current situation or even worsen it in the sense that additional orders may create space for more home-based garment workers and more children engaged in work destined for exports.

Therefore, there is a need for additional measures to be taken by India, the private sector and international brands who should assume more responsibility for decent working conditions in the exporting sectors and not treat India as a source of cheap labour. There is a need for a transition to the formal economy in India to cover workers in small units and home-based workers by labour regulations, like minimum wages and social security. Likewise, arrangements with international brands should be reformed to increase the share of wages in the total price of exported goods and to eliminate unfair purchasing practices. There is also a need for the Government and private sector to develop and make widely available vocational training programmes in export-oriented sectors to offer young people and existing workers an opportunity to get upskilled and to receive a higher income. An improved availability of school facilities and affordability of school fees may also help to increase school attendance among children of home-based and other informal workers which is considered as one of the effective means to tackle child labour. This also applies to the availability of school facilities and courses in the communities hosting sugar cane or rice farms, so that children migrating with their parents for harvest could learn or spend time in a way appropriate for their age. Likewise, quality of education and the availability of teachers should improve to encourage children to continue learning until graduation. Furthermore, there is a need for a continued awareness raising among parents from rural areas and unskilled workers who often do not appreciate the value of education and the possibility for their children to have improved prospects for work and life. Finally, the state and the private sector should support creation of non-farm jobs that would absorb more qualified workers to reverse the recent trend of employment growing mostly in rural areas.

3.5.2 *Forced labour*⁵⁹

European Union

The number of human trafficking cases in the EU related to labour exploitation represented 28% of the total 14,311 trafficking cases identified in 2019-2020, i.e., 4,007 persons. The main sectors of labour exploitation are characterised by a high cash flow and a large number of low-paid workers and seasonal workers. These include agriculture, construction, forestry, food processing, assembly lines, hospitality, retail, carwashes, transportation, beauty and cleaning services, housekeeping, and domestic assistance. This form of exploitation dominates in Belgium, Italy, Latvia, Luxembourg, Malta, Poland, and Slovakia (European Commission, 2022j; 2012).

⁵⁷ Child Labour (Prohibition and Regulation) Act, 1986 (as amended in 2016), Part II, paragraph 3: https://msme.gov.in/sites/default/files/TheChildandAdolescentLabourProhibitionRegulationAct1986_0.pdf

⁵⁸ Child Labour (Prohibition and Regulation) Rules, 1988 (as amended in 2017): https://labour.gov.in/sites/default/files/the_child_labour_prohibition_and_regulation_amendment_rules_2017.pdf

⁵⁹ This section analyses impacts of the EU-India FTA on forced labour in sectors affected by the agreement. The current situation in the EU and India in this regard has been analysed in section 3.5.2 in the Annex.

In the context of the EU-India FTA, services sectors are either projected to face reduction of employment (transport, trade, and other business services) or stay unchanged (other services). Likewise, EU agricultural and food processing sectors (except rest agrifood and beverages and tobacco) are expected to reduce employment as a result of the agreement. Therefore, there is no expectation of growth and jobs (i.e., additional gains) opportunities in sectors where labour exploitation has been detected in the EU. On the other hand, given its relatively limited scale and a criminal nature, it is rather unlikely that pressure created by the FTA in some sectors (like agriculture) would encourage trafficking-related labour exploitation in a significant way. That said, one cannot exclude cases of labour exploitation, precarious working conditions, and informal employment in the EU, with employers seizing the opportunity of presence of migrant, non-EU workers (e.g., from Africa, South Asia, or China) to hire them in sectors which cut costs, as it is already the case in the garment and leather sectors, e.g., in Italy (for details, see section 3.4. and case study No. 1).

India

Regarding forced labour cases⁶⁰ in sectors projected to increase production, exports, and employment in India thanks to the EU-India FTA, bonded labour has been identified in the silk industry in Karnataka (Pokharel, Page, 2021). Other examples include bonded labour used in spinning mills in Tamil Nadu (around 30% of cotton yarn produced in that state is used in export factories producing for EU brands) (Global Slavery Index, 2018; India Committee of the Netherlands, 2016; Overeem, Theuws, Heyl, 2021). While all cases were raised with the EU brands and the Ethical Trading Initiative (ETI), the very limited response has failed to bring about a change (Delaney, Connor, 2016; Anti-Slavery International, ECCJ, 2020) (for details, see case study No. 1).

The literature draws in this context attention to the fact that following the latest labour reforms in India, notably the adoption of the Wage Code (2019), the fight against forced labour and other labour rights violations is likely to be more challenging. While the ruling of the Supreme Court (1983) considered non-compliance with minimum wage regulations as amounting to forced labour and imposing a criminal charge against the employer, the Wage Code changed it into a civil liability and removed courts' jurisdiction in wage-related cases. Instead, there will be a quasi-judicial body, without a possibility to refer the case later to the court. Moreover, labour inspection has been weakened allowing employers to provide a self-declaration of compliance with labour laws, while larger enterprises will be inspected according to the plan, every three or five years. There will be no possibility to conduct unannounced inspections, based on signals about labour rights violations and inspectors will become facilitators providing advice to employers and workers (Jayaram, 2019, Anti-Slavery International, 2021).

Forced labour, included bonded labour, is also reported in the sugar sector in Maharashtra where around 500,000 migrant workers come every year for half a year for the sugar cane harvest (for details, see case study No. 3) (Chandran, 2016; IANS, 2019; Shukla, Aggarwal, Upreti, Bhatia, 2022). There is also anecdotal evidence about forced labour in rice mills and chemical sector (Srivastava, 2019).

The above evidence (outlined in detail in case studies No. 1 and 3) confirms forced labour occurrence in Indian sectors which are projected to grow as a result of the EU-India FTA, including in supply chains of the EU and other international brands. While the lack of comprehensive data does not allow for a full estimation of the scale of the problem, nor trends over time, one can conclude that this is not about isolated cases but a more systemic issue. Moreover, there are examples of limited measures taken by ETI in cooperation with EU brands (awareness raising) which failed to bring about any change, as well as measures proposed by the Indian authorities (in the sugar sector) which also failed to produce any

⁶⁰ The analysis refers to forced labour as defined by the ILO Convention No. 29. Accordingly, forced labour is understood as "all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily." Moreover, there are 11 indicators defined by the ILO which help to identify forced labour. These include abuse of vulnerability, deception, restriction of movement, isolation, physical and sexual violence, intimidation and threats, retention of identity documents, withholding of wages, debt bondage, abusive working and living conditions, and excessive overtime (ILO, no date b).

results due to the resistance from sugar factory owners. Most workers affected by different forms of forced labour practices or labour exploitation belong to vulnerable groups who usually do not have other income generation opportunities and are not able to defend their rights. Given that forced labour situations persist over time and this includes supply chains of international brands, one may assume as likely that this will continue, also under the EU-India FTA, unless there is a resolve of all decision makers (authorities, the private sector, and international brands) to bring such practices to an end. The latest labour reforms in India weakening the position of labour inspection represent another obstacle in improving the situation. Moreover, labour inspection is understaffed and lacks resources and may not have access to the informal sector where some of labour rights violations occur.

While the proposals for the EU Regulation banning products manufactured with the use of forced labour and the Corporate Sustainability Due Diligence Directive may be useful, a lot will depend on their final scope and enforcement. Moreover, according to our interlocutors (e.g., an NGO working in the garment sector in India), international brands, including those from the EU, should take more responsibility for working conditions applicable in their supply chain and either through exerting pressure on Indian factories or through incentives for compliance and fair purchasing practices should help to improve respect for workers' rights and working conditions. So far, there have been at least some cases where despite commitments from international brands, their promised actions did not materialise over a few years since their announcement. Moreover, there is a need to improve monitoring along the supply chains, as in many cases tier one factories (e.g., sugar mills, rice processing companies or garment factories) do not monitor working conditions or respect for labour standards (such as child labour or forced labour) by their suppliers who often form part of the informal economy or hire workers informally. Finally, with regard to forced labour, the remarks made in sections on child labour and working conditions about the relevant provisions from the EU proposal for TSD chapter also apply.

3.5.3 Freedom of association and the right to collective bargaining

In this section, the analysis focuses on potential impacts of the EU-India FTA on freedom of association and the right to collective bargaining in the EU and India, notably in sectors likely to be affected by the future trade agreement. The overall situation regarding these rights in the EU and India has been discussed in section 3.5.3 in the Annex.

European Union

As discussed in case study No. 3, changes in the sector and the related social aspects are discussed in the EU sectoral dialogue for sugar, where producers are represented by CEFS and workers by EFFAT. Moreover, in the last decade (2016 data), in most sugar producing EU Member States, the sector was covered almost fully by collective bargaining agreements, either at the sector or factory level (CEFS, EFFAT, 2022). This confirms the ability of EU social partners to cooperate in a sector that has been facing challenges in the last few years.

As outlined in case study No. 1, the situation regarding freedom of association and the right to collective bargaining in the analysed sectors varies across the EU Member States. In Italy, consecutive collective agreements have been negotiated at the sectoral level (most recently in 2021) (Mind RH, 2021; ETUI, 2021) and some international brands have also negotiated collective agreements with their own workers (ETUC, 2018; 2022; Mind RH, 2022). In Romania, the 2011 Law on Social Dialogue abolished collective bargaining at the national level and raised the minimum number of workers needed to set up a trade union to 15. In addition, all of them need to be from the same company and have employment contracts which further restricts the exercise of the right to organise in practice (given the small size of establishments and variety of contracts) (Fair Wear Foundation, 2021). In the past, there was only one collective agreement in the textile and garment industry (2007-2011) (Clean Clothes Campaign, 2018). In Bulgaria, there were no collective agreements in the analysed sectors in the last decade, while some have been negotiated at the company level. In most cases, however, employers are not willing to engage, and some

suggested that additional concessions for workers, such as wage increase, may come as a trade-off for redundancies (Fair Wear Foundation, 2019a).

The above overview provides a few examples of industrial relations in EU Member States hosting the textile and garment industry. The situation between them varies depending on national circumstances, including legislation, social partners' capability, and tradition in collective bargaining. The example of Italy suggests that social partners have the capacity and an institutional framework to conduct social dialogue and to reach an agreement in a situation of a crisis facing the sector. On the other hand, examples of Bulgaria and Romania point to inability of social partners, notably employers, to cooperate at the sector level and this leaves workers either on their own, as individuals, or with a chance to bargain at the company level, provided the employer is willing to do so. Therefore, unless a challenge, such as increased imports from India, mobilises everybody to act jointly, it may exacerbate the current situation and the pressure on jobs, wages, and other working conditions. It may also contribute to further fragmentation and weakening of freedom of association in practice as workers may not have trust anymore in social partners.

In 2023, the EU Council of the EU adopted a Recommendation to strengthen social dialogue at the national level (European Commission, 2023a; EU Council, 2023). It may create a momentum to refresh social dialogue. The situation in the EU garment and sugar sectors may also be discussed in the sectoral dialogue committees at the EU level.

India

As outlined in the preceding sections and in the Annex (section 3.5.3), some developments from the last decade or two have contributed to weakening the trade unions' presence and position in the textile and garment sector. These include replacing permanent workers with contractual ones, hiring migrant workers and vulnerable people from rural areas (who are not aware of their rights), moving factories to rural areas and active anti-union practices by employers. The latter include dismissals of trade union members, threats of contract termination, physical abuse, intimidation, rise in individual production targets, and non-authorisation of leave. Female workers often face a prohibition by male family members to join a trade union. Moreover, migrant workers and workers from rural areas are not willing to raise any issues with employers out of fear of losing jobs and in addition, when they work as contract workers or daily wage earners, they change their employer every few months or more frequently and may not be eligible to join trade unions (Fair Wear Foundation, 2019; interview with trade union from Tamil Nadu).

As a result, in trade unions' own estimation, they are present in some 5%-10% of textile and garment factories in India, including hubs such as Tamil Nadu.⁶¹

A similar situation has been reported in other sectors projected to grow thanks to the EU-India FTA, like chemicals or automotive. In a small survey quoted by the ILO, only 6.0% of the surveyed businesses from the automotive sector had trade unions at the time and workers were reportedly persuaded not to form or join trade unions (ILO, 2018a). In the chemicals sector, while trade unions try and reach out to workers to raise their awareness, a high rate of contract workers' rotation (due to fixed-term contracts of 2-3 or maximum six months) makes this task difficult (interview with a trade union representative from the chemicals sector in India). Moreover, as part of anti-union activity, when contract workers join a trade union, their contracts are not renewed. Employers also support formation of the so-called "yellow trade unions" whose position is aligned with the employer and whose activity undermines presence and actions of legitimate trade unions. Also, it often happens that letters from trade unions to the management are ignored and so is the right to know of workers and trade unions regarding the situation in the company and the sector (interview with IndustriALL Global Union).

⁶¹ According to findings from Fair Wear Foundation study (2019), there were no trade unions active in garment factories in another hub, New Delhi and there was a very low unionisation level in Bangalore (Karnataka). There is anecdotal evidence of individual factories (e.g., one in Karnataka) launching (not without difficulties) a dialogue with trade unions and using them as intermediaries in engagement with workers (Fair Wear Foundation, 2019b).

Against this background, if the EU-India FTA creates more jobs in these sectors, which are likely to be largely taken by contractual or informal workers, it may exacerbate the current situation in these sectors in the sense that there will be even more workers left on their own, i.e., with no awareness of their rights, no access to trade unions and no channel or representation to talk to employers about their rights and working conditions (interview with trade union from Tamil Nadu). Against this background, our interlocutors (interviews with IndustriALL) stated the obvious that trade unions' presence in factories and the opportunities for a dialogue with employers should be seen as a first step towards improvement of working conditions and respect for workers' rights in India and should help workers to benefit from the EU-India FTA. Likewise, there should be mechanisms to resolve disputes.

In our stakeholder engagement, trade union representatives from India admitted that the ratification by India⁶² of the ILO fundamental conventions No. 87 and 98 could help improve the situation regarding freedom of association and the right to collective bargaining, but at the same time, they were sceptical regarding prospects for ratification in the foreseeable future. They recalled that discussions between the government and social partners about a potential ratification of these two conventions had been ongoing for many years without any results or progress being achieved (interview with a trade union from Tamil Nadu). They also concurred in a view that the current government does not engage in a dialogue with trade unions and does not consult them (e.g., on matters related to the EU-India FTA) limiting its discussions to employers' representatives (interview with a trade union from Tamil Nadu; interview with a trade union representative from India's chemicals sector).

As outlined in the section 3.5.3 in the Annex, unlike other countries providing their reports on non-ratified fundamental conventions regularly to the ILO, India submitted its last one in 2017. At that time, India was not able to ratify any of the two conventions arguing that its law and practice would need to be aligned with the conventions first and the ratification would follow later. The government has repeated the same position in all its submissions to the ILO since 2000. Social partners' representatives (both employers and workers) have expressed their support for the ratification, while some observed there was no political will in the government to do it (ILO, 2017). In a response to a parliamentary question in 2017, India's Ministry of Labour and Employment informed that ratification of both conventions would grant civil servants certain rights (like the right to strike) prohibited under internal statutory rules. The Ministry repeated its position that international conventions are ratified only if the national laws are fully aligned with them. Moreover, ratification of international conventions represents a voluntary step and there is no timeframe for the ratification of these two specific conventions (Ministry of Labour and Employment, 2017).

Like other ILO member states, India is obliged (based on the ILO 1998 Declaration on the Fundamental Principles and Rights at Work and its Follow-up, as amended in 2022) to respect, promote and realise the principles regarding fundamental rights at work, as enshrined in the ILO fundamental conventions, irrespective of whether the conventions have been ratified or not. That obligation has been reiterated in the text of the TSD chapter tabled by the EU in negotiations with India. In addition, the proposed Article X.3.3 includes a commitment, according to which "Each Party shall make continued and sustained efforts to ratify the fundamental ILO Conventions if they have not yet done so." While it remains to be seen whether this commitment will feature in the final text, there may be at least

⁶² As in the case of other ILO fundamental conventions and like other ILO member states, India has been obliged (based on the ILO 1998 Declaration on the Fundamental Principles and Rights at Work and its Follow-up, as amended in 2022) to respect, promote and realise the principles regarding fundamental rights at work, as enshrined in the ILO fundamental conventions, irrespective of whether the conventions have been ratified or not. However, there is a difference in the level of scrutiny applicable to countries that have ratified the ILO conventions compared to those that haven't done so yet. Only reports on ratified conventions are submitted regularly to the ILO Committee of Experts, with comments of the Committee published in its annual report. Moreover, only ratified conventions (in case of a serious failure to implement them effectively) may be considered by the ILO Committee on the Application of Standards as the so-called individual cases of concern, and only with regard to ratified conventions, there is a possibility to submit a complaint (against an ILO member state) under Article 26 of the ILO Constitution with a request for the ILO to establish the Commission of Inquiry. The only exception when cases on non-ratified conventions may be submitted to the ILO monitoring mechanism (the Committee on Freedom of Association) are violations of trade union establishment and activity (conventions No. 87 and 98).

two potential approaches as to the emphasis when the ratification should happen and how to support the move in that direction. In this context, the European Trade Union Confederation (ETUC) expressed the view that the ratification of the (remaining) ILO fundamental Conventions by India (including both conventions related to freedom of association and the right to collective bargaining) should become a conditionality (or a pre-condition) for concluding the EU-India FTA (verbal presentation, 2023). This would resemble the situation in the EU-Vietnam FTA where a lot of FTA pre-ratification engagement took place to leverage the situation and encourage Vietnam to move forward with the ratification or to draw up a roadmap⁶³.

In relations with India, potentially its Decent Work Country Programme 2023-2027 with the ILO may provide a complementary framework for a discussion on the ILO fundamental Conventions. However, we note in this context, that while its previous edition (2018-2022) spoke about promotion, adoption, and implementation of international labour standards, with a revision of legal and policy frameworks (ILO, 2018), the current one speaks only about promotion and admits that the weakest results in the previous Programme have been achieved with regard to international labour standards. There is also a reference to the ILO assistance in a legal gap analysis and sharing experience from other countries, however, no concrete results related to ratification are assumed (ILO, 2023).

Another approach has been proposed in the Commission Communication on new enhanced approach to TSD chapters, with a possibility to agree (further to the FTA's entry into force) on implementation roadmaps focusing on steps to be taken to improve the record in a certain labour- or environment-related area covered by the TSD chapter (European Commission, 2022s). There is also a possibility to follow the more traditional approach of dialogue and cooperation, with a recourse to dispute settlement mechanism (like in the case of EU-Korea FTA), if there is evidence of a breach of TSD provisions and the situation has been raised by one party or stakeholders but has not been remedied.

In this context, as discussed in section 3.4 above, the EU should consider establishing as part of the EU-India FTA and its TSD chapter, a dedicated complaint mechanism (or use an existing one, like the Single Entry Point discussed in section 3.4) to address cases of anti-union activity in factories producing for exports to the EU to support effective implementation of respect for freedom of association which is provided in the Indian laws even when the ratification of Conventions No. 87 and 98 is pending.

Finally, while engagement between India's government and social partners on matters including the EU-India FTA should be handled in relevant domestic frameworks, structures to be established under the EU-India FTA may also be useful. While the chapter with institutional FTA provisions has not been tabled yet, in case they include a mechanism involving civil society and its meetings with government representatives, this may provide an additional forum for EU and Indian trade unions, business, and NGOs to raise aspects related to the FTA implementation and its impacts.

3.5.4 Non-discrimination

In this section, the analysis focuses on groups of population which may face challenges in the labour market and their situation in sectors projected to be affected by the EU-India FTA, to draw conclusions about risks and opportunities which the future trade agreement may create for them. The overall employment situation of these groups in the EU and India has been discussed in section 3.5.4 in the Annex.

⁶³ The EU engaged with Vietnam and the ILO in a dialogue and cooperation under the Trade for Decent Work project, with the objective to create conditions in Vietnam to ratify and to effectively implement the missing ILO fundamental Conventions. Indeed, Vietnam ratified Convention No. 98 in 2019 (around the time of the FTA signature and a year before the start of its provisional application) and Convention No. 105 (on forced labour) in 2020, also before the start of FTA application (ILO, 2019; ILO, 2019a; ILO, 2020).

European Union

Young people (15-24 years of age) represented 8.2% of all employed in 2022 and tended to work less frequently in agriculture (3.1% compared to 3.5%) and industry (14.2% compared to 16.2%) than people aged 25-64 years. On the other hand, young people were more likely to work in retail trade (19.7% compared to 13.0%) than the rest of the working population (EUROSTAT, no date). A larger representation in services also means that young people are less likely to be affected by the EU-India FTA than other age groups (within the scope of estimations provided by the economic model) given that the economic model does not predict changes in employment in EU services sectors or only very limited ones (in the region of 0.1%). Regarding break-down by sector, the age-related available data is very fragmented, therefore it is difficult to draw precise conclusions. However, it suggests that young people also work, e.g., in the garment industry, are likely to be negatively affected by increased imports from India. The available data speaks about 31,600 of them in 2022, with larger groups identified in Italy (6,100), Spain (2,900) and Portugal (3,500). On the other hand, young people are also represented in the machinery sector, estimated as gaining in jobs, production, and exports thanks to the EU-India FTA. According to partial data, they accounted for 7.8% of employed in the sector in 2022, and for 7.1% of workers in the electrical equipment and electronics sectors, as well as 6.0% in the chemicals sector, also projected to grow (EUROSTAT, no date). In all these sectors, the share of young people was slightly lower than their overall share (8.2%) among working persons.

Elder workers (55-74 years old) represented 21.8% of all employed in 2022. The share of agriculture in their total employment was higher (4.6%)⁶⁴ than the EU average (3.5%). Therefore, they may be more likely to face pressures from increased imports from India and the estimated limited fall in production and employment in agricultural sectors in the EU. At the same time, the share of manufacturing (14.8%) in the total employment of this group was in 2022 lower than the average (16.0%) which may suggest that elder workers may be a bit less affected by the agreement, both in a positive and negative way. Data in a break-down by sector indicates that in sectors projected to grow thanks to the EU-India FTA, this group represented 21.9% in the chemicals sector (i.e., comparable to their overall share in the total employment, 21.8%), and slightly less (20.8%) in the machinery and (19.2%) in the electrical equipment and electronics sectors. Therefore, this group is likely to benefit from increased production and exports in a way comparable to or slightly less than the average of workers in the growing sectors. On the other hand, in two of the three most negatively affected industrial sectors (textiles and garment), the share of elder workers was a bit higher in 2022 (24.0% and 23.5% respectively) than their presence in the total employment (21.8%) (EUROSTAT, no date). This means that they may potentially be more exposed to risks related to increased imports from India.

There is no comparable data available regarding persons with disabilities and migrants, therefore it is not possible to conduct a detailed sectoral analysis for these groups. In its absence, findings from the section 3.1 on the overall employment effects will apply.

India

Given high informality rates in India's sectors and the lack of precise employment data, there is no possibility to conduct an analysis for different groups of workers comparable to the one for the EU. However, based on evidence provided in the preceding sections, one can conclude that the future trade agreement is likely to generate substantial effects for people from Scheduled Castes and Tribes (incl. Dalits) and Muslim community, through job creation in sectors such as textiles, garment, and leather. Nonetheless, given the usually low job quality in these sectors, the overall effects for these groups are likely to be mixed.

Given the sensitive nature of handling cattle hides in India, the leather sector traditionally employs Dalit and Muslim workers, most of them based on informal arrangements of daily wages or piece rate. The sector structure also includes informal home-based workers,

⁶⁴ For example, in the sugar sector, the average age of workers was 46 years in 2015 and workers over 55 years represented 25% of the total (this has also been confirmed by more recent research) (CEFS, EFFAT, 2022).

mostly women (Ravi, 2020; Homeworkers Worldwide, 2019). Likewise, the garment sector offers jobs to informal home-based workers, often women. Sometimes they may not be allowed to leave the house on their own and therefore, home-based work may represent for them the only job opportunity. In some areas of northern and southern states of India, almost all such workers (98%-99%) belong to the Muslim community or Scheduled Castes. While the job provides an additional income for the household, studies like (Kara, 2019) show that a piece rate or daily wage of a female home-based worker may equal one third or a half of a minimum wage for an unskilled worker. Moreover, informal home-based work may also involve child labour. Similarly, apprenticeships or contractual work in the textile and garment sector often represent the only income generation opportunity for young girls from rural areas originating in vulnerable groups, e.g., 60% of women working in analysed spinning mills in Tamil Nadu were of Dalit background (Global Slavery Index, 2018; India Committee of the Netherlands, 2016), and women from Scheduled Castes and Tribes have been recruited to garment factories in Karnataka (India Committee of the Netherlands, 2016a and India Committee of the Netherlands, Clean Clothes Campaign, Garment Labour Union, 2018). Also, in these cases jobs were related with precarious working conditions and in the spinning mills, conditions of employment have been identified as forced labour.

Therefore, while creation of job opportunities for different groups of vulnerable workers is a positive effect of a trade agreement, enabling them to generate income and to contribute to the household budget, with a potential of some poverty reduction, low wages (below the statutory minimum) and the overall precarious working conditions in those jobs mean that a potential to improve the situation of those people may be fulfilled only to a limited extent.

3.5.5 Occupational safety and health

Given that elements related to the occupational safety and health in the EU and India's sectors likely to be affected by the EU-India FTA have been discussed in section 3.4. above, here we will discuss prospects related to the ratification of the two new ILO fundamental conventions in this area by the remaining EU Member States and India.

European Union

By mid-October 2023, Convention No. 155 has been ratified by 17 EU Member States, while 16 EU Member States have ratified Convention No. 187.⁶⁵

Given that the EU and national legislation of EU Member States have largely been aligned with both conventions, their ratification by EU Member States requires essentially going only through domestic procedural steps without a need to amend laws or policies. Hence, while the ratification is up to each Member State, we understand that none of them had a problem with inserting into the EU textual proposal for the TSD chapter the commitment of the Parties to "make continued and sustained efforts to ratify the fundamental ILO Conventions if they have not yet done so". There is no deadline for ratifications set by the EU, therefore each Member State will follow at its own pace. That said, the commitment to move towards ratification, which also features in the already implemented FTAs with a TSD chapter (in addition to the proposed EU-India FTA), may have some mobilising effect.

In this context, in 2022, ETUC urged the remaining Member States to ratify the missing conventions and pointed out that their failure to do so would also mean a failure to oblige companies to take the responsibility for compliance with health and safety at work in their supply chains and would be a missed opportunity to improve the state of compliance in Europe and in the world (ETUC, 2022). Also, the European Parliament adopted in June 2023 a resolution on strengthening social dialogue in which it called on EU Member States to ratify and implement both conventions (European Parliament, 2023).

⁶⁵ ILO NORMLEX; convention No. 155:

https://www.ilo.org/dyn/normlex/en/f?p=1000:11300:0::NO:11300:P11300_INSTRUMENT_ID:312300

convention No. 187:

https://www.ilo.org/dyn/normlex/en/f?p=1000:11300:0::NO:11300:P11300_INSTRUMENT_ID:312332

India

India has not ratified any of the two conventions yet, however, has taken some steps in that direction. For example, in 2009, it published its Occupational Safety and Health (OSH) Policy and in 2020, publication of India's OSH profile followed. Moreover, a taskforce for ratification of key OSH conventions was established in 2018, and in 2019 a workshop on national OSH programme was held. However, further actions will be necessary, such as strengthening of the labour inspection system (weakened by the latest labour reform) and improvement in reporting of accidents at work and occupational diseases. OSH principles will need to be widely promoted in the country and the compliance requirement will need to be extended onto a wider spectrum of the economy, including small units and the current informal part (ILO, 2023). In this context, dialogue, and cooperation with India, such as exchange of best practice in compliance with the ILO OSH conventions, could be considered as part of the implementation of the future TSD chapter or earlier. India's cooperation with the ILO under the new Decent Work Country Programme 2023-2027 may also contribute to moving the process forward.

While there have been no recent statements of the Government of India regarding potential ratification of Conventions No. 155 and 187, its usual position of ratifying the conventions only once the domestic legislation is in conformity with them will also apply in this case. In this context, it is to note that the draft National OSH Profile of India has identified many shortcomings related to legislation, implementation, and enforcement in the OSH area (for details, see section 3.5.5 in the Annex) (DG FASLI, ILO, no date). It is likely that many (if not all) of those gaps still remain, given that the latest labour reform aimed at consolidating the existing legislation without providing additional coverage in any areas, and capacities of services like labour inspection have even decreased in the last few years.

Therefore, while the ratification of the two OSH conventions is supported by trade unions and recommended by the National OSH Profile, it doesn't seem to be likely in the short-term perspective. It may, however, be supported by dialogue and cooperation activities.

3.6 Impacts for consumers, poverty, and welfare⁶⁶ (cross-cutting issue)

Regarding income-related impacts, the economic model estimates real wage increase for unskilled workers in the EU by 0.2% and for skilled ones by 0.1% in the ambitious scenario, while in India, real wages would grow by 1.3% and 0.6%, respectively. In the conservative scenario, real wages would grow by 0.1% for both groups of workers in the EU, while in India, wages of unskilled workers would grow by 0.8% and skilled ones by 0.4%⁶⁷. This would happen in a situation of estimated employment creation in sectors including textiles, garment, leather, chemicals, and automotive in India (among others), while jobs in these sectors are likely to be largely informal or linked to precarious working conditions offered to contract workers, as discussed in sections 3.1, 3.2 and 3.4 above. The economic model also estimates employment increase for skilled workers in agriculture, while jobs in the garment and leather sectors are likely to be taken mostly by women, Muslims, and Dalits. Therefore, while job creation and a limited real wage increase may be seen as a way leading to poverty reduction, in India, with job opportunities being offered to vulnerable groups, it is likely that many of the additional jobs would fall in the category of "working poor", i.e., people who work but whose income is too low to cover the essential needs. In such a case, the estimated average real wage increase is also likely to be too limited to represent any tangible improvement. This suggests that measures that could improve working conditions

⁶⁶ The analysis of the situation in the EU and India regarding consumer rights and trends in poverty and inequality has been provided in section 3.3 in the Annex.

⁶⁷ However, the modelling results for India need to be approached with some caution. As indicated in section 3.1, the model assumes that markets clear through supply and demand, i.e., a combination of the number of jobs and wage levels across sectors which represents a simplification of the real-life situation. Moreover, in the case of India, with high informality levels, the adjustments may follow not only through wage increase but also workers' move from informal establishments to the organised sector producing for exports (see also findings from existing studies, like Artuc et al (2019) in section 3.1. in the Annex). While this means that the wage effects estimated in the model may be exaggerated, the shift towards the formal economy is still a positive development, although it depends on working conditions offered to each worker.

in sectors benefitting from the FTA/IPA, such as worker regularisation, payment of at least minimum wages, statutory payment of higher rates for overtime, social security payments or provision of training to help workers progress in their careers, could strengthen positive impacts of the future FTA/IPA.

In the EU, while jobs in sectors estimated to benefit from the agreement are likely to be formal, in sectors likely to be put under pressure due to the FTA (like rice, sugar, textiles, garment, and leather) wages and other elements of working conditions may be driven downwards.

While both the EU and India will lose some tariff revenues due to tariff reductions, these will be outweighed by gains generated through other sources such as taxes. The economic model projects tariff revenue losses for the EU of -6.3% (-€3.6 billion) in the ambitious scenario, however at the same time also estimates increase in the overall welfare by 0.2% (€41 billion). For India, while tariff revenues losses are likely to be larger due to a higher original tariff level (-14.5% or -€10.4 billion in the ambitious scenario), welfare is also estimated to grow by 0.8% (€33.8 billion). In the conservative scenario, the EU is likely to lose tariff revenues worth €3.3 billion (-5.7%) while its welfare would grow by 0.1% (€23.7 billion). India is estimated to lose tariff revenues of €9.3 billion (-12.9%) while its welfare would grow by 0.5% (€18.3 billion). Therefore, the economic model suggests that for the EU as a whole and for India, as a whole country, there should be more resources at disposal thanks to the EU-India FTA than without the agreement in place. It does not provide, however, more granular indication as to the form of additional income that may be generated thanks to the agreement nor the level where it may be collected (e.g., at the EU level, national, or regional / state-level, by the public or private sector). Hence, it is not possible to say if the additional income is likely to come to the same authorities that may lose tariff revenues and that have competences in spending for public policies and services that can benefit consumers, e.g., education and health care.

Moreover, the estimated increase in the EU-India bilateral trade in several sectors and in both directions suggests that consumers may benefit from a wider range of products, such as pharmaceuticals, cosmetics, garments and leather products, motor vehicles and other transport equipment, electronic equipment, and food products. There is also potential for indirect positive effects from trade in other products, such as chemicals or machinery if these are used in agriculture or industry to improve productivity or quality of final products to be used by consumers.

However, to fully appreciate potential effects of the future agreements in selected sectors and product or services categories for consumers, there is also a need to consider non-tariff measures applied by the Parties and the likelihood of their reduction or removal in the negotiation process (for details, see the economic part of the analysis).

Likewise, certain provisions of the future EU-India FTA may generate direct or indirect effects for consumers in the EU, India, or third countries. For example, stakeholders like Médecins Sans Frontières argue that the extension of patent protection period proposed in Article X.33 of the chapter on Intellectual Property Rights (IPR)⁶⁸ tabled by the EU in negotiations with India, may have a negative impact on the possibility to produce generic medicines in India and export them to low- and middle-income countries. This may relate to medicines used to treat tuberculosis, malaria, HIV/AIDS, and other diseases (MSF, 2023 and interview with MSF). The proposed extension is aimed at compensating for the time when the patent application is considered by the relevant regulatory authority prior to the issuance of market authorisation. In case the procedure takes a long time, this shortens the effective patent protection period counted from the moment the medicine enters the market. By default, the extension would also delay a moment from which (after patent's expiry) generic medicines may be produced in a country like India. The same problem was raised by MSF during previous EU-India FTA negotiations and at that time, the European Commission explained that in case the authorisation procedure is not a problem in India,

⁶⁸ See EU textual proposal for Intellectual Property chapter: <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/e83c104e-e20d-4100-bdfc-0216b540dafc/details>

patent extension would not be sought (MSF, 2010; De Gucht, 2010). Subsequently, this matter was indeed removed from negotiations (correspondence shared with study team).

Another set of aspects important for consumers has been covered by the EU proposal for Digital Trade chapter tabled in the negotiations with India⁶⁹. These include, e.g., the right of the Parties to regulate and a commitment of the Parties to ensure an effective consumer protection in online purchasing transactions. The measures should include prohibition of fraudulent and deceptive commercial practices, requirements for suppliers of goods and services to act in good faith and abide by fair practices (e.g., by not charging consumers for unsolicited goods and services), provide sufficient information about the product or a service, and an easy access to redress for consumers if problems occur in online transactions. Other elements raised by consumer organisation BEUC and covered by the EU proposal include protections against forced disclosure of the source code and personal data and privacy protection, including in the cross-border flow of personal data (BEUC, 2018; 2022). Depending on the extent to which the final provisions to be agreed by the Parties will cover the above-mentioned elements, this will influence consumer trust and protections in the context of digital trade between the EU and India. Similar areas, including personal and financial data protection, storage, disclosure and protection of consumer rights in online transactions have been named by Indian consumers as being of importance and a concern for them (CUTS International, no date a).

Regarding product safety for EU consumers, the EU RAPEX⁷⁰ system reporting unsafe non-food products from third countries, provides information about 19 unsafe products from India imported to the EU in 2023 (by 22 August), 14 such products imported in 2022 and 369 products in total, since 2005. For comparison, the system reports 18,391 unsafe products from China in total and already 891 of them registered in 2023. Regarding unsafe Indian products, several of them are for hair dye and include excessive levels of certain chemical substances, non-complying with the EU Cosmetic Product Regulation. There are also leather products including excessive levels of chromium (used in Indian tanneries) and therefore non-compliant with the EU REACH Regulation. Other products include toys, apparel, and jewellery involving either toxic substances or excessive levels of certain substances, making them non-compliant with the EU legislation. There are also children's clothes including elements which may create a risk of choking or strangulation. Given that the economic model estimates an increase in imports from India in products including leather, garment, and chemicals (the latter also covering cosmetics), there is a probability that more non-compliant products (similar to those described above) will arrive at the EU borders or will be sold online (e.g., some of the leather products, like shoes, identified as non-compliant, were sold online). This will require effective controls at the EU borders and for products sold online, awareness on the Indian side regarding EU requirements related to certain product categories, the use of appropriate production processes and quality checks in Indian enterprises to ensure compliance, as well as after-purchase services for consumers, including those related for online transactions and mentioned above.

Additionally, the EU RASFF system⁷¹ reports unsafe food products. It includes in total 1,279 notifications of unsafe products from India covering the period 2020-2023 (by 22 August). Most of them are marked as carrying a serious risk, although, there are also non-decided cases or cases with no serious risk. The latest notifications involve pesticide residues, aflatoxin and other not allowed substances in rice, aflatoxin in peanuts and peanut butter, salmonella and diverse unauthorised substances in spices and sesame seeds, and other unauthorised substances, e.g., arsenic, cadmium, and others. Given that the economic model estimates an increase in imports from India in rice, fruits, vegetables and nuts, and other agricultural and food products, such as grains, vegetable oils, dairy products and meat, there is a probability that more products not complying with EU requirements will arrive at the EU borders. Therefore, as suggested above, there will be a need for effective

⁶⁹ See EU textual proposal for Digital Trade chapter: <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/d951642d-d023-4d7f-86c5-258bb83435b9/details>

⁷⁰ European Commission, Rapid alert system for dangerous non-food products (RAPEX): https://ec.europa.eu/consumers/consumers_safety/safety_products/rapex/alerts/?event=main.listNotifications&lng=en

⁷¹ EU RASFF system: https://ec.europa.eu/food/safety/rasff-food-and-feed-safety-alerts_en

EU controls, as well as awareness in India of the EU requirements, and application of appropriate production processes and quality control in Indian farms and establishments.

In this context, it is important to note that the Federation of Indian Export Organisations (FIEO), set up by the Ministry of Commerce and Industry, Government of India, forwards alerts from the EU's RASFF and RAPEX to Indian exporters on a weekly basis to keep them informed regarding goods facing export rejections at EU borders, so that exporters can take corrective action.⁷² Similarly, the Agricultural and Processed Food Products Export Development Authority (APEDA) has put into effect a standard operating procedure for handling rapid alerts, rejections, and complaints identified in the EU RASFF for covered agricultural export products.⁷³

With regard to unsafe imported food products, under the Food Safety and Standards (Import) Regulations, 2017, the Food Safety and Standards Authority of India (FSSAI)⁷⁴ is authorised to issue food alert notifications, which can include "time bound prohibition on articles of food or prohibiting source or recalls, based on the risk associated with the articles of food"⁷⁵. The food alert notification system works in tandem with the Risk Management System (RMS) of the customs department (see also section 3.3. in the Annex).

The above means that also in India, there are systems in place which should help protect consumers in case any faulty products happen to be imported from the EU, in the context of increased trade flows triggered by the future EU-India FTA.

3.7 Impacts for Corporate Social Responsibility/Responsible Business Conduct (cross-cutting issue)

Currently, most EU FTAs do not have a separate chapter on Corporate Social Responsibility (CSR) / Responsible Business Conduct (RBC), however, the corresponding provisions are included into a TSD chapter of the so-called "new generation" FTAs. Moreover, EU trade strategy documents and communications stress the transversal importance of CSR/RBC in EU trade agreements.

References to CSR/RBC can be found in two parts of EU FTAs. First, in more recent EU trade and investment agreements, the EU includes references to the promotion of national and international CSR instruments. Here, the reference is made to key international documents which have been discussed in the section 3.8 in the Annex. Secondly, CSR commitments take the form of promoting ethical standards, sustainability standards, certification, fair and ethical trade schemes, etc. References to these instruments have been included in the "new generation FTAs" starting with the EU-Korea FTA and others that followed.

The EU proposal for the TSD-chapter in the EU-India FTA also contains these two elements. Article X.10 states that Parties shall promote and facilitate trade and investment in "goods subject to transparent, factual and non-misleading sustainability assurance schemes, such as fair and ethical trade schemes and eco-labels". This promotion and facilitation involve encouraging the uptake of credible sustainability standards, also by SMEs. Article X.11 is specifically dedicated to CSR. It reiterates the importance of CSR and strengthening the cooperation on it. It also contains a commitment of the Parties to promote and adhere to key international instruments including the OECD Guidelines for Multinational Enterprises (MNEs), the UN Global Compact, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the UN Guiding Principles on Business and

⁷² See, for example, Alerts from EU generated over the period 7-13 June, 2022:

<https://www.indiantradeportal.in/vs.jsp?lang=0&id=0,959,10581,24727,26493>

⁷³ Standard Operating Procedures for handling rapid alerts, rejections and complaints for APEDA products:

<https://apeda.gov.in/apedawebsite/menupages/rerevisedfinalapprovedrasffsop01052018.pdf>

⁷⁴ The Food Safety and Standards Authority of India (FSSAI) was established by the Food Safety and Standards Act, 2006: <https://www.indiacode.nic.in/bitstream/123456789/2027/1/A2006-34.pdf>

⁷⁵ Chapter – VII (Scheme for Risk based Food Import Clearance), Food Safety and Standards (Import) Regulations, 2017:

[https://www.fssai.gov.in/upload/uploadfiles/files/Gazette_Notification_Food_Import_20_03_2017\(1\).pdf](https://www.fssai.gov.in/upload/uploadfiles/files/Gazette_Notification_Food_Import_20_03_2017(1).pdf)

Human Rights (for details see section 3.8 in the Annex). The proposal further recognises the utility of international sector-specific CSR guidelines and makes a reference to OECD guidelines for responsible supply chains of minerals from conflict-affected and high-risk areas, the FAO Principles for Responsible Investment in Agriculture and Food Systems and the FAO Voluntary Guidelines on Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security. The commitments in the proposal are aspirational and promotional and no clear commitments or targets are included. Below, we detail the potential impact on these separate elements. We also touch on the impact of certain autonomous measures related to CSR identified in section 3.8 in the Annex.

Impacts related to international instruments

The commitment of the Parties related to promoting the **UN Global Compact** can result in a higher number of companies and SMEs signing up to the principles of this instrument. Currently, 22,947 companies and SMEs have signed up to the UN Global Compact worldwide, with more than 35% of companies being from the EU. In India, currently 407 companies and SMEs have signed up with a strong increase in 2022 and 2023. Almost 120 of them signed up in the last 18 months. The reason for this rather strong increase in the last year is unclear but might indicate a strengthened commitment to CSR initiatives. The commitment to the UN Global Compact in the EU-India FTA might further stimulate this dynamic. Compared to, for example, Brazil with almost 2000 companies and SMEs involved in the UN Global Compact, India still has relatively few participating companies, despite the recent increase (UN Global Compact, 2023a).

The commitment to the **UN Guiding Principles on Business and Human Rights** in the agreement can trigger further support to implement the commitments embedded in the UN GPs (Pande, 2017), with a potential to resume or continue work on India's National Action Plan on Business and Human Rights.

The commitment to the **OECD Guidelines for Multinational Enterprises** might create an impact through the development of further awareness raising activities related to the Guidelines, as well as the application of the specific instance procedure to individual companies. The specific instance procedure can be started at a National Contact Point of a State which signed up to the Guidelines when a multinational enterprise does not comply with them. There have been 27 specific instances against Indian companies and 114 against multinational enterprises from EU Member States (OECD, 2023a).

Positions shared by stakeholders contain overall little input on CSR/RBC. The London Story (2023) expects little of voluntary initiatives. In their view, the TSD chapter should go beyond referencing non-binding CSR related instruments such as UN Guiding Principles on Business and Human Rights, and include legally binding human rights conventions, like the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR). FIDH (2023) also mentions that the FTA should go beyond encouraging and promoting CSR and instead reiterate obligations of the Parties to protect human rights and ensure that private sector operating within the Parties' jurisdictions complies with the applicable law. Due diligence in the supply chain should also be explicitly addressed.

Expert interviews did not generate any pointers that there will be a significant immediate impact of the FTA/IPA with regard to these international commitments. The main reason is, according to one interviewee, that India already made a shift towards CSR in the late 1990s and early 2000s. This resulted in increased knowledge on the existing instruments. The interviewee indicated that there is increasing attention for CSR and a general understanding among business leaders on the importance of CSR activities to gain access to markets.

Impact on sector specific international commitments

Commitments related to the OECD guidelines for responsible supply chains of minerals from conflict-affected and high-risk areas are covered by the **EU Regulation on**

responsible sourcing of minerals from conflict affected and high-risk areas. It requires that EU importers of the covered minerals (tin, tungsten, tantalum, and gold) adhere to the above OECD guidelines (European Commission 2021r). The scope of the regulation includes all companies that import the minerals into the EU, including smelters and refiners, as well as downstream companies that use these minerals in their products. The regulation is applicable to conflict-affected and high-risk areas and applies for India to Chhattisgarh and Jammu and Kashmir. The regulation impacts Indian companies and one can find conflict minerals policy statements on websites of companies active in India.

The **Principles for Responsible Investment in Agriculture and Food Systems (RIA)** are a set of guidelines that promote sustainable and responsible investment practices in the agricultural and food sectors. They were developed by the UN Committee on World Food Security in collaboration with various stakeholders, including governments, civil society organisations, and private sector entities. The principles aim to address the challenges of global food security, environmental sustainability, and social well-being. They emphasise the importance of recognising and respecting human rights as the foundation for responsible investment. They encompass all types and sizes of agricultural investment and cover fisheries, forests, and livestock. The principles are applicable to all stakeholders involved and are relevant at every stage of the value chain (FAO, no date). The principles are endorsed by India and all EU Member States (except Malta) (FAO, 2022b).

By signing up and adhering to these principles, stakeholders can contribute to enhanced livelihoods, mitigate risks to food security and nutrition, and foster responsible investment practices. Three categories of stakeholders can sign up to the principles: asset owners, investment managers and service providers. Currently, 33 stakeholders have signed up for India (3 asset owners, 26 investment managers and 4 service providers) and 1659 for the EU, with large variation between EU Member States (301 asset owners, 1211 investment managers and 147 service providers) (UNPRI, n.d.). The explicit reference to these principles in the FTA might provide incentives to increase the number of signatories, both in India and some EU Member States. It is impossible to quantify but given the rather limited current engagement of Indian stakeholders one can expect an increase.

The Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries, and Forests in the Context of National Food Security (VGGT) are a set of guidelines endorsed by the Committee on World Food Security (FAO, no date a). They aim to improve the governance of these resources for the benefit of all, with a focus on vulnerable and marginalised populations. Their objectives include promoting food security, realising the right to adequate food, eradicating poverty, ensuring sustainable livelihoods, fostering social stability, securing housing, supporting rural development, protecting the environment, and promoting sustainable social and economic development. The guidelines provide guidance and information on internationally accepted practices for tenure governance, contribute to the development of policy and legal frameworks, enhance transparency and functionality of tenure systems, strengthen the capacities of various stakeholders, and promote cooperation among implementing agencies, judicial authorities, local governments, farmers, fishers, forest users, indigenous peoples, civil society, the private sector, academia, and others involved in tenure governance. These objectives are aligned with existing international human rights instruments, emphasising the importance of respecting human rights in tenure governance (FAO, 2022a). The VGGT are endorsed by India and all EU Member States.

The VGGT are implemented through the establishment of multi-stakeholder platforms and frameworks at local, regional, and national levels. Currently there are 30 multi-stakeholder platforms in 16 (mostly African) countries (additionally, in Mongolia, Colombia, and Guatemala). A possible impact of the explicit reference to VGGT in the EU-India FTA is the establishment of possible multi-stakeholder platforms. We did not find an indication that there will be an immediate impact in this respect, but it could materialise over time.

Impact on standards

As outlined in the section 3.8 in the Annex, in many economic sectors several Voluntary Sustainability Standards (VSS) are active both in the EU and India, also in sectors which were identified as priority sectors in the Terms of Reference such as certain agricultural commodities, textiles, leather (and footwear production). In some sensitive sectors (from a CSR perspective) there is little difference between the EU and India in terms of the number of active voluntary initiatives. For example, in the textile sector, according to the International Trade Centre's Standards Map, 66 initiatives are active in all EU MS combined and 58 in India. This is an indication that these initiatives are to a degree well established in both Parties. The latter is also confirmed in interviews with stakeholders in India. The relevance of voluntary initiatives in India is also confirmed in studies (Pande, 2017). The study by Pande shows that there is clear awareness of sustainability standards in India and identifies some of the main drivers for VSS uptake there. It also identifies some of the challenges related to standards which include issues of coordination, multiplicity of standards, and compliance costs. Finally, several initiatives have been launched in India to further promote voluntary standards and initiatives. The India National Platform on Private Sustainability Standards was initiated in 2016 under the Quality Council of India. This platform aims to initiate dialogue between public and private stakeholders on the use and uptake of voluntary standards. Also, other initiatives aim to promote these standards. For example, the Centre for Responsible Business has launched an initiative to stimulate collaboration between VSS in India. Several interviewees confirmed the already ongoing dynamics on the use of standards in India.

The future trade agreement will likely have little impact on the number of voluntary initiatives active in the EU and India since the analysis in the Annex showed that there are already many voluntary initiatives active in India and the EU and there are no clear commitments (targets) included in this respect in the agreement. The uptake of specific voluntary initiatives might be further triggered by the references in the trade agreement, specifically to certain priority sectors or products. The commitment in the trade agreement might also trigger government action to further promote the uptake of voluntary initiatives. However, some stakeholders noted that without a very clear commitment little direct impact can be expected. The commitment which is currently in the textual proposal still might provide additional incentives for support of standards. A report (Pande, 2017) recognises the important role governments can play in promoting voluntary standards through different incentive (i.e., inclusion on sustainable public procurement) and support (platforms for awareness raising) mechanisms. In this context an interviewee referred to local Export Promotion Councils in India which might take initiatives to further promote the uptake of voluntary initiatives.

Impact in context of autonomous measures

The impact of the EU-India FTA cannot be seen in isolation from other relevant regulatory developments as described in the Annex. We have identified there (section 3.8) several EU legislative initiatives, some of which are still under discussion/negotiation (proposal for a Directive on corporate sustainability due diligence, currently in discussions between the Commission, the Council, and the European Parliament - trilogue), proposal for a Regulation on prohibiting products made with forced labour on the Union Market and proposal for a Regulation concerning batteries and waste batteries). They are likely to have a direct impact on companies in India and the EU, while its scale will depend on the finally agreed provisions. An impact may also be expected from the already adopted autonomous measures. Concerning the latter, it is mainly the Corporate Sustainability Reporting Directive (CSRD) and EU Deforestation Regulation (EUDR) which are especially relevant.

CSRD is part of the European Green Deal and will replace the Non-Financial Reporting Directive. It aims to increase the level of detail for non-financial and ESG reporting which is an integral part of CSR. The directive applies to large public interest entities (500+ employees); large companies (250+ employees and/or €40 million turnover and/or balance sheet of €20million); SMEs listed on EU regulated markets; non-EU companies with over €150 million turnover and a subsidiary within the EU which falls under the scope

of EU companies. The directive entered into force in January 2023 and will gradually be implemented for different categories of companies. It will apply to all companies (approx. 50,000 entities) from January 2028 onwards (European Commission, 2023c). To how many Indian companies the CSRD will apply is not clear yet. Application to non-EU companies is only foreseen in 2028. With regard to CSRD, there are requests to further strengthen the directive and integrate sector specific standards, especially with regard to the textile and garment sector (FTAO et al, 2022). This can further impact exporters.

EUDR aims to avoid commodity-driven deforestation and forest degradation in selected EU chains. The cultivation of primary commodities like cocoa, coffee, palm oil, soya, wood, and cattle contribute to deforestation. Therefore, the EU wants to regulate the import of these products and requires traders to ensure that imported goods do not contribute to deforestation. On 19 April 2023, the European Parliament (2023a) approved the agreement reached with EU Member States on new due diligence rules to ensure that no product that had led to deforestation can enter or circulate within the EU. The negotiations with the EP resulted in the adding of several new products including rubber, charcoal, printed paper, and a number of palm oil derivatives. A review within two years will assess whether to include maize and biodiesel. Companies that want to export to or place relevant commodities on the EU market must exercise a mandatory due diligence to make sure that these commodities are deforestation-free. The companies will need to publish a due diligence statement explaining that their products have been produced on land that was not subject to deforestation after 31 December 2020. The Regulation entered into force in June 2023. Operators and traders will have 18 months to implement the new rules, with micro and small enterprises benefitting from a longer adaptation period. In the adopted version, the Regulation applies to products (listed in Annex I to the Regulation), that contain, have been fed with or have been made using commodities, such as cattle, cocoa, coffee, oil palm, rubber, soya, and wood.⁷⁶ This Regulation will impact Indian exporters. However, the expected impact will be relatively small since India only ranks 20th in terms of import value for the six commodities included in the initial proposal (European Commission, 2021s).

3.8 Recommendations related to social impacts

Related to employment effects

- Our analysis suggests that in sectors like textiles, garment, leather, automotive and transport equipment, to name a few, imports from India are likely to grow as a result of the FTA and cause negative effects for EU employment and production. At the same, non-tariff measures imposed by India, have brought EU exports in man-made fibres (as part of textiles) almost to a halt and will ban EU exports in tyres from this financial year while for some types, licenses will be issued. To support EU production and employment in these sectors and others being in a similar situation, EU negotiators should seek to obtain further opening of the Indian market through reduction and removal of tariff and non-tariff measures to facilitate EU exports. They should also propose including into agreement a clause enabling reintroduction of tariffs in access to the EU market in case India raises new or does not reduce / dismantle existing market access barriers and – as a result – EU's exports do not increase their share in the Indian market. This request is related to the EU strategic objective No. 1.
- Regarding reduction and removal of market access barriers related to Indian QCOs for textile products (polyester and viscose), EU negotiators should request that those QCOs become applicable after a longer transition period to enable EU exporters to comply with their requirements. Moreover, their current versions should be revised to ensure proportionality e.g., a clear identification of covered products (through their HS codes), introduction of ranges for certain properties or modular properties, and removal or

⁷⁶ Regulation 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R1115>

unreasonably high burdens (e.g., requirement to keep hazardous chemicals in companies' laboratories for testing based on prescribed, outdated, methods). The QCOs should also envisage recognition of international standards and product certification, and India should further develop its testing, and auditing capacity (i.e., increase the number of laboratories and auditors) before introducing QCOs. There should also be more transparency in announcing planned regulations and proper consultations with stakeholders should take place.

- India should also use adequate HS codes for man-made fibre products as currently diverse HS codes are used for the same product which generates confusion and administrative burden for EU companies.
- To protect EU industry and jobs from negative impacts of increased imports from India, EU negotiators should request a gradual opening (sector representatives suggested a period of 15 years) of the EU market for selected, sensitive textile products (selected tariff lines in the man-made fibres sector) as identified by EU industry representatives. EU negotiators should also seek to agree with India adequate provisions on safeguards and rules of origin, building on proposals provided by industry representatives to balance interests and ensure more level playing field and resilience and diversity of EU supply chains, in line with EU strategic objective No. 2.
- To protect current jobs and support further job creation in the automotive and transport equipment sector, EU negotiators should request recognition by India of international standards and certification by internationally accredited laboratories. Moreover, all new regulatory measures should be announced by India in advance, notified at the WTO and consulted with relevant stakeholders. Also, enough time should be left between their publication and entry into force to allow time to prepare for their application. The car Annex to the FTA, tabled by the EU, should include such provisions. India should also lift the import restricting measures that are not in line with its WTO obligations.
- With a view to protect jobs in the EU sugar sector, which has been under pressure over the last few years, EU sector representatives and the EU Outermost Regions requested that EU negotiators exclude sugar sector from further trade liberalisation with India. This would help to support EU own industry, including sugar production of the EU Outermost Regions, as well as interests of other countries, including developing ones, benefitting from preferential access to the EU market in their sugar exports. Also, EU rice sector has been named as sensitive and this should be reflected in the EU negotiations with India, including differentiation between rice varieties that are sensitive and non-sensitive from the point of view of the EU producers.

Related to women

- Both EU and India should support an equal access for women to education, including vocational training, and career development. In the EU, women are overrepresented in sectors likely to be negatively affected by the EU-India FTA (like garment) and have a lower share in growing sectors. In India, while women have large shares in sectors likely to benefit from the future FTA (like garment and leather), they work on precarious terms and do not have equal access to training and promotion opportunities.
- Moreover, both EU and India should improve data collection and publication regarding women's business ownership and participation in international trade in total and in a break-down by sector. Fragmentation of available data or the lack of recent data makes it impossible to estimate in a comprehensive way the EU-FTA impacts for women.

Related to consumers

- To protect EU industry and consumers, EU should ensure continuation of an effective operation of market surveillance mechanism to ensure that imported products comply with EU requirements and do not represent unfair competition for EU products nor risks for EU consumers. India, on the other hand, should improve quality control and adapt

production methods to ensure that goods exported to the EU comply with EU requirements.

- Given the likelihood of increased trade flows between the EU and India, including online transactions, it is important that the Parties adopt provisions in the Digital Trade chapter providing enhanced levels of consumer protection, as outlined in the section 3.6.
- It will also be important that provisions to be agreed by the Parties in the Intellectual Property Rights chapter regarding patent protection balance interests of patent holders and patients (consumers) as far as patents for medicines are concerned (section 3.6).

Related to working conditions and informal economy

- India should reverse the latest increase in thresholds for application of labour laws and instead extend to all companies the requirement to register and to comply with labour regulations. It should also gradually include all workers into the remit of labour regulations, such as about the minimum wage and social security schemes. This protection should also apply to contract workers and other fixed-term workers to eliminate incentives to hire them only for cost cutting reasons and to reduce the number of cases where workers are hired on precarious terms. We note in this context that the new Industrial Relations Code (2020) introduced a new type of fixed-term contract under which a worker may be hired in any role, incl. a similar one to those exercised by permanent workers. The new fixed-term contract foresees the same benefits as for a permanent worker (medical insurance and pension), and the person would be on a payroll of the company and would be hired directly, not through a contractor which means a difference compared to the current contract workers (PRS Legislative Research, no date). It is to be seen, however, how these fixed-term contracts will be used in practice, based on guidance to be provided by implementation Rules.
- Given the scale of labour non-compliance-related problems in India and high informality levels, we suggest that (in the context of EU-India FTA) the above-mentioned changes are introduced starting from large export-oriented factories, given their formal status, the already existing obligation to comply with certain labour regulations, links to trade with the EU and the possibility of cooperation to this end with the EU buyers and trade unions (which are more likely to be present in such factories than in other parts of the analysed sectors). This may resemble the approach taken in some other countries (like Bangladesh) where checks for compliance and remedy work (also related to health and safety at work and building safety) started with export-oriented factories.
- Likewise, weakening of labour inspection in India should be reversed and the inspection services should be strengthened in terms staff, resources, and their mandate, in line with the ILO convention No. 81 ratified by India. There is also a need to strengthen the legislation and practice regarding the occupational safety and health, like provision of training and personal protection equipment to workers or reporting accidents. It would reduce the risks for workers at workplaces and help India to get closer to the ratification of the ILO Conventions No. 155 and 187. The EU Member States should also carry out gap assessment and progress with ratifications of ILO Conventions No. 155 and 187.
- International buyers, in particular in the textile, garment and leather sectors, should take their part of responsibility for working conditions in their supply chains, in the EU and India, pay prices allowing for decent wages, and avoid or stop applying unfair purchasing practices, e.g., cancelling contracts at a short notice, non-paying for already delivered orders or delaying payment beyond the commercial practice applicable in the sector. Moreover, EU multinationals sourcing from or investing in India, should ensure that workers along their supply chain are treated in the same way, in line with Codes of Conduct or global policies (this also applies to the chemicals sector in India).
- International brands, notably in the textile, garment, and leather sectors, should also engage with Indian suppliers for the long-term to pursue stable business relations, reduce uncertainty, and support planning and risk management for both sides. This

should also support long-term engagement of Indian manufacturers with their staff, the move towards workers' regularisation and putting more emphasis on skills and development instead of focusing only on cost cutting.

- Also, in addition to prices set for finished products in contracts with suppliers, brands should define the share to be paid to workers to secure decent wages and to avoid a situation that a too low final price leads to cost cutting at all production stages, including labour costs. More transparency is also needed along the supply chain, with a need for brands to map suppliers and monitor compliance beyond tier one companies.
- While priority should be given to voluntary actions in the private sector, legislative measures may also support the move into the right direction to encourage international brands to stop or avoid unfair purchasing practices. An adaptation in the proposal for a Directive on corporate sustainability due diligence may provide a solution to this end. The Directive should take a more balanced approach with regard to remedying adverse impacts of business activity. While it currently focuses on steps to be taken by suppliers, it should acknowledge that some adverse impacts are caused by EU companies and their unfair purchasing practices and that these may need to be changed in the first place to remedy the situation (for details, see case study No. 1).

Related to respect for labour standards

- India should improve implementation of ratified ILO fundamental conventions, notably those on child labour and forced labour, and eliminate both forms of labour exploitation from the textile, garment, and leather sectors, as well as other sectors of its economy, including agriculture and the rice and sugar sectors. Labour inspection services should also be strengthened (as recommended above) and have the possibility to conduct unannounced visits in establishments and in the informal part of the economy. Also, as outlined above, monitoring by international brands and main suppliers should include the whole supply chain, beyond tier one companies, to identify labour rights violations.
- Moreover, to eliminate child labour, there is a need to address its root causes, notably poverty and insufficient income generated by adult members of the household. To this end (as recommended above) Indian authorities should make a decisive move towards formalisation of the economy and inclusion of all workers into the remit of labour laws, including those on the minimum wage. This should also include workers hired to work at farms during the harvest period, e.g., in the rice and sugar sectors.
- There is also a need for the Government of India and the private sector to develop and make widely available vocational training programmes in industrial sectors to offer young people (including those from rural areas) and existing workers, notably women and workers from lower Castes, an opportunity for upskilling to receive higher income.
- An improved availability of school facilities and affordability of school fees across Indian states may also help to increase school attendance among children of home-based and other informal workers which is considered as one of the effective means to tackle child labour. This also applies to the availability of school facilities and courses for children of migrant workers and support in attending classes either in their native language or learning the language of the hosting state in case it is different. Moreover, education facilities should be available for children of migrant workers working in agriculture and moving during the harvest period, so that children do not miss the classes during that time. Also, the overall quality of education and the availability of teachers should improve to encourage children to continue learning until graduation.
- Furthermore, there is a need for a continued awareness raising among parents from rural areas and unskilled workers in India regarding negative impacts of child labour, as those parents often do not appreciate the value of education and the possibility for their children to have improved prospects for work and life.

- There is a need to support freedom of association and social dialogue in the analysed sectors and wider, in the EU and India, consistent with the ILO 1998 Declaration on the Fundamental Principles and Rights at Work, as amended in 2022. In the EU, a proposal for a Recommendation to strengthen social dialogue at the national level published by the European Commission in 2023 may create a momentum to refresh social dialogue. At the same time, measures to improve conditions for it need to be taken by individual Member States. The situation in the EU textile, garment and leather sectors may also be discussed in the sectoral dialogue committee at the EU level.
- India should take steps towards ratification of the remaining fundamental conventions which is supported by the social partners and by the cooperation with the ILO under the consecutive Decent Work Country Programmes (now, 2023-2027).
- Building on the EU textual proposal, the EU and India should agree in the ongoing negotiations precise commitments in the TSD chapter regarding ratification of the remaining ILO fundamental conventions and the effective implementation of those already ratified. Likewise, the chapter should have clear commitments regarding not lowering the levels of labour protection, not failing to implement and enforce them and not derogating from them in order to attract trade or investment. There should also be commitments on maintaining an effective system of labour inspection and not considering violation of fundamental rights and principles at work as a way to gain legitimate comparative advantage.
- The EU-India FTA should also be accompanied by an effective mechanism allowing for submission of complaints in case trade unions rights or other labour rights are violated in any factory producing for exports to the EU. The mechanism should be transparent and complement the general dispute settlement. The existing EU Single Entry Point mechanism may potentially play this role; however, it currently does not allow for a direct submission of a complaint by stakeholders from outside the EU. In the absence of a possibility to submit a complaint directly, under the current rules governing SEP, the international or third country stakeholders would need to act in a cooperation with EU counterparts (or EU-based office or branch of own organisation) and ask them to submit the paperwork (for details, see section 3.4 above).
- Also, in addition to the effort to secure the commitment of the Parties in the TSD chapter to ratify the remaining ILO fundamental conventions, there should be an EU attempt to include social dialogue and the occupational safety and health into cooperation activities between the EU and India and into a dialogue with international brands in the analysed sectors. The assumption would be that trade unions and business representatives from the textile, garment, leather, and chemicals sectors would participate in this exercise. It could be organised in cooperation with the ILO and include exchange of experience.
- While the proposals for the EU Regulation banning products manufactured with the use of forced labour and the Corporate Sustainability Due Diligence Directive may be useful as complementary measures, a lot will depend on their final scope and enforcement. In this context, EU co-legislators should consider proposals submitted, e.g., by civil society to strengthen their provisions.

Related to Corporate Social Responsibility (CSR)

To strengthen the potential impact of CSR commitments it is recommended that CSR is included as a fixed agenda item in the regular meetings of the TSD Sub-Committee. The TSD Sub-Committee can monitor and discuss implementation of specific commitments in relation to CSR instruments that will be included in the text of the TSD chapter. While the Sub-Committee will not duplicate work of the relevant international mechanisms, the Parties can exchange information on undertaken activities and discuss and plan cooperation in promoting any of the instruments (the list which follows is based on the list of instruments included in the EU textual proposal tabled in FTA negotiations):

- the development and implementation of the National Action Plans related to the United Nations Guiding Principles on Business and Human Rights,

- the participation by companies in the UN Global Compact,
- the adoption of the principles for responsible investment in agricultural and food systems by asset owners, investment managers and service providers,
- the establishment of multi-stakeholder platforms to implement the voluntary guidelines on the responsible governance of tenure of land, fisheries, and forests
- the adoption of voluntary ethical trading and certification systems.

4 ENVIRONMENTAL ANALYSIS

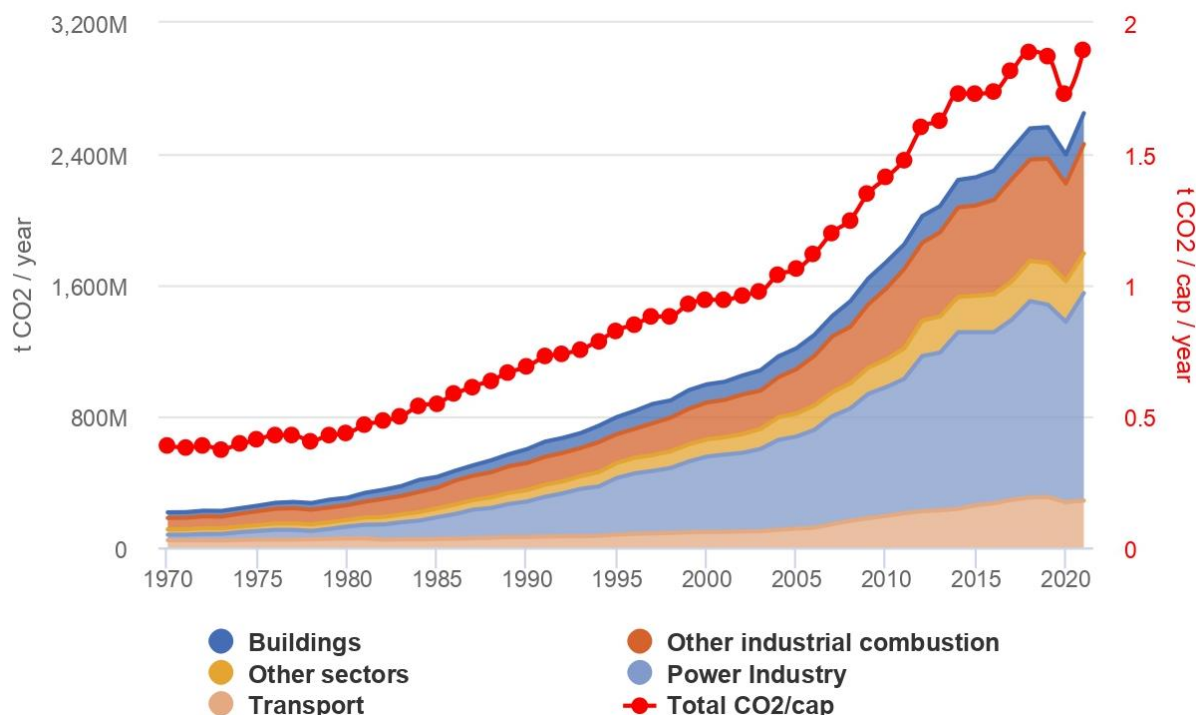
4.1 Introduction

This section analyses the potential environmental impacts of the EU-India FTA. To do so, four environmental impact areas are analysed: climate change, air quality, biodiversity and ecosystems, and water resources. For each environmental impact area, we recall the state of play and present the impact of the EU-India FTA. The state of play sections are a summary of the baseline analysis, the details of which have been provided in the Annex. Beside the assessment of these four impact areas, two case studies analyse the impact of the EU-India FTA on other key areas for environmental impact, such as climate change and sustainable production.

4.2 Climate change

India's rapidly rising population and fast-growing economy have caused an increase in annual carbon dioxide emissions by close to 350% since 1990 to reach a record high of 2.6 billion metric tons in 2021 (Table 4.1), making India the third-biggest carbon emitter worldwide, accounting for 6.8% of global emissions⁷⁷. India's latest Nationally Determined Contribution under the Paris Agreement to the UNFCCC from July 2022 commits among others to (i) reduce Emissions Intensity of its GDP by 45% by 2030, from 2005 level and (ii) achieve about 50% cumulative electric power installed capacity from non-fossil fuel-based energy resources by 2030. These updates aim at achieving India's long-term goal of reaching net-zero by 2070⁷⁸.

Figure 4.1: Gross CO₂-emissions in ton of CO₂ per year in India by sector



Source: EU EDGAR database. [Link](#).

⁷⁷ Climate watch data. [Link](#).

⁷⁸ UNFCCC. [Link](#).

The power and energy sector is responsible for almost half of CO₂ emissions in India. This is mostly due to the country's continued dependence on coal (72% of energy generation, 2nd worst score globally), and other fossil fuels. The growth in coal use for electricity generation in India reached an all-time high, while the country is expected to overtake the EU as the world's 3rd largest energy consumer by 2030 (IEA, 2021).

Table 4.1: Evolution of CO₂ emissions by sector in India and the EU (1990-2021)

India						
Year	Total (000 tonnes)	Buildings	Other industrial combustion	Power Industry	Transport	Other sectors
1990	600,025	14%	28%	36%	11%	12%
2000	994,863	11%	23%	46%	10%	11%
2021	2,648,779	7%	25%	48%	11%	9%

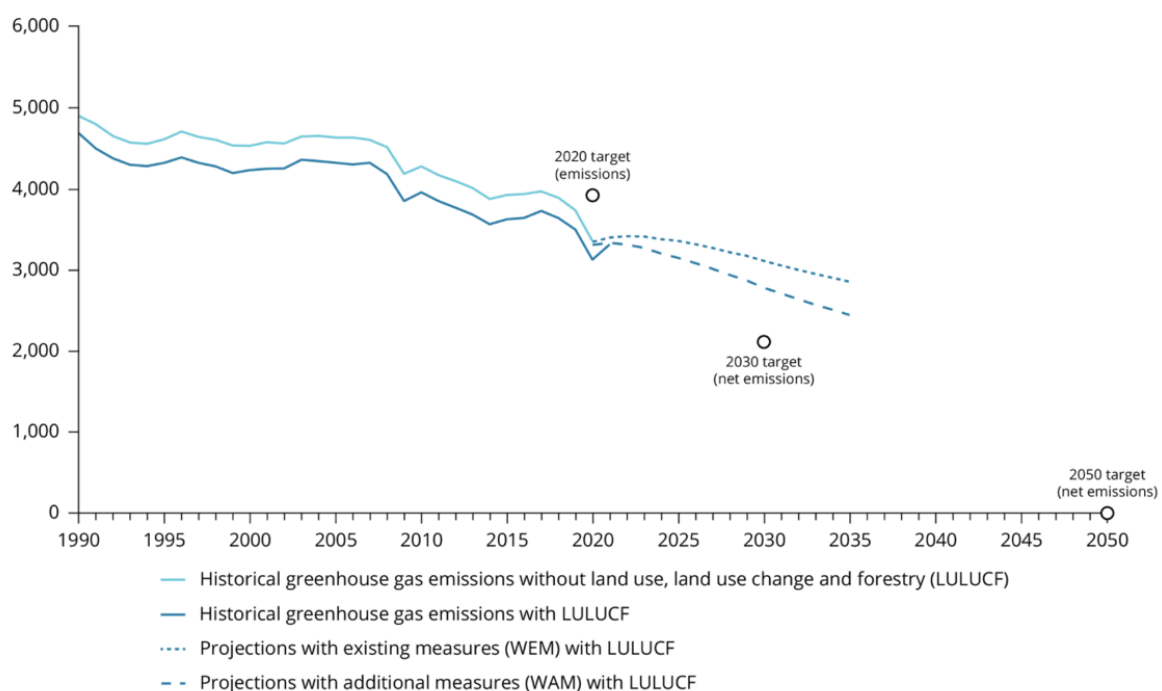
European Union (27)						
Year	Total (000 tonnes)	Buildings	Other industrial combustion	Power Industry	Transport	Other sectors
1990	3,819,235	18%	21%	34%	17%	9%
2000	3,577,211	17%	19%	34%	21%	9%
2021	2,774,927	17%	17%	29%	27%	10%

Source: Author from EU EDGAR database.

Meanwhile, the EU achieved its 2020 emissions reduction target reducing overall emissions by 32% since 1990, including a 38% reduction of CO₂ emission (Table 4.1). However, it is estimated that by 2030 the EU will achieve a 41% emissions reduction, which is not in line with the European Climate Law target of 55% reduction⁷⁹.

Figure 4.2: Historical trends and future projections of EU greenhouse gas emissions

Million tonnes of CO₂ equivalent (Mt CO₂e)



Source: EEA, Total greenhouse gas emission trends and projections in Europe [link](#).

⁷⁹ EEA. Total greenhouse gas emission trends and projections in Europe [link](#).

As an area of concern, the EU-India FTA is expected to lead to an increase in CO₂ emissions in both the EU (+0.1%) and India (+0.4% in ambitious scenario, +0.2% in conservative scenario) as per the results of the economic (CGE) modelling. At the same time, the diversion effect is expected for the FTA to have a positive, albeit very limited, impact in a few other countries and regions, including LDCs in South Asia and South-East Asia, Japan, South Korea, and ASEAN (by up to -0.1% for each of them). Moreover, given that GDP in the EU and India is expected to grow thanks to the future FTA, carbon intensity calculated as the relation of emissions and GDP is estimated to decrease by -0.1% for the EU (in the ambitious scenario) and by -0.6% and -0.4% for India (in the ambitious and conservative scenario, respectively). For the other countries and regions, the estimated changes are too limited to be reported. The total for the whole world suggests a decrease in carbon intensity of around -0.1% in the ambitious scenario and a minimal decrease (less than 0.1%) in the conservative scenario (see Table 4.2). It is therefore important to highlight that as a result of the FTA, the total (global) carbon intensity is likely to decrease, even if in a limited way.

Table 4.2: Estimated changes in CO₂ emissions, GDP and GDP carbon intensity related to the EU-India FTA

Country / region	Changes in CO ₂ emissions related to EU-India FTA (in %)		Change in GDP related to EU-India FTA (in %)		Changes in GDP carbon intensity related to EU-India FTA (in %)	
	Ambitious scenario	Conservative scenario	Ambitious scenario	Conservative scenario	Ambitious scenario	Conservative scenario
EU27	0.1%	0.1%	0.2%	0.1%	-0.1%	0.0%
India	0.4%	0.2%	1.0%	0.6%	-0.6%	-0.4%
LDC - South Asia	-0.1%	-0.1%	-0.1%	-0.1%	0.0%	0.0%
Rest of South Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
US	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
UK	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
China	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Japan	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
South Korea	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Russia & Belarus	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ASEAN	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Türkiye	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
LDC - South-East Asia	0.0%	0.0%	-0.1%	-0.1%	0.0%	0.0%
Rest of LDC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rest of OECD	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rest of world	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
The whole world (total)	0.0%	0.0%	0.1%	0.0%	-0.1%	0.0%

Source: The economic (CGE) model provided by the European Commission (DG TRADE)

As per the CGE modelling, the sectors that are expected to suffer the largest increase in CO₂ emissions in India are the wearing apparel (+15.8%), leather (+7.3%), and textiles (+3.6%). The sectors expected to see the main decrease in CO₂ emissions are the paper (-4.8%), machinery (-2.5%) and minerals (1.5%) sectors.

In the European Union, the sectors that are expected to see the main decrease in CO₂ emissions are the rice (-7.1%), wearing apparel (-3%) and textiles (-2.5%) sectors. The sectors that are expected to see the main increase in CO₂ emissions are minerals (+1.7%) and non-ferrous metals (+1.2%).

In order to address the negative impact of the EU-India FTA in terms of overall CO₂ emissions, the EU communicated a proposal for a Trade and Sustainable Development (TSD) Chapter as part of the FTA negotiation process to the Government of India. The

current text proposed by the European Commission calls for both Parties to effectively implement the UNFCCC and the Paris Agreement, including commitments with regard to their Nationally Determined Contributions. As a negotiation result, both Parties could agree to upgrade the Paris Agreement as an essential element, with the corresponding provision to be inserted into a relevant section of the FTA. This would provide the right to a Party to terminate the FTA in the event of an act or omission that materially defeats the object and purpose of the Paris Agreement by the other Party. Such consideration of the Paris Agreement as an essential element in the final version of the FTA upon which the EU and India can find an agreement would be instrumental to promote the fight against climate change in both the EU and India. This point has been further addressed in the case study No. 2.

4.3 Air quality

Our assessment of the potential impact of the EU-India FTA on air quality in both Parties only analyses the changes in emissions of major air pollutants. To ultimately assess the effect of air pollution on human health, the emission source is of crucial importance and should be the subject of dedicated research. Air pollution in very sparsely populated areas is less harmful than air pollution in more densely populated areas. We focus on the expected impact of the FTA on emissions of the most important air pollutants (N₂O, CH₄ and PM_{2.5}) by analysing the current state of play and most likely trends, while assessing the effect of the FTA based on production volumes, particularly in the agriculture sector. The transport sector, which is another main contributor to such emissions, is covered by case study No. 2. We discuss notably how the EU-India FTA should support the uptake of electric vehicles (in particular electric two- and three-wheelers in India) to support the decarbonisation of the sector and eventually the progress in terms of air quality in India's major cities.

Beyond CO₂, India releases close to 1,300 million tonnes of GHG other than CO₂ such as nitrous oxide (N₂O), methane (CH₄) or ammonia (NH₃) in the atmosphere each year. Emissions of nitrous oxide and methane increased by respectively 260% and 67% in India since 1970, including by 15% and 5% respectively during the last decade (Table 4.3).

Table 4.3: emission of nitrous oxide and methane per sector in India and in the EU

India							
N2O emissions by Sector							
Year	Total (000 tons CO ₂ eq / year)	Buildings	Other industrial combustion	Power Industry	Transport	Other sectors	Total N2O/cap
1970	75,932	4.3%	1.5%	0.2%	1.1%	92.9%	0.137
1980	100,642	4.0%	1.2%	0.3%	1.7%	92.8%	0.144
1990	144,933	4.1%	1.0%	0.6%	1.7%	92.5%	0.167
2000	181,081	4.2%	1.1%	1.4%	1.7%	91.6%	0.172
2010	238,765	3.4%	1.5%	2.2%	2.4%	90.4%	0.194
2021	273,752	3.2%	1.9%	3.5%	2.7%	88.7%	0.196

CH4 emissions by sector							
Year	Total (000 tons CO ₂ eq / year)	Buildings	Other industrial combustion	Power Industry	Transport	Other sectors	Total CH4/cap
1970	469,626	4.1%	0.2%	0.0%	0.0%	95.8%	0.848
1980	524,616	4.5%	0.2%	0.0%	0.0%	95.3%	0.753
1990	610,400	4.8%	0.2%	0.0%	0.1%	94.9%	0.702
2000	655,547	4.7%	0.3%	0.0%	0.2%	94.8%	0.623
2010	745,823	4.6%	0.5%	0.1%	0.2%	94.6%	0.606
2021	786,292	4.4%	0.6%	0.1%	0.2%	94.7%	0.563

European Union (27)							
N2O emissions by Sector							
Year	Total (000 tons CO ₂ eq / year)	Buildings	Other industrial combustion	Power Industry	Transport	Other sectors	Total N2O/cap
1970	339,142	2%	1%	1%	1.5%	95%	0.879
1980	384,097	2%	1%	1%	1.8%	94%	0.942
1990	333,849	3%	1%	2%	2.3%	92%	0.795
2000	276,236	3%	1%	3%	3.4%	90%	0.645
2010	250,558	3%	1%	4%	3.3%	89%	0.569
2021	248,420	3%	1%	3%	3.2%	90%	0.56
CH ₄ emissions by Sector							
Year	Total (000 tons CO ₂ eq / year)	Buildings	Other industrial combustion	Power Industry	Transport	Other sectors	Total CH ₄ /cap
1970	681,744	5%	0%	0.0%	0.4%	94%	1.77
1980	738,106	3%	0%	0.1%	0.6%	96%	1.81
1990	688,498	3%	0%	0.1%	0.7%	96%	1.64
2000	572,688	3%	0%	0.2%	0.6%	96%	1.34
2010	515,384	4%	0%	0.3%	0.4%	95%	1.17
2021	469,155	4%	1%	0.4%	0.3%	95%	1.06

Source: Author from EU EDGAR database. **Note:** Other sector includes the agriculture sector as a key contributor.

The agriculture sector takes the lion share of the “other sectors” category and remains the main responsible for the emissions of nitrous oxide, methane, and ammonia both in the EU and in India. The meat and dairy sectors in particular are expected to benefit from the FTA and are strongly related to the emissions of these GHG and air pollutants in both partners (between 25% and 33% for N₂O, CH₄ and NH₃). Emissions of these gases from the meat sector are expected to increase by 0.5% to 0.8% in India as per the economic modelling. This reflects the past difficulties to reduce the emissions of such gases, especially with regards to the agriculture sector in both the EU and India. NH₃ emissions in the EU for instance, 90% of which comes from the agriculture sector, declined between 2005 and 2020, but by only 8.5% overall, with emissions even increasing slightly between 2013 and 2017 (Figure 4.3).

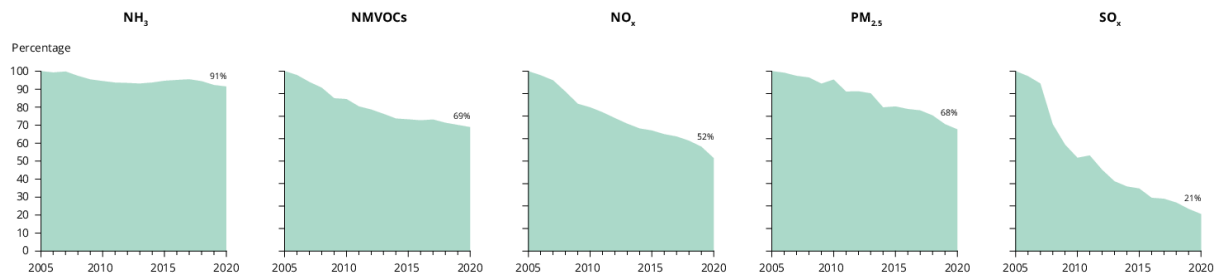
Furthermore, the World Air Quality Report lists India as the world’s second most air polluted country with an annual average PM_{2.5} levels – air particles of maximum 2.5 micrometres – of about 58.1 micrograms per cubic metre (µg/m³) in 2021, against 5 µg/m³ as the WHO recommended level⁸⁰. The emission of PM_{2.5} is expected to increase by 0.5% in India due to the EU-India FTA with sectors such as power industry and other industrial combustion, buildings, agriculture, and transport sectors as prominently responsible according to the EU EDGAR database. The economic modelling points specifically to the non-ferrous metals and transport as the primary responsible sectors.

In the EU, the main sector of concern remains the transport sector, which according to the economic modelling is the main responsible for the emissions of nitrogen oxides (77.5% of emissions), PM_{2.5} and sulphur dioxide (both 55% of emissions). Between 2005 and 2020, emissions of these pollutants declined drastically in the EU (NO_x by 48.5%, PM_{2.5} by 32% and SO_x by 79.5%, see Figure 4.4) with the energy, industry, and transport sectors subject to strong EU legislation⁸¹ identified as mainly responsible for these declines.

⁸⁰ Iqair – World Air Quality Report. [Link](#)

⁸¹ Such as the [Industrial Emissions Directive](#), [Large Combustion Plant Directive](#) & [Euro standards for vehicles](#).

Figure 4.3: % of emission reductions of main air pollutants 2005-2020



Source: EEA: <https://www.eea.europa.eu/ims/emissions-of-the-main-air>

The draft TSD chapter tabled by the EU includes no direct intentions or concrete actions to amend air quality policies. As a result, the potential impact of the FTA on the efforts from both Parties to strengthen their air quality policies is considered to be limited. The only link that can be made between TSD provisions and air quality in both Parties is with article X.5 on Multilateral Environmental Governance and Agreements. Each Party is expected to “effectively implement the multilateral environmental agreements (MEAs), protocols and amendments that it has ratified”⁸².

In that context, we note that the EU and India have both ratified the Vienna Convention for the Protection of the Ozone Layer (1985) and the Montreal protocol⁸³ by which the Parties commit to take appropriate measures to protect human health and the environment against adverse effects resulting or likely to result from human activities which modify or are likely to modify the ozone layer. This includes the emissions of main air pollutants mentioned above. Furthermore, the EU is a signatory of the Geneva Convention on Long-range Transboundary Air Pollution - CLRTAP (1979)⁸⁴. Although mostly focused on European countries (and the United States), it is still relevant as Parties commit to cooperate to reduce air pollution and limit the emission of air pollutants, such as nitrous oxide, sulphur, or ammonia. The Convention lays down the general principles of international cooperation for air pollution abatement and sets up an institutional framework to bring together research and policy on the matter.

4.4 Biodiversity

4.4.1 State of play

Despite some progress and signs of recovery in some areas, European biodiversity still suffers from the consequences of nature exploitation and pollution (EEA, 2020). Most protected habitats and species have either poor or bad conservation status, with the most important pressures coming from agriculture and urbanisation. Only 15% of habitat assessments at the EU level show a good conservation status, while most of them continue to show poor (45%) or bad (36%) status. Over 60% of the assessed species show poor or bad status. Reptiles and vascular plants have the highest proportion of good conservation status. Fish have the greatest share of bad conservation status. Furthermore, it is important to note that a high proportion of assessed marine species and habitats continues to be in “unfavourable conservation status”, according to the EEA (EEA, 2021). Marine ecosystems appear to be in decline, but their assessment is made even more complicated by a general lack of data and information.

India has lost almost 90% of its area under biodiversity hotspots in recent years while the country’s freshwater biodiversity experienced a steep 84% decline mostly due to habitat fragmentation, degradation, and loss including declining forest resource base, over-exploitation of resources such as overgrazing, shrinking genetic diversity and invasive alien

⁸² See draft EU-India FTA TSD chapter: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/india/eu-india-agreement/documents_en

⁸³ <https://ozone.unep.org/treaties/vienna-convention>

⁸⁴ <https://unece.org/convention-and-its-achievements>

species, climate change and desertification, impact of development projects and impact of pollution (for further details, see section 4.4. in the Annex).

As part of the FTA negotiations, the European Commission proposed under the TSD chapter an obligation for both Parties to implement the Multilateral Environmental Agreements to which they are a party, including the Convention on Biological Diversity. The proposed text also includes an article on Trade and biological diversity, for Parties to take measures to conserve biological diversity when it is subject to pressures linked to trade and investment (article X.7).

4.4.2 Methodology to assess EU-India FTA impact on biodiversity

The baseline analysis identified the main factors related to biodiversity loss in the EU and India: habitat fragmentation, degradation, and loss, including deforestation; land use changes such as urbanisation; and over-exploitation of resources such as overgrazing. The results from the economic model further point towards the potential increase in output for products under categories “vegetables oils”, “meat” and “dairy” in India, triggered by the EU-India FTA. This is particularly relevant as India is a megadiverse country facing strong environmental pressures. It is also the largest producer of milk in the world and has the world's second-largest cattle population of 190 million in 2012 (FAO, 2022). The output increase estimated by the economic model in both sectors is therefore of concern as they have also been identified as key drivers for environmental impact in India (see section 4.3 in the Annex).

Table 4.4: Economic modelling results regarding the impact of the EU-India FTA on output in chosen sectors in the EU and India

Sectors	EU		India	
	Change (%)	Change (€ mln)	Change (%)	Change (€ mln)
Rice	-6.9%	-349	0.0%	-27
Veg oils	-1.3%	-1,382	0.5%	996
Meat	-0.1%	-368	0.2%	190
Dairy	-0.1%	-604	0.3%	763

Source: *author.*

As per our methodology, we aim to provide a qualitative assessment through causal chain analysis based on literature and data analysis to estimate impacts on biodiversity caused by increased activity in certain sectors. This qualitative analysis will also be supported by quantitative assessments provided through the economic model. We use the results of the model as inputs to estimate the extent to which the FTA-induced output change may add to biodiversity loss through land use change and deforestation. The economic modelling results are used because they provide the most (and only) reliable estimate of FTA-induced changes by outlining the difference between the situation with a future FTA in place and the scenario without the agreement. That being said, the modelling poses a challenge to assess the impact on biodiversity and ecosystems as the results are presented in monetary units (millions €). We, therefore, aim to transpose the results on FTA-induced output changes per sector into a spatial metric (hectares of land) as per the methodology below:

- The first step is to extract the FTA-induced output changes per sector (in million €) from the economic model. The output changes at sector level are then applied to the output change in terms of tonne of product.
- This results in the estimated FTA-induced output change at the sector level (in tonne of product). This output change is multiplied by the average land use intensity of that crop, to estimate the hectares of land related to the FTA-induced output change.
- The last step is to aggregate the data again to estimate the FTA-induced output change in hectares of land per sector.

Our aim is eventually to present a causal link between the EU-India FTA induced impact (driver) and the main biodiversity pressure identified above. For that purpose, we also

present an analysis of land use changes due to forestry and agriculture production in India, as well as a number of other indicators (see Table 4.5) to complement our analysis.

Table 4.5: List of indicators used for impact analysis.

Indicator	Source	Description	Link
Biodiversity Intactness Index (BII)	Natural History Museum, UK	Summarises the change in ecological communities in response to human pressures.	Link
Biodiversity Habitat Index	CSIRO / EPI	Indicates the impacts of habitat loss, degradation and fragmentation using macroecological modelling.	Link
Species habitat index	MOL, Yale University, NGS	Quantifies the average loss (relative to a baseline year, currently 2001) in suitable habitat that species in a given region (e.g., country) are incurring, weighted by the region's stewardship for these species.	Link
Human footprint	WCS/UQ/UN BC/NGS	The human footprint map measures the cumulative impact of direct pressures on nature from human activities. It includes eight inputs: the extent of built environments, crop land, pastureland, human population density, night-time lights, railways, roads, and navigable waterways.	Link

Source: Authors, based on the methodology for assessing the impacts of trade agreements on biodiversity and ecosystems (IEEP, Trinomics, IVM and UNEP-WCMC, 2021).

4.4.3 Estimating the land footprint of the FTA based on output changes (economic model)

Output change in € at sector level in the economic model

As explained above, the FTA-induced change in output at the sector level serves as the basis for this analysis. This data results from the economic modelling exercise performed to assess the impacts of this FTA. Although the modelling results cover 35 sectors in total, only four sectors are included in this analysis, as they have been identified to be the main drivers of biodiversity loss based on changes in the agricultural sector in India due to the FTA. The first columns in Tables 4.6 and 4.7 show the relevant sectors from the economic model and columns 2-5 show the estimated FTA-induced output change per sector.

Output change in tonne of product/crop and hectares of land

To estimate the corresponding hectares of land associated with economic activity changes, the output changes in € are first transformed to output change in volumes of product and then to hectares of land (based on land use intensity data). In these steps, FAO data on production volumes and land use intensity is used⁸⁵. The estimated output change in million € is applied to the production levels in the EU and India to estimate the output change in tonne of product⁸⁶ (Table 4.6).

Table 4.6: Output change in volume of product due to the EU-India FTA (tonnes)

Economic sectors	EU		India		EU	India
	Change (%)	Change (€ mln)	Change (%)	Change (€ mln)	Output change in volumes of product (thousand tonnes)	
Rice	-6.9%	-349	0.0%	-27	- 196	0
Vegetable oils	-1.3%	-1,382	0.5%	996	- 179	66
Meat	-0.1%	-368	0.2%	190	- 33	14
Dairy	-0.1%	-604	0.3%	763	- 112	552

Source: Author's calculations based on FAO stats ([Link](#)).

⁸⁵ <https://www.fao.org/faostat/en/#data/QV>

⁸⁶ Producer prices are not available at sector level in India hence the need to assume the evolution of outputs per million euros as per production levels.

The output change in tonnes of product is then multiplied by land use intensity per sector to estimate the corresponding area of land (Table 4.7).

Table 4.7: Output change in hectares of land due to the EU-India FTA

Economic sectors	EU		India		EU	India
	Change (%)	Change (€ mln)	Change (%)	Change (€ mln)	Output change (thousands ha of land)	
Rice	-6.9%	-349	0.0%	-27	- 38	0
Vegetable oils	-1.3%	-1,382	0.5%	996	- 51	55
Meat	-0.1%	-368	0.2%	190	- 1,168	506
Dairy	-0.1%	-604	0.3%	763	- 53	263
TOTAL					- 486	

Source: Author's calculations based on data from OECD ([Link](#)), EU DG Agri ([Link](#)) and Statista ([Link](#)).

This analysis resulted in estimates of FTA-induced output change in hectares of land at the sector level defined in the economic model. As shown in Table 4.7, the overall change in land use due to the EU-India FTA should be positive in terms of biodiversity with a decrease of 486,000 hectares used for agriculture. That being said, the picture is different among partners with a projected decrease in the EU but an increase in India which is subject to specific environmental pressures, such as biodiversity loss or water stress (see dedicated sections below). This figure is also subject to many caveats, the first of which comes from the importance of diets and general consumption patterns in agriculture production. The increase in meat consumption in Europe is, for instance, expected to slow down to 0.5% per year by 2031 (European Commission, 2021n) and even to decrease by 2050 (European Commission, 2016b).

Furthermore, India would still see its cropland area expand in the coming years (see also the analysis below) as the meat and dairy sectors continue to grow and are expected to experience the largest FTA-induced output change (in hectares).

4.4.4 Land use change due to forestry and agriculture production in India

Despite a steep increase in agricultural productivity, India experienced significant land use and land-cover changes in the past decades through mostly deforestation, cropland changes, and urban expansion (Roy et al., 2015). India lost 2.07Mha of tree cover between 2001 and 2021, equivalent to a 5.3% decrease in tree cover. Yet, only 2.8% of that tree cover loss can be directly linked to drivers of permanent deforestation such as commodity-driven deforestation linked to commercial agricultural expansion or urbanisation. 91% of the tree loss in India in 2021 could be attributed to forestry activities, a share that has been relatively constant since 2001. Forestry can represent a temporary loss of tree cover from plantation and natural forest harvesting, yet may also entail deforestation of primary forests, which are key in terms of biodiversity potential. Indeed, the total area of humid primary forest in India decreased by 3.6% over the last two decades⁸⁷.

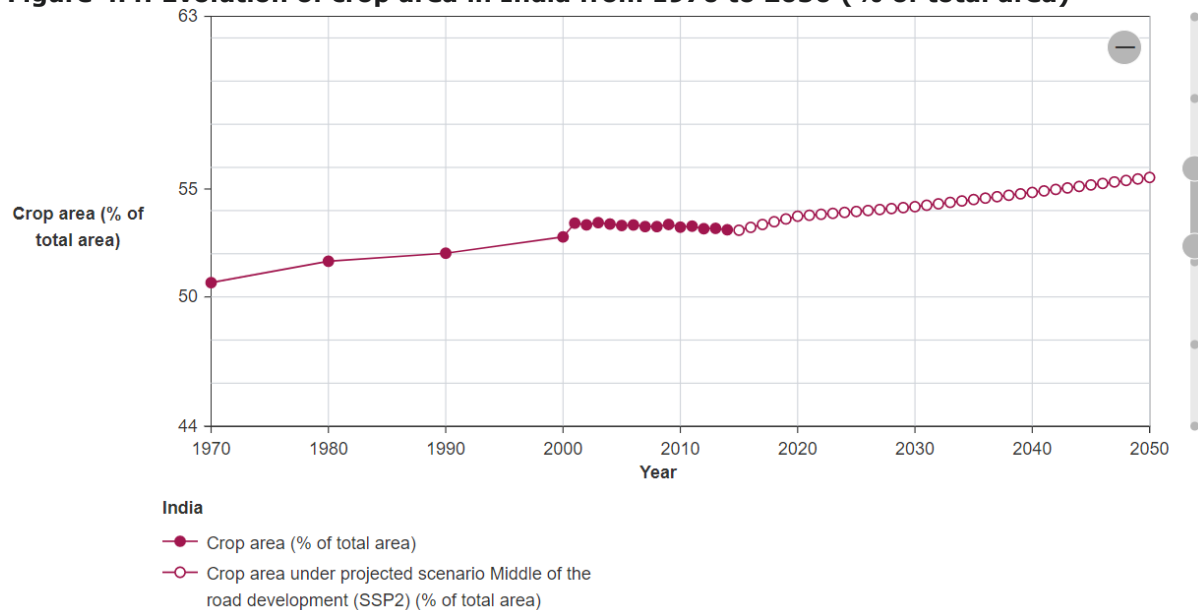
We note that although forest loss can be used as a strong indicator in biodiversity impact assessments, the lack of information on the potential locations of deforestation within India means that it is challenging to identify where biodiversity might be particularly impacted due to the FTA. Potential biodiversity impacts could also be underestimated as forest loss could occur in areas with particularly high biodiversity levels such as primary forest, or in areas that serve as habitats for key species.

The country also remains today one of the largest producing countries of agricultural commodities worldwide with more than half of its territory used as cropland⁸⁸, a trend that has been steadily increasing since the 1970s and is expected to continue to do so as shown in Figure 4.4.

⁸⁷ Global forest watch. [Link](#).

⁸⁸ FAO STAT: Food and agricultural data. <https://www.fao.org/faostat/en/#home>

Figure 4.4: Evolution of crop area in India from 1970 to 2050 (% of total area)



Source: Philips, H. et al, 2021. National History Museum, UK ([link](#)).

Between 1970 and 2014 the crop area in India increased by 2.4% of total area. Between 2015 and 2050 this surface can be expected to further expand by 2.4% of total area (as per the projected scenario “Middle of the road development (SSP2)” of the analysis). As a well identified direct driver of biodiversity loss (Molotoks et al, 2020, Meng et al, 2023), this continuous expansion of crop area poses a challenge for India to restore adequate biodiversity level in the country.

4.4.5 Other indicators

Biodiversity Intactness Index (BII)

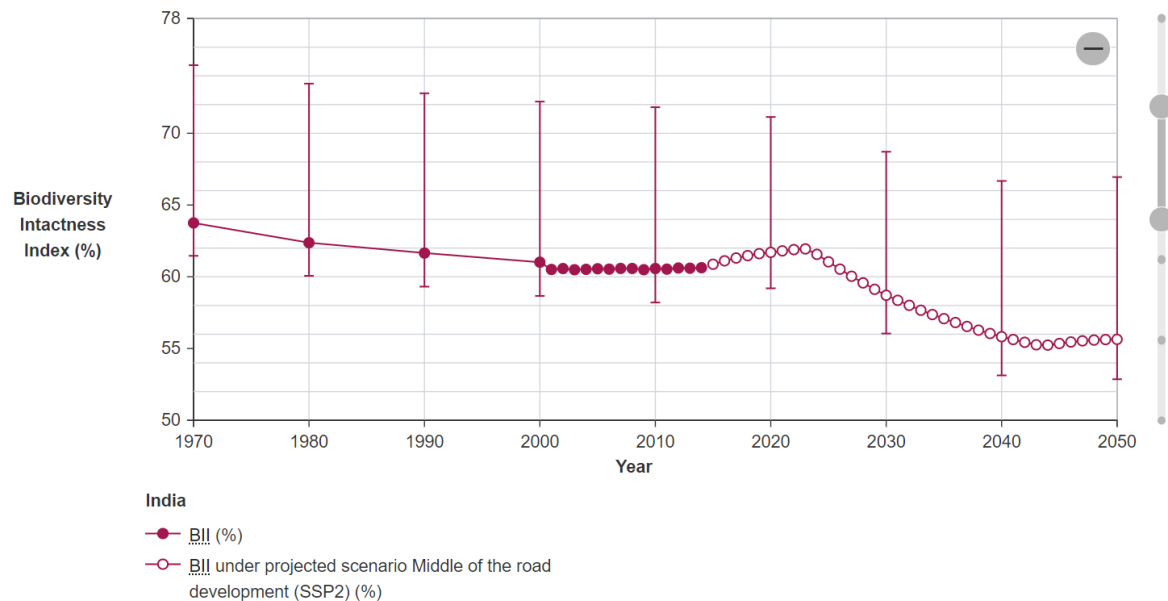
The Biodiversity Intactness Index (BII)⁸⁹ summarises the change in ecological communities in response to human pressures. The BII is an estimated percentage of the original number of species that remain and their abundance in any given area, despite human impacts. India’s BII remained between 65% and 60% over the past decades which indicates a somewhat middle ground for the country⁹⁰.

However, the BII in India decreased by -3.1% between 1970 and 2014. This concerning trend is expected to worsen with a projected decrease of the BII of an additional -5.2% between 2015 and 2050 under the projected scenario “Middle of the road development” of the analysis. We note that this downward trend is projected to stop and even be reversed by the mid-2040s, so it is crucial that the EU-India FTA caters for provisions to support that reversal as soon as possible.

⁸⁹ More information on the BII: [here](#).

⁹⁰ If the BII is 90% or more, the area has enough biodiversity to be a resilient and functioning ecosystem. Under 90%, biodiversity loss means ecosystems may function less well and less reliably. If the BII is 30% or less, the area's biodiversity has been depleted and the ecosystem could be at risk of collapse. Ibid.

Figure 4.5: Biodiversity Intactness Index in India 1970-2050



Source: Philips, H. et al, 2021. National History Museum, UK ([link](#)).

Biodiversity Habitat Index (BHI)

The Biodiversity Habitat Index (BHI) developed by Commonwealth Scientific and Industrial Research Organisation (CSIRO)⁹¹ is now incorporated in the Environmental Performance Index⁹² (EPI) to estimate the effects of the main drivers behind biodiversity loss, notably in India (habitat loss, degradation, and fragmentation).

India's performance on the BHI is extremely concerning with a score of 30.5 in 2022, placing the country at the 170th rank worldwide⁹³. The macro index for ecosystem vitality in India is equally problematic with an overall score of 19.3 (178th worldwide)⁹⁴. Furthermore, that index has been decreasing over the last ten years (-2.1). This results in an overall Environmental Performance Index score of 18.9, placing the country at the 180th rank worldwide.

The EU presents a contrasted image as most of its Member States are within the top 30 countries worldwide in terms of overall Environmental Performance Index yet, many key countries score very poorly in the Biodiversity Habitat Index. France, for instance, scores 36.6 (worldwide rank 143rd), while Germany and Italy score respectively 36.2 (145th) and 31 (168th). This denotes a very concerning situation in both the EU and India in terms of overall biodiversity considerations.

Invasive plants and animals

Invasive plant and animal risk management is notoriously challenging, due to the highly uncertain impact that new threats pose. The impact of newly arrived species on biodiversity can range from zero (if it cannot establish) to catastrophic (if it becomes established). Increased biosecurity risk associated with trade can be caused by new types of imports or new origins of imported goods, which may introduce new risks, as well as a general increase in imports which increases the incidence of activity at pre-existing levels of risk. The FTA is likely to change the composition of trade between the EU and India. The economic model estimates that it will trigger an increase of €114 billion imports into India

⁹¹ CSIRO, Data Access Portal: <https://data.csiro.au/?redirected=true>

⁹² Environmental Performance Index: <https://epi.yale.edu/>

⁹³ A score of 100 indicates that a country has experienced no habitat loss or degradation, and a score of 0 indicates complete habitat loss. The biodiversity habitat index includes indicators, such as terrestrial biomes, marine protected areas, or species habitat index.

⁹⁴ Includes in addition to the biodiversity index other indicators such as ecosystem services, as well as fisheries and climate change considerations.

from the EU, and of €110 billion from India to the EU. This can be expected to increase the risk to biodiversity of invasive plants and animals for both partners.

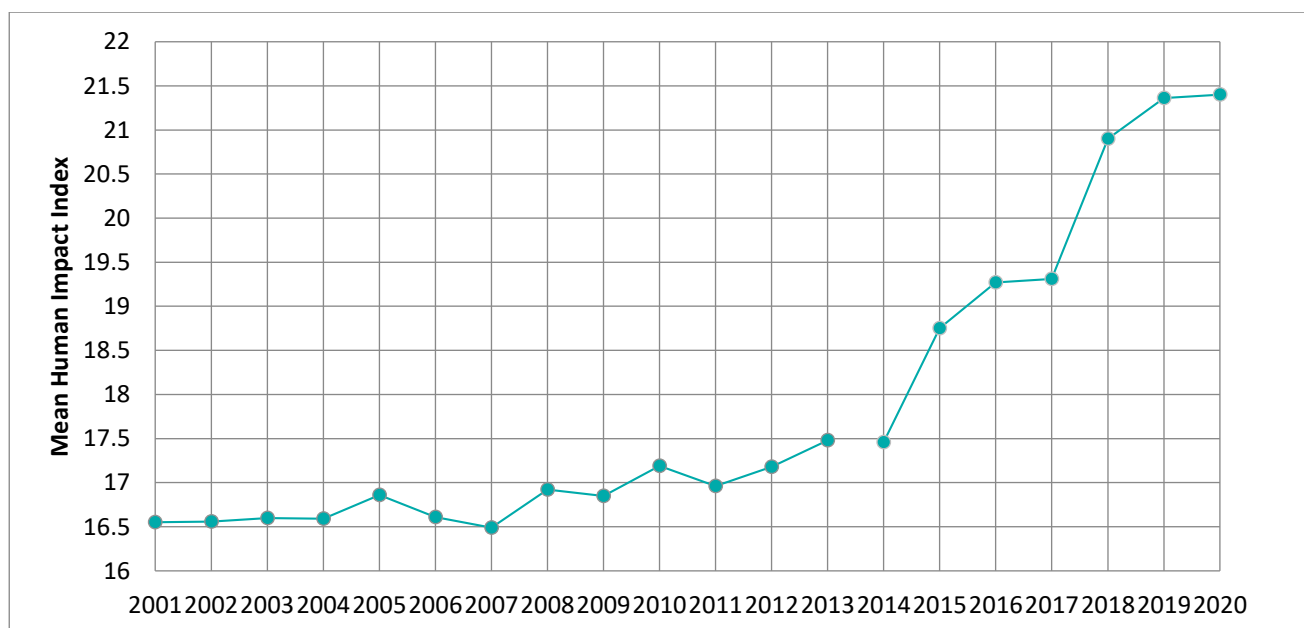
Yet, increases of bilateral trade between the EU and India can be expected to replace existing relations with other countries. Without information relating to relative risk profile of the imports from current and future source countries, no credible conclusions can be drawn on risk of invasive plant and animal species based on composition.

In terms of current situation of habitat for local species, a key indicator is the Species Habitat Index (SHI)⁹⁵ which is also part of the EPI described above and measures the proportion of suitable habitats for a country's species that remain intact, relative to a baseline set in the year 2001. Metrics from various species are aggregated into a single score with each species weighted according to the proportion of their global range that is found within the country. The SHI can also be used as a proxy for potential population losses and the extinction risk to individual species. India scores 86 on the SHI which places the country at the 80th rank worldwide. Yet, the trend of that indicator is worrisome as it has lost 12.1 points over the last decade. The EU presents again a very contrasted situation with Member States scoring within the top 35 worldwide (Ireland is 15th with a score of 96.9, Denmark is 33rd with a score of 93.5) while others score rather poorly (Finland 139th with a score of 61.8 and Luxembourg is 152nd). Furthermore, all trends over the past decade are negative in the EU.

Impact of human activities on biodiversity in India

The human footprint map⁹⁶ is a metric of human activities impacts on the Earth, from city centres, over their suburbs, to farms and fields, as well as other areas. It is a weighted sum of maps of where people live (population density), what and where is built (infrastructure developments, including roads, railways, factories, etc.), which areas can be reached (accessibility), and where the electricity is used (access to industrial energy supplies, as measured by the night-time lights). The value of human footprint (human impact index) ranges from 0 to 64 (other sources suggest the maximum value as 100) where zero value represents no human influence in a certain area and 64 (100) represents maximum human influence possible using all dimensions of human presence.

Figure 4.6: Evolution of the Human Impact Index in India (2001-2020)



Source: WCS March of the human footprint ([Link](#)).

⁹⁵ Species Habitat Index: <https://epi.yale.edu/epi-results/2022/component/shi>. A score of 100 indicates that a country has experienced no habitat loss since the year 2001, and a score of 0 the worst levels of habitat loss.

⁹⁶ Human footprint: <https://wchumanfootprint.org/>

As indicated in section 4.4 in the Annex, in the EU, the most important pressures for biodiversity come from agriculture followed by urbanisation, including leisure activities (EEA, 2020). In India, the land use change, agricultural and industrial activity (including mining), water pollution, and development of infrastructure (e.g., roads) contribute to pressures for biodiversity. Some of these activities may continue or be enhanced as a result of the future EU-India FTA.

The human impact index has been steeply increasing in India in the past two decades (Figure 4.6).

Although no similar data has been aggregated at the EU level, we can assume that its impact is greater as the EU average material footprint currently equals 15 tonnes per capita⁹⁷. Material footprint is understood as the amount of raw material extracted to manufacture the goods and services consumed. The score varies between Member States, e.g., the Netherlands have the lowest at 7.5 tonnes per capita and Finland has the highest at 29.5 tonnes per capita. Moreover, the EU's consumption footprint decreased only by 4% between 2010 and 2020, in fact after a decline from 2010 to 2016, it increased again from 2017 to 2020. While data is not available yet for 2022 and the COVID-19 pandemic will make it more challenging to come up with clear conclusions, it is crucial for the EU to initiate the process of decreasing this material footprint in the coming years, i.e., turn to goods and services that require less material.

4.5 Water resources

Context

The EU-India FTA is expected to increase the production and export of textiles (including garments) and leather products from India to the EU. Under the ambitious scenario based on the economic modelling, leather units alone will increase production by 7% (€3.6 billion) and its exports by 28.7% annually. The textile sector production will increase by 3.6% (compared to the situation without the agreement in place) which is the equivalent of €11.2 billion, and the garment sector production will increase by 15.4% (€16 billion).

However, the textile industry including garments and tanneries that produce leather and leather products have a high grey water footprint which means a significant amount of polluted water is generated through their operations. In the case of textiles, the wet processing unit of the industry is the most water-intensive and has the highest pollution potential (Restiani and Khandelwal 2016). In the case of tanneries, the polluted water contains high levels of chromium which is used for the tanning of leather.

Though, in most cases, the formally registered textile and tannery units are connected to common effluent treatment plants (CETP), it is the unregulated processes in the informal units that are the challenge from the wastewater treatment and management point of view. According to consulted stakeholders representing garment sector, in some places, like Tiruppur in Tamil Nadu, where many international brands source from, while a lot needs to be done yet, there are some signs of improvement. For example, there is an observed reduction in the use of fresh water and suppliers engage in initiatives assuming zero discharge of hazardous chemicals from their production facilities. Moreover, some suppliers transition to renewable energy in their operations.

Water footprint of textile and leather industries

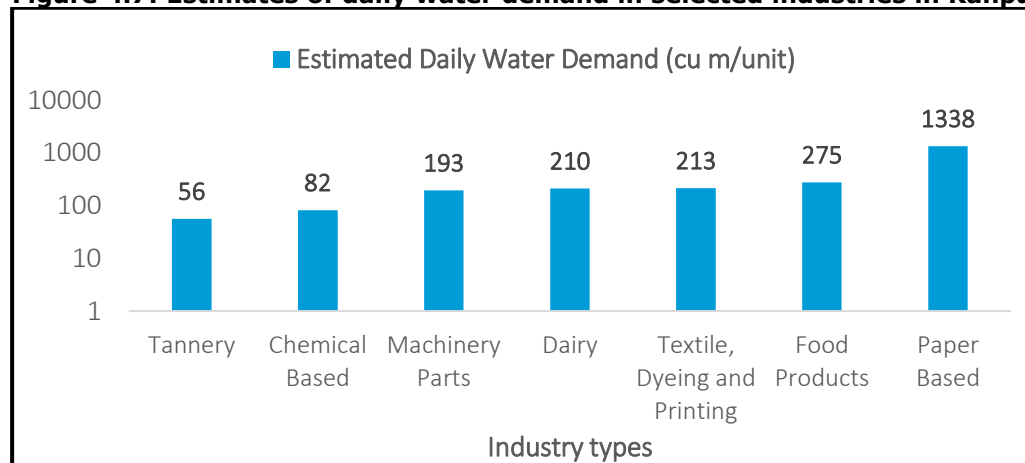
As per the estimates, water consumption by the Indian textile industry is about 200-250 cu m per tonne of cotton cloth. This is more than twice the global best case which is less than 100 cu m per tonne of cotton cloth (Restiani and Khandelwal 2016). Similarly, the leather industry consumes substantial water. As per the estimates, about 40-45 cu m of water per tonne of raw hide or skin is used by tanneries for processing finished leather. Almost 2/3 of the water requirement is for pre-tanning operations such as soaking, liming,

⁹⁷ EEA, Europe's material footprint: <https://www.eea.europa.eu/ims/europe2019s-material-footprint>

deliming, bating, and pickling (Sundar et al. 2001). The rest of the water is consumed during the tanning and post-tanning operations.

In Kanpur city, which has the highest concentration of tannery units in India, the estimated annual water demand from the tannery cluster is about 20,500 cu m per unit and from the textile cluster, it is about 78,000 cu m per unit (Figure 4.7) (Bassi et al. 2019).

Figure 4.7: Estimates of daily water demand in selected industries in Kanpur city, India



Source: Based on data presented by Bassi et al. 2019

Impact of increased textiles and leather exports on water resources

Considering the amount of water usage in textiles and leather production, there are two major types of impacts on water resources. One relates to the freshwater quantity required for various processes and the second relates to quality due to the potential pollution risk to freshwater sources due to the discharge of wastewater generated from such textiles and tannery units.

A study by Bassi et al. (2019) on the tanneries in Kanpur city highlighted the present and future physical and economic risks (regulatory and reputational) related to water supply for industrial consumers. These are discussed in the subsequent paragraphs.

In terms of physical risk, considering the renewable surface water resources and net annual groundwater availability in Kanpur city, there are not many constraints in meeting existing or future industrial water demand in terms of water quantity provided the required physical infrastructure for water conveyance and distribution needs is in place.

However, both the quality of surface water and groundwater is of concern. A substantial amount of untreated or partially treated domestic wastewater and industrial effluents gets discharged into the river or on the landmass or into the numerous open drains. The inspection by the Uttar Pradesh Pollution Control Board (UPPCB) in 2014 found that untreated wastewater discharge from 700 odd tanneries in Kanpur is the largest source of pollution of the river Ganga. The pollutants discharged by them are found to be injurious to human health, biodiversity, and ecology of the river. Though one 36 MLD CETP has been installed at the tannery cluster near the Jajmau area in the city, since then the number of tanneries has increased by three times and thus a significant proportion of effluent from them is discharged without any treatment directly into river Ganga.

Groundwater pollution specifically will affect industrial production the most as they are fully dependent on aquifers to meet water demands. This will result in a major repercussion on industrial growth and its contribution to the region's economy. In 2019, the annual turnover from tanneries in Kanpur was about USD 462 million. Further, leather exports accounted for nearly 67% of the annual turnover of tanneries and nearly 58% of the total industrial exports (which is about USD 538 million) from Kanpur city. Such is the scale of economic risk due to the contamination of the water used for the tannery process.

Further, river pollution will pose a huge regulatory risk to tanneries as there is a possibility that those who are polluting might be closed and start afresh and also have to adhere to the “polluters pay principle,” which would have substantial financial implications. This may also make them less competitive than the industries operating from other cities in India or other countries. Further, it will result in reputational risk for the tanneries as other companies or individuals may not like to do business with such industrial units, which are continuously under the watch of a Government regulator or have been imposed heavy penalties for causing pollution.

4.6 Recommendations

Most recommendations below pertain particularly to specific provisions to be included in certain expected chapters of the EU-India FTA, such as the TSD chapter or the chapter on Sustainable Food Systems. Achieving these results may be a challenge. Nonetheless, both Parties should strive to achieve ambitious results of their negotiations for such provisions to reach their maximum impacts in line with the recently published EU approach to TSD⁹⁸.

- The Parties should consider upgrading the Paris Agreement to an essential element of the FTA in the relevant part of the FTA. Both Parties should also leverage relevant cooperation forums to review their respective Nationally Determined Contributions (NDCs) and ensure that they are sufficient to limit the global temperature increase to 1.5°C above pre-industrial levels.
- An expansion of agricultural activity in India is likely to further drive down biodiversity intactness. Therefore, it will be essential that both Parties demonstrate a commitment towards the effective implementation of the Convention on Biological Diversity⁹⁹. Both Parties should also leverage relevant cooperation forums to review their respective National Biodiversity Strategies and Action Plans (NBSAPs) and ensure that they are sufficient to achieve the goals of the Kunming-Montreal Global Biodiversity Framework (KMGBF)¹⁰⁰. The expected EU-India cooperation under the FTA chapter on Sustainable Food System to reverse biodiversity loss related to food production could also be associated with concrete targets and roadmap to further increase its capacity for change.
- The Parties should consider introducing an Article in the TSD chapter dedicated to water which could cover the conservation of (fresh)water as a scarce resource, water management plans, and wastewater treatment. Such an Article could include commitments to the exchange on and the implementation of best practices, laws, and regulations for sustainable water use, in addition to promoting knowledge and technology transfers to strengthen wastewater treatment and efficient water use in different sectors. Specific commitment(s) on sustainable water use related to food production could also be introduced in the chapter on Sustainable Food Systems. Such commitment should also include concrete targets and roadmaps.
- The European Commission should seek to leverage the use of tariffs and non-tariff barriers to encourage trade in environmentally friendly goods and services. For example, the non-exhaustive list of environmental goods and services in the EU-New Zealand FTA could be a starting point if deemed relevant by the Parties. This recommendation should be paired with efforts to facilitate access to climate financing and investment.
- Both Parties should agree to establish respective Domestic Advisory Groups (DAGs) to monitor the implementation of the EU-India FTA. The European Commission and Indian government should then promote systematic consultations of civil society to provide evidence-based policy recommendations and inform policy makers in the context of the implementation of the FTA TSD chapter. Direct technical and financial support should

⁹⁸ https://ec.europa.eu/commission/presscorner/detail/en/IP_22_3921

⁹⁹ <https://www.cbd.int/>

¹⁰⁰ <https://www.cbd.int/gbf/>

be provided to CSOs, including environmental organisations, for them to be able to do so.

- The EU should deploy capacity building activities to support Indian stakeholders' understanding of the new EU requirements embedded in the recent trade-related legislative measures, such as the Deforestation free product Regulation and (once adopted) Corporate Sustainability Due Diligence Directive.
- Additional commitments should be included in the chapter on Sustainable Food Systems to support the uptake of sustainable agricultural production techniques, with a particular emphasis on water-efficient and chemical free farming methods, energy from waste solutions, and agricultural optimization techniques such as precision farming and digital monitoring systems. Foster circular economy approaches in the agricultural sector such as the reuse of by-products.
- In parallel to the FTA, the EU should commit to additional support through its cooperation policies for capacity building activities of key stakeholders to foster sustainable agriculture practices in India. In particular, the following actions could be implemented:
 - Support capacity-building initiatives for CSOs, local small producers and farmers communities as well as local authorities, enabling them to effectively monitor and enforce compliance with requirements for exports to the EU.
 - Deploy biological control, Integrated Pest Management approaches and other non-chemical alternatives in Europe and India to support the reduction of pesticide and other chemical inputs for agricultural production.
 - Deploy agricultural optimisation techniques including MOGA AI systems to foster sustainable agricultural production in India and in Europe.
 - Improve regulation of agricultural supply chain networks in India through the introduction of circular economy approaches to foster the reuse of by-products for instance.
- Both Parties should continue cooperating and participating in structured discussions on trade and environmental sustainability including at the WTO's Committee on Trade and Environment and the UNEP Global Alliance on Circular Economy and Resource Efficiency (GACERE). The EU should encourage India to join the Trade and Environmental Sustainability Structured Discussions (TESSD)¹⁰¹.

5 HUMAN RIGHTS ANALYSIS

5.1 Introduction and approach

Human rights and trade are interrelated. Trade offers opportunities that help increase peoples' enjoyment of human rights, and respect for human rights in trade relations helps ensure that trade is inclusive and sustainable (OHCHR, 2011a). This section provides an overview of the approach for the analysis of the impact of the proposed agreements on human rights. The key objective is to determine whether and to what extent FTA/IPA provisions may directly or indirectly impact human rights situations in the EU and India.

The analysis is based on the international human rights' normative framework, including the core UN human rights treaties and conventions,¹⁰² the Charter of Fundamental Rights

¹⁰¹ https://www.wto.org/english/tratop_e/tesd_e/tesd_e.htm

¹⁰² Core UN human rights treaties include: International Convention on the Elimination of All Forms of Racial Discrimination (ICERD), International Covenant on Civil and Political Rights (ICCPR), International Covenant on Economic, Social, and Cultural Rights (ICESCR), Convention on the Elimination of All Forms of Discrimination

of the European Union, the European Convention on Human Rights, the ILO fundamental Conventions,¹⁰³ and, where relevant, customary international law.

Relying on the recognised methodology (United Nations, 2011; European Commission, 2015), the approach to the human rights analysis entails four steps and focuses on the specific human rights/issues that may potentially be affected by particular measures included in the agreements under negotiation and on the ability of the State-Parties to fulfil or progressively realise their human rights obligations:

Step 1: Description of the current human rights situation in India and the EU (baseline),
Step 2: Screening and scoping exercise to identify specific human and labour rights/issues that are most likely to be affected by the FTA and IPA and clarify their scope and content,
Step 3: Detailed quantitative and qualitative analysis of the selected human and labour rights/issues which links results of the economic modelling to potential human rights impacts,
Step 4: Policy recommendations and proposals for flanking measures related to human rights.

Stakeholder consultations are used throughout all stages of the analysis to ensure continuous communication and active engagement of relevant stakeholders who can share their experiences, priorities, and concerns with respect to the impact of the proposed agreements on human and labour rights in the EU and India.

During **Step 1**, a baseline analysis is carried out: international human rights obligations of the States-Parties to the potential agreements are established, and overall pre-existing vulnerabilities are identified.

In **Step 2**, a screening and scoping exercise is performed. Relying on specific measures included in the agreements under negotiation, vulnerabilities identified during the baseline analysis (Step 1), as well as the results of the economic modelling and stakeholder inputs, we aim to identify specific rights that may potentially be affected by the future agreements. The baseline analysis provided a brief description of the overall situation regarding human rights in the EU and India since 2010 until now. While the analysis took note of the observed trends and influencing factors, it covered a range of human rights and presented vulnerabilities going beyond those that may be linked to the agreements. Building on it and focusing more on the aspects related to the FTA and IPA, the analysis was further based on the screening of the trade measures included in the proposed legal text of the agreements and the economic modelling results which isolate the potential impact of the agreements from other factors. Additionally, stakeholders provided specific inputs necessary to ensure a comprehensive and accurate assessment. Other information sources (e.g., additional literature review, local expert inputs, statistical information, and human rights indicators) were used to support, verify, and cross-validate the findings of the analysis.

Step 3 represents a detailed analysis of pre-selected human and labour rights. This analysis is both quantitative and qualitative in nature.

In **Step 4**, conclusions from the analysis and policy recommendations are provided, including relevant recommendations of various stakeholders.

again Women (CEDAW), Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT), Convention on the Rights of the Child (CRC), International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (ICMW), International Convention for the Protection of All Persons from Enforced Disappearance (ICPED), International Convention on the Rights of Persons with Disabilities (ICRPD), and their Optional Protocols.

¹⁰³ ILO fundamental conventions include: Forced Labour Convention, 1930 (No. 29), Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), Right to Organise and Collective Bargaining Convention, 1949 (No. 98), Equal Remuneration Convention, 1951 (No. 100), Abolition of Forced Labour Convention, 1957 (No. 105), Discrimination (Employment and Occupation) Convention, 1958 (No. 111), Minimum Age Convention, 1973 (No. 138), Worst Forms of Child Labour Convention, 1989 (No. 182), Occupational Safety and Health Convention, 1981 (No. 155), Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187).

Along all steps of the analysis (horizontally), we focus (to the degree possible) on how the agreements under negotiation may potentially affect specific vulnerable population groups (e.g., women, children, persons with disabilities, indigenous peoples, religious minorities, Dalits, persons with low income, and unskilled workers or workers in the informal sector).

This chapter is structured as follows. Section 5.2 refers to the baseline analysis carried out during step 1 (full baseline analysis can be found in chapter 5 in the Annex). Section 5.3 contains a summary of the stages of the screening and scoping exercise: an overview of specific provisions related to human rights in the EU textual proposals for the FTA and IPA, and an overview of specific human rights that are likely to be affected by the proposed agreements. The scope of the impact for each of the rights identified during the screening and scoping are presented in full in chapter 5 in the Annex. In section 5.4, we provide a detailed assessment of pre-selected rights. Finally, section 5.5 concludes the analysis with the list of recommendations related to possible human and labour rights impacts from the agreements currently under negotiation.

5.2 Baseline analysis

The key objective of this step is to gain a brief understanding of the EU's and India's status quo regarding international human rights obligations and their implementation, as well as to identify pre-existing vulnerabilities regarding human rights¹⁰⁴ (see detailed analysis in chapter 5 in the Annex).

In line with the requirements in the Terms of Reference (ToR), the baseline analysis also focuses on the pre-existing conditions of stress or vulnerability in relation to specific vulnerable groups.

5.3 Screening and Scoping

5.3.1 Human rights provisions in the proposed agreements

Human rights in the EU-India FTA currently under negotiation

EU textual proposals¹⁰⁵ for the Chapters in the agreements under negotiations include a total of 24 documents for the EU-India FTA which contain proposed legal texts for specific chapters and one annex (Car Annex). Typically, human rights are explicitly included in the agreement in the essential elements clause, the general exceptions (Chapter X on Exceptions), and in the TSD Chapter.

Essential elements clause in the EU-India FTA

According to the EU practice, the main mechanism for incorporating human rights into EU bilateral and regional FTAs is through the inclusion of an "essential elements" clause. It conventionally states that respect for democratic principles and fundamental human rights will constitute an essential element of the agreement. Moreover, an essential elements clause, coupled with a non-execution clause, enables one Party to the agreement to take 'appropriate measures' in case of serious human rights violations by the other Party (human rights clause). This clause is generally included in the EU political framework agreements to which free trade agreements are linked. In the absence of a political framework agreement, essential elements clauses are to be included in FTAs (Zamfir, 2019). The EU and India signed a Cooperation Agreement in 1994 (which is not being

¹⁰⁴ In line with the EC Guidelines on the Analysis of Human Rights Impacts in Impact Assessments for Trade-Related Policy Initiatives, in this analysis we define "human rights" as also fundamental rights enshrined in the Charter of Fundamental Rights of the EU.

¹⁰⁵ Indian textual proposals were not available at the time of writing of this report. This has led stakeholders to raise concerns about the lack of transparency from the Government of India regarding negotiations. Moreover, there has not been any comprehensive, transparent, and inclusive consultation strategy of the Government of India to engage with Indian stakeholders in the context of the FTA negotiations with the EU. This issue is addressed later in this report under the right to participate in public affairs.

renegotiated or updated at this point). It contains an essential elements clause in its Article 1, which states:

Respect for human rights and democratic principles is the basis for the cooperation between the Contracting Parties and for the provisions of this Agreement, and it constitutes an essential element of the Agreement.

However, the 1994 Cooperation Agreement does not include a non-execution clause that would provide a mechanism to respond to human rights abuses in case of violations.

The EU textual proposals published on the website of the European Commission at this point do not include a proposal for such a clause and do not indicate how the proposed FTA will be linked to an essential elements clause from the 1994 Cooperation Agreement (although not enforceable without the 'non-execution clause'). This led to several stakeholders raising concerns, especially in the context of statements made by the Indian government that suggest that they may be reluctant to include specific human rights commitments into trade relations.¹⁰⁶ However, EU trade policy, like all of the EU's external action, should be based on the fundamental values supporting the rule of law, human rights and the principles of international law, as enshrined in the EU Treaties (Article 3(5) TEU, Article 21 TEU, Article 207 TFEU). Therefore, to comply with the EU's binding legal obligations, the future EU-India FTA will have to either contain such a clause or be linked to the clause in the 1994 Cooperation Agreement. In the context of pre-existing vulnerabilities regarding human rights in India (see Human Rights Profile for India in chapter 5 in the Annex), it is important that an enforceable essential elements clause is included in the future EU-India FTA.

Furthermore, improved monitoring and enforcement of the essential elements clause should be considered to ensure effective protection of human rights and compliance with human rights norms, as it is suggested by Bartels (2023). More specifically, in order to improve monitoring, it should be considered to expand the scope of the activities of Domestic Advisory Groups (DAGs) to explicitly include a task to monitor the human rights impact of the FTA, along with the tasks related to labour rights and environment. In its response to an investigation into the EU-Vietnam FTA by the European Ombudsman, the European Commission indicated it as a feasible possibility when it stated that 'the free trade agreement will set up Domestic Advisory Groups with the task of monitoring the human rights impact of the Free Trade Agreement' (European Ombudsman, 2016).

In order to improve enforcement, various stakeholders point out the use of a complaint mechanism based on DG Trade Single Entry Point (SEP) mechanism to address both possible human *and* labour rights violations (i.e., beyond labour rights covered under the TSD Chapter) and the importance to allow private and public actors from *both* Parties to the Agreement (EU and India) to submit their complaints regarding potential violations of the human rights clause (Bartels, 2023; FIDH, 2023). At present, the SEP functions as a first point of contact for EU citizens and businesses that face market access issues or have concerns about non-compliance with TSD or GSP commitments under trade agreements. It is open to EU citizens and EU-based organisations only, not to individuals or organisations from non-EU countries. There is a possibility for non-EU stakeholders to contact EU-based organisations and ask them to bring an issue to the Commission's attention or submit a joint complaint, but they cannot submit complaints independently. Reiterating suggestion of the European Ombudsman, it should be further considered how to use the basis of the existing SEP mechanism to handle complaints for alleged human rights abuses and facilitate submission of human rights related complaints by non-EU stakeholders from countries with which the EU has trade agreements (European Ombudsman, 2022).

¹⁰⁶ See statement by Indian Commerce Minister Piyush Goyal in February 2021: <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-not-in-favour-of-including-non-trade-issues-in-fta-with-eu-commerce-minister-piyush-goyal/articleshow/81021762.cms> or the speech by Indian Prime Minister Narendra Modi at the World Economic Forum in 2020: <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-believes-in-fair-trade-practices-that-can-benefit-all-pm-modi/articleshow/73647112.cms>

Recommendations are included in the recommendations section at the end of this chapter.

Trade and Sustainable Development (TSD) Chapter in the EU-India FTA

The Trade and Sustainable Development (TSD) chapter is another part of EU FTAs that typically includes human rights-related provisions, specifically those related to labour rights and environmental protection. Through the link to existing agreements/international standards, the TSD chapter emphasises the importance of respecting such human rights as: the right to freedom of association and the right to collective bargaining; freedom from discrimination; freedom from slavery (forced labour); the right to just and favourable conditions of work; children's rights (elimination of child labour); and the right to a healthy environment as set out in the comprehensive framework of labour and environmental standards enshrined in the ILO Declaration on Fundamental Principles and Rights at Work, as amended in 2022, and Multilateral Environmental Agreements and Conventions. Labour rights are an important component of human rights, and protection of the environment contributes to the realisation of the right to a healthy environment, right to water, and, ultimately, right to an adequate standard of living, right to health, and right to life.

Based on EU textual proposals, the TSD chapter of the EU-India FTA, similar to other EU agreements, is set to contain provisions on labour standards (Article X.3), gender equality (Article X.4), environmental standards (Articles X.5-X.10), and responsible business conduct and supply chain management (Article X.11). The proposed texts also include provisions related to cooperation. DG Trade of the European Commission indicates that the Dispute Settlement chapter has also been proposed to apply to the provisions of the TSD Chapter. The current text tabled in Article 2 of the chapter on Dispute Settlement states: "The covered provisions shall include all provisions of this Agreement with the exception of: XXX".

Article X.1 of the proposed TSD chapter refers to the key legal documents adopted in the areas of sustainable development¹⁰⁷ and sets out a commitment "to promote the development of international trade and investment in a way that contributes to the objective of sustainable development". The integration of sustainable development into trade and investment relationship is proposed to be done through strengthened dialogue and cooperation.

Article X.2 of the proposed TSD chapter contains a so-called "non-regression clause" which requires the Parties not to lower the levels of protection afforded in domestic labour and environmental laws, or to waive or derogate from their labour or environmental legislation to encourage trade or investment, referring to both the legal framework and implementation of the existing laws (paragraphs 3-5 of Article X.2 of the proposed TSD chapter). The same Article also provides for the right to regulate to allow governments of the Parties to adopt and implement laws, regulations, and policies in the interest of public welfare, social objectives, and the protection of human rights as long as such laws and policies are consistent with each Party's commitment to the internationally recognised standards and agreements referred to in the chapter.

Article X.3 of the proposed TSD chapter sets out a commitment of the Parties to "respect, promote and realise the principles concerning the fundamental rights at work, as defined in the fundamental ILO Conventions..." (paragraph 2 of Article X.3 of the proposed TSD Chapter). In line with the amendments adopted in 2022, the list of the ILO fundamental Conventions has been extended to add two conventions related to occupational safety and health (No. 155 and 187) and the Protocol to the Forced Labour Convention. The ratification of these conventions prior to the conclusion of the FTA is not required, and the ratification commitment is formulated as a best effort obligation (paragraph 3 of Article X.3 of the proposed TSD chapter). Given that not all EU Member States have ratified the two recently added conventions and a Protocol to convention No. 29, ratification efforts are required

¹⁰⁷ For example, the Rio Declaration on Environment and Development, the Johannesburg Plan of Implementation of the World Summit on Sustainable Development, the ILO Declaration on Social Justice for a Fair Globalisation, the UN Agenda for Sustainable Development, and the ILO Centenary Declaration for Future of Work.

both on the EU and India side (India has not yet ratified conventions No. 87, 98, 155 and 187 and the Protocol) (see Table 5.2 in the Annex for a full overview of the state of ratification).

While India as an ILO member is obliged to respect, promote and realise the principles concerning the fundamental rights at work, as defined in the fundamental ILO Conventions, multiple stakeholders expressed particular concern about the fact that India has not yet ratified the ILO fundamental Conventions No. 87 and 98 and highlighted the importance to either require the ratification of ILO fundamental Conventions before the signature of the FTA or to include concrete commitments on their ratification in the legal text of the FTA. The International Federation for Human Rights (FIDH), for instance, has stated that “the ratification of the main human, labour rights and environmental conventions should be required before ending FTA negotiations” because the “EU has more leverage to demand efforts from India” during the negotiations. This argument was also supported by the European Trade Union Confederation (ETUC) which pointed out in the open consultation on the TSD Review that “the leverage to secure ratifications of core ILO Conventions remains the highest during the negotiations and before their conclusion” (ETUC, 2021).

The FIDH list of conventions proposed for ratification includes not only the ILO fundamental Conventions, but also such international human rights conventions as the Optional Protocol to the International Covenant on Economic, Social and Cultural Rights and the International Convention for the Protection of All Persons from Enforced Disappearance. In case of difficulties in ratifying these conventions, the FIDH insists on the inclusion of specific provisions into the FTA that specify “a time-bound, public and enforceable road-map” regarding ratification efforts of partner states (FIDH, 2023).

In this context, the Commission Communication on the power of trade partnerships envisages a possibility of negotiating detailed and time-bound roadmaps with milestones regarding implementation of ILO fundamental Conventions or MEAs in partner countries. Specifically, it states that ‘when necessary and where relevant’, ‘specific steps’ can be agreed with a partner country ‘in accordance with set timelines and milestones for the implementation phase (so-called implementation roadmaps) with appropriate follow-up’.¹⁰⁸ It may be considered to include specific commitments regarding ratification efforts into these roadmaps.

Further, Article X.3 of the EU text proposed for the TSD chapter sets out a commitment to strengthen the Parties’ cooperation on ‘trade-related aspects of labour policies and measures’ at the international, regional, and bilateral levels, in consultation with civil society organisations, representatives of workers and employers’. No specific mechanisms for cooperation and consultations are further defined in the proposed text of the agreement yet, but it is likely to be exercised through the Domestic Advisory Groups (DAGs) and other cooperation projects and activities between the Parties. It is not clear if DAGs will be proposed to have a specific task to monitor the human rights impact of the FTA, as was stated by the Commission during an investigation of the European Ombudsman into the EU-Vietnam FTA (European Ombudsman, 2016). We note in this context that provisions related to DAGs will be covered in the Institutional chapter of the EU-India FTA which has not been published yet by the Commission (it will be tabled later in the negotiation process).

In Article X.4 on trade and gender equality of the EU text proposal, the Parties commit “to implement the provisions of this Agreement in a manner that promotes and enhances gender equality”. Moreover, the text provides for a commitment to effectively implement each Party’s obligations under international agreements addressing gender and women’s rights to which it is a party, with a special focus on the provisions related to the elimination of discrimination of women in economic life and in the field of employment. Both Parties have ratified the Convention on the Elimination of all Forms of Discrimination Against Women, which is referenced in the Article as the main international treaty on women’s rights.

¹⁰⁸ COM(2022) 409 final.

Additionally, paragraph 4 of Article X.4 states that each Party will “strive” to ensure that its laws and policies provide for gender equality and “strive” to improve such laws in line with the relevant international standards. Also, the proposed text sets out a commitment to cooperation activities to improve the capacity and conditions for women to act as employees, entrepreneurs, and business leaders and to exchange information and best practice regarding collection of sex-disaggregated data. Finally, the text contains a provision on the importance of monitoring and assessing the impact of the implementation of the agreement on gender equality.

Several articles in the EU’s textual proposals are devoted to environmental protection, climate change, biological diversity, forest conservation, sustainable management of marine biological resources, and aquaculture. They are based on the standards under various Multilateral Environmental Agreements and Conventions and set out commitments to exchange information regarding the ratification status of key agreements and to effectively implement them, without clear commitment to ratification. Further, similar to the proposed provisions regarding labour standards, Parties are set to commit to strengthen cooperation on trade-related aspects of environmental policies and measures “bilaterally, regionally and in international fora”, but the mechanisms of cooperation are not yet specified.

Article X.11 of the proposed TSD chapter includes provisions related to trade and corporate social responsibility (CSR)/responsible business conduct (RBC) and supply chain management. It requires parties to promote CSR/RBC through policies and support the adherence, implementation, follow-up, and dissemination of relevant international instruments in these areas, but does not include specific commitments.¹⁰⁹ The FIDH has particularly pointed out that CSR-related provisions “should state the State’s obligation to protect human rights, including by ensuring the private sector under its jurisdiction respect the International Bill of human rights”. Moreover, it added that “explicit reference should be made to due diligence in the supply chain” (FIDH, 2023).

Overall, the EU textual proposal for the TSD chapter is similar to the TSD chapters of other EU bilateral agreements, and it is relatively ambitious to include gender provisions and extensive provisions on environmental protection. The language of TSD provisions has been strengthened by including commitments on the effective implementation of labour, environment, and gender-related provisions rather than reaffirming existing obligations under the agreements already ratified by the Parties. Enforcement of the TSD chapter is set to be included into the general Dispute Settlement chapter, but exact provisions have not been specified yet. In that context, some stakeholders state that the TSD Chapter should include provisions that provide “concrete commitments” (FIDH, 2023). Given high pre-existing vulnerabilities regarding labour rights in India, a more tailored approach may need to be considered to ensure that the provisions of the Agreement can be used to address possible adverse effects that it can cause, e.g., through Sustainability Roadmaps (see the analysis further down and recommendations).

Recommendations for strengthened implementation and enforcement of the TSD Chapter are included in the recommendations section at the end of this chapter.

Human rights in the EU-India IPA currently under negotiation

The EU textual proposals for the chapters in the IPA under negotiations include one document that contains proposed texts for the preamble, six chapters and four annexes.¹¹⁰

Since the agreement is aimed at investor protection, it specifically addresses matters necessary for fair treatment of investors like national treatment, most-favoured nation

¹⁰⁹ The UN Guiding Principles for Business and Human Rights, the UN Global Conduct, the OECD Guidelines for Multinational Corporations and Enterprises, and the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy.

¹¹⁰ Based on the EU’s textual proposals published on the website of the DG TRADE: [EU-India agreement: Documents \(europa.eu\)](https://ec.europa.eu/trade/policy/agreements/eu-india-agreement/)

treatment, fair and equitable treatment of investors and of covered investments, compensation for losses, full protection and security, and free credit transfer. In the context of human rights, the EU textual proposal for the IPA reserves a placeholder for Article 1.1a that is set to include provisions regarding investment and sustainable development and make a link to the commitments in that area in the FTA. No exact text has been provided yet, as it will depend on the commitments agreed in the FTA.

Further, Article 2.2 of the proposed legal text refers to the right to regulate, to achieve legitimate policy objectives, such as the protection of public health, social services, public education, safety, the environment, climate change, public morals, social or consumer protection, privacy and data protection, and the promotion and protection of cultural diversity.

Some stakeholders insist, in that connection, that IPA needs to include a precondition which would overrule the protection of an investor by the agreement and guarantee reparation/compensation for the negative human rights impacts (FIDH, 2023). Some interviewees pointed out the importance to include a Dispute Settlement Mechanism as a state-to-state mechanism rather than as an investor-state dispute settlement in order to be able to address potential human rights violations (FIDH, 2023). Other stakeholders suggested to use human rights clause as a normative basis for disabling investor protection for investors that have violated human rights - namely, to include 'legality' (or 'clean hands') provisions that would specify that investors may only bring a claim to an investment tribunal if they have not violated national or international human rights legislation (UN Guiding Principles on Business and Human Rights, OECD Guidelines, ILO Tripartite Declaration of Principles concerning multinational enterprises and social policy, and UN Global Compact principles) (Bartels, 2023).

5.3.2 Specific human rights that are likely to be affected by trade and trade-related measures under the proposed agreements

Apart from the human rights provisions discussed in the previous section, trade agreements include aspects of trade and trade-related measures that may potentially lead to an impact on human rights in the EU and partner countries. While some measures may lead to a direct or indirect impact on the enjoyment of certain right(s), others may affect the ability of Parties to the Agreement to protect, respect, and fulfil their human rights obligations.

Based on the legal texts tabled by the EU and available to date, we have identified several trade and trade-related measures that may potentially affect human and labour rights (see full overview in Table 5.5 in chapter 5 in the Annex).

Based on this overview, we have identified specific human rights that could potentially be affected by the proposed agreements.

The screening process relied on the criteria defined in the EC Guidelines on the analysis of human rights impacts in impact assessments for trade-related policy initiatives:

1. Specific link to trade measures under proposed agreements,
2. Focus on human rights impacts directly related to trade,
3. Magnitude or scale of the potential impact,¹¹¹
4. Pre-existing vulnerabilities in the context of trade and proposed agreements.¹¹²

In line with the EC Guidelines (European Commission, 2015) and making use of the Better Regulation Toolbox, the overview of the affected rights or human rights and human rights-related issues is presented in Table 5.1 which includes the following information:

¹¹¹ The scale of the impact is determined based on the results of the economic modelling, in combination with statistical data regarding an estimated number of affected people, and the irremediability of the impact. There is no threshold for when impacts are grave. Assessment of the gravity of the impact is relative to the impacts identified, based on professional judgments and perspectives of stakeholders.

¹¹² See European Commission (2015). Guidelines on the analysis of human rights impacts in impact assessments for trade-related policy initiatives, pp. 6-7.

- Specific rights that are likely to be affected by the FTA/IPA and the normative basis of each right,¹¹³
- The kind of the expected impact (direct/indirect),
- The degree of the expected impact (major/minor),
- Potentially affected population groups (where possible).

Table 5.1: Overview of the rights that may be affected by the EU-India FTA/IPA.¹¹⁴

Human right/normative framework	Kind of impact direct / indirect	Scale of impact major / minor	Potentially affected vulnerable population groups ¹¹⁵
<i>Right to an adequate standard of living</i> - UDHR, Art. 25 - ICESCR, Art. 11 - CESCR General Comments No. 4, 7, 12, 15 & 19 - CFR, Art. 34	Direct	Minor overall, major at sector level	- Vulnerable population groups that benefit from government funds in India - EU and Indian workers from sectors affected by negative employment changes, especially indigenous peoples, persons from religious minorities, Dalits, migrant workers, women, children
<i>Right to water</i> - ICESCR, Art.11 - CESCR General Comment No.15	Indirect	Minor overall, major at sector level in India	- Populations living in proximity to polluting economic activities - Populations living in the proximity of areas with too little water or areas with flooding potential
<i>Right to food</i> - UDHR, Art. 25 - ICESCR, Art. 11 - CESCR General Comment No.12	Indirect	Minor	- Persons with low income, women, children, indigenous peoples, religious minorities, Dalits, affected communities
<i>Right to the enjoyment of the highest attainable standard of physical and mental health</i> - ICESCR, Art. 12 - CESCR GC No.14 - CEDAW, Arts. 11 & 12 - CRC, Art. 24 - CRPD, Art. 25 - ICMW, Art. 28 - CERD, Art. 5 - CFR, Art. 35	Direct and indirect	Minor overall, major for populations in low and middle income countries	- Patients - Vulnerable population groups - Populations living in proximity to polluting economic activities Access to medicines: - Persons with low incomes - Indian patients - Patients in low and middle income countries
<i>Right to a healthy environment</i> - UNGA Resolution A/76/L.75	Indirect	Minor overall, major at sector level	- Populations living in proximity to polluting economic activities
<i>Right to join and form trade unions, Right to collective bargaining</i> - UDHR, Art. 20 - ICCPR, Arts. 21 & 22 - CFR, Art. 12 - ILO Conventions 87 & 98	Direct	Minor	- Workers in affected sectors in India, especially women, children, indigenous peoples, religious minorities, Dalits, migrant workers
<i>Right to just and favourable conditions of work</i> - UDHR, Arts. 23 & 24 - ICESCR, Arts. 6 & 7 - CESCR General Comment No.23 - CEDAW, Art. 11 - CRPD, Art. 27 - CFR, Arts. 15 & 31	Direct	Minor overall, major at sector level	- Workers in affected sectors in India, especially women, children, indigenous peoples, religious minorities, Dalits, migrant workers
<i>Freedom from slavery and forced labour</i> - UDHR, Art. 4 - ICCPR, Art. 8 - ILO Conventions 29 & 105 - Protocol to the ILO Convention 29 - CFR, Art. 5	Direct	Minor	- Vulnerable population groups in India, especially women, children, indigenous peoples, religious minorities, Dalits, migrant workers
<i>Freedom from discrimination</i> - UDHR, Art.2 - ICCPR, Art. 26 - ILO Conventions 100 & 111	Direct	Minor	- Vulnerable population groups in India, especially women, children, indigenous peoples, religious minorities, Dalits, migrant workers

¹¹³ In line with the Fundamental Rights Check list outlined in Tool No. 29 of the Better Regulation Toolbox, absolute human rights are marked with a (*).

¹¹⁴ The table does not include rights where desk research did not indicate that they could be affected by the agreements.

¹¹⁵ The direction of the impact (positive/negative) as well as exact affected sectors are presented in the detailed screening and scoping exercise in chapter 5 of the Annex.

Human right/normative framework	Kind of impact direct / indirect	Scale of impact major / minor	Potentially affected vulnerable population groups ¹¹⁵
<i>Right to participate in public affairs</i> - ICCPR, Art. 25 - HRC General Comment No. 25	Direct	Major in India*	- Indian population in general - Vulnerable population groups in India
<i>Women's rights (gender equality)</i> - CEDAW - ICCPR & ICESCR, Art.2	Direct	Minor overall, major at sector level	- Women working in textile, leather, and garment sectors in India
<i>Indigenous peoples' rights</i> - UNDRIP, Arts. 3, 19, 25 & 26 - ILO Convention 169 - CESCR General Comment No. 26	Indirect	Minor overall, major at sector level	- Indigenous communities affected by economic activities under the agreement
<i>Rights of minorities</i> - ICCPR, Art. 27	Indirect	Likely minor**	- Minority communities affected by economic activities under the agreement
<i>Children's rights (child labour)</i> - CRC - ILO Convention 138 & 182	Direct	Minor	- Child workers in affected sectors

(*) This is not assessed as an impact of the proposed agreement but as a one of the main obstacles for the effective implementation of the proposed agreements, see chapter 5 in the Annex.

(**) See section on the religious minorities in the screening and scoping part of the analysis in the Annex.

Source: own compilation.

Based on the screening and scoping results that specify the scope of the impact for each of the rights presented in this table (see chapter 5 in the Annex for the full analysis)¹¹⁶ and in line with the Terms of Reference and the EC guidelines for human rights impact assessment of trade agreements, the following human rights are identified as the ones that may potentially be affected (at sector level) by the EU-India FTA and IPA and will be subject of the detailed analysis:

- Right to an adequate standard of living,
- Right to water,
- Right to health,
- Labour rights: right to just and favourable conditions of work, freedom of association and the right to collective bargaining, prohibition of all forms of forced labour, including child labour,
- Women's rights (analysed in a dedicated section of the social analysis).

5.4 Detailed analysis of pre-selected human and labour rights

Based on the additional analysis and interviews with stakeholders, this detailed analysis focuses on the potential impact of the proposed agreements on the pre-selected rights.

5.4.1 Right to an adequate standard of living

In a trade context, the impact on the right to an adequate standard of living could stem from overall economic growth due to increased trade. Literature suggests that trade liberalisation facilitates economic growth and sector diversification, allowing for new job opportunities. At the same time, in the absence of effective safety nets and social policies, loss of jobs for vulnerable population groups may increase their vulnerability in economic sectors that lose out due to trade liberalisation and push them into poverty.

European Union

Trade liberalisation in goods and services and investment facilitation under the EU-India agreements, as well as the related income effects, are not expected to lead to a significant impact on the right to an adequate standard of living in the EU overall.

¹¹⁶ Detailed screening and scoping analysis is presented in chapter 5 of the Annex and represents an important part of the analysis that is used to formulate recommendations regarding human rights impacts.

Results of the economic modelling suggest a marginal improvement on welfare and GDP, both expected to increase by 0.2% in the ambitious scenario (0.1% in the conservative scenario). Increases in wages of skilled and unskilled workers in the EU are expected to be marginal both overall and across sectors (0.2% for unskilled workers and 0.1% for skilled workers).

Sectoral impacts are possible for specific population groups – based on the employment changes due to trade liberalisation as a result of the proposed FTA. Job losses are expected in such sectors as rice (-7.9% for unskilled workers and -7.1% for skilled workers in the ambitious scenario, and -2.9% and -2.6% respectively in the conservative scenario), textiles (-2.5% and -2.3% in the ambitious scenario and -1.7% and -1.6% in the conservative scenario), garment (-3.1% and -2.8% in the ambitious scenario and -2.1% and -2.0% in the conservative scenario), leather (-1.2% and -1% in the ambitious scenario and -0.6% for both categories of workers in the conservative scenario), and vegetable oils (-1.6% and -1.4% in the ambitious scenario and -0.7% and -0.6% in the conservative scenario) (see Tables in section 1.10 in the Annex). In terms of absolute job losses, because the rice sector is very small in the EU, the main effects accrue in the textiles, garment, and leather sectors.

The fact that wages marginally increase overall, suggests that workers losing their jobs are pulled into other sectors for better job opportunities. However, there will also be workers in negatively affected sectors who may be made redundant, which may affect their ability to pay for housing, food, and health care, or to cover other expenditures of their families which are necessary for dignified life.

Stakeholders report that affected sectors are already under pressure (EURATEX, Copa Cogeca). In case of full liberalisation, due to direct competition, EU jobs may be replaced by similar jobs in India. This is likely to have a negative impact on the right to an adequate standard of living of some EU workers in these sectors, as not all of them are able to easily find alternative employment. Some workers live in small towns, where it is not easy to find a job in general (Clean Clothes Campaign, 2017; 2020) (see also analysis on the right to just and favourable conditions of work).

While social safety nets in case of unemployment are generally in place, some workers may not fully utilise them. For instance, some reports point to informal arrangements practices, where some workers do not have formal contracts, and therefore, cannot make use of social security protection systems. Some reports also state that these sectors tend to employ a large share of vulnerable populations groups (e.g., migrant workers), who cannot easily apply for unemployment benefits (Clean Clothes Campaign, 2020; FairWear Foundation, 2020).

India

The impact of the proposed EU-India FTA on the right to an adequate standard of living in India can materialise based on provisions related to trade liberalisation in goods and services, investment facilitation, as well as SPS and TBT provisions that may potentially lead to:

1. Increase in welfare, increase in GDP, increase in wages,
2. Losses in tariff revenues,
3. Employment changes,
4. Technology transfers and exchanges of best practices of implementation of international standards that aim to improve safety and quality of products and services.

Regarding welfare effects, economic modelling results suggest that the proposed agreements are likely to support further poverty reduction in India. Welfare is estimated to go up by €30 billion per year. This includes a reduction of €10.5 billion in tariff revenue in the ambitious scenario (-14.5%) due to tariff liberalisation. Indian GDP is expected to increase by 1.0%, which amounts to almost €70 billion per year. Wages of Indian workers are expected to increase by 1.3% for unskilled workers and by 0.6% for skilled workers.

However, a word of caution on the modelling results is necessary. As indicated in section 3.1, the model assumes that markets clear through supply and demand, i.e., a combination of the number of jobs and wage levels across sectors which represents a simplification of the real-life situation. Moreover, in the case of India, with high informality levels, the adjustments may follow not only through wage increase but also workers' move from informal establishments to the organised sector producing for exports (see also findings from existing studies, like Artuc et al (2019) in section 3.1. in the Annex). This means that the wage effects estimated in the model may be exaggerated.

In the context of the complex situation regarding working conditions and wage policies in India (see Annex for further details), stakeholders point out that the wage increase predicted by the model is not likely to materialise for actual workers, at least not in the short run. This is due to the general push of industries to cut labour and production costs, corruption, common labour rights violations, weak trade union systems, high levels of informality, and weak labour inspection systems. Stakeholders believe that primarily positive change needs to come from national mechanisms to effectively enforce labour legislation, which is still in the transition process as the four Labour Codes have not come into force and rules for their implementation still need to be adopted in every state (interviews with academics on labour issues, representatives of trade unions, and local experts in labour).

Regarding tariff revenues, if the Parties agree to liberalise tariffs in one go upon signing of the agreement, the €10.5 billion loss is immediate (2.1% of the Indian Government budget in 2022). While the overall welfare and GDP gains are still positive, an immediate loss in tariff revenue could affect the degree to which the Government of India can support vulnerable population groups. For example, reduced revenues may potentially affect expenditures for welfare programmes assigned to support vulnerable groups before increased income and corporate tax revenues – also as a result of increased economic activity from the Agreements – start to come in.

Jobs are expected to increase significantly for Indian workers from the garment sector (by 15.1% for unskilled workers and by 16.2% for skilled workers in the ambitious scenario and by approximately 11% for both categories of workers in the conservative scenario), and leather sector (by 6.5% and 7.6% respectively in the ambitious scenario and by 3.9% and 4.5% in the conservative scenario). Decreases in employment for Indian workers are expected in the paper sector (-5.3% for unskilled workers and -4.3% for skilled workers in the ambitious scenario, and -3.3% and -2.7% respectively in the conservative scenario). Less significant employment changes are expected for Indian workers in other sectors (see analysis on employment). Due to a high level of informality in India, it is difficult to provide exact statistics regarding employment in various economic sectors. Social analysis indicates, however, that changes in employment in India in the affected sectors are likely to affect millions of workers (see sections 3.1-3.3).

While trade liberalisation can create opportunities for economic growth and job creation, it may also lead to adjustments and changes in industries that can disproportionately affect marginalised groups. For example, garment and leather sectors in India have a high representation of women, migrant workers, indigenous peoples, and religious minorities. It is important to ensure that the gains from trade are widely shared, and any adverse effects are addressed through fostering compliance with fundamental labour rights.

Job losses are predicted by the economic modelling in the paper industry in India. According to different sources, the pulp and paper industry in India provides direct employment to approximately 500,000 to 650,000 persons (IPMA, no date; UNIDO, 2020), including such vulnerable groups as indigenous peoples, persons from lower castes, migrant workers, and religious minorities. Stakeholders report that paper industry involves manual labour, hazardous conditions, and low wages (interviews with stakeholders from labour and environmental organisations, stakeholders representing women, indigenous communities, and religious minorities). In the context of high pre-existing vulnerability of these groups and the absence of effectively working safety nets in case of unemployment in India, it is likely that they may face adverse impacts in case they lose their jobs.

In the long run, increase in welfare and improved living standards may also be a consequence of cooperation, exchange of best practices, and technology transfer under provisions related to public procurement, SPS and TBT measures, sustainable food systems, and commitments under the TSD Chapter that refer to the “Principles for Responsible Investment in Agriculture and Food Systems” (RAI-Principles) and the “Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries, and Forests in the Context of National Food Security” (VGGT) included in the EU textual proposals. However, these impacts require additional efforts from the Indian government.

Given particular concerns raised by some stakeholders, we also looked at the possible impact of the agreements on the right to an adequate standard of living and right to adequate housing of religious minorities in the Jammu and Kashmir areas. The London Story, for instance, expressed concerns about extractive activities in the Jammu and Kashmir areas that are rich in natural resources (notably lithium) and possible exacerbation of human rights violations against local populations living there (The London Story, 2023).

Economic results do not indicate a significant increase in non-ferrous metals (including lithium) as a result of the EU-India agreements. However, this situation may change in the future due to increasing pressure from the energy crisis in Europe. That is why, it is important that CSR provisions of the Agreements are strengthened to ensure no negative impact of economic activities on local communities.

Based on the economic results and additional inputs from stakeholders, job losses may have a negative impact on the right to an adequate standard of living of workers from affected sectors in India (see also analysis on the right to just and favourable conditions of work).

5.4.2 Right to water

In a trade context, the main impact on the right to water could stem from increased water-intensive economic activities (especially in areas that already have water shortages), as well as water pollution.

European Union

Results of the screening and scoping exercise indicate no significant impact on the right to water in the EU.

India

The impact of the proposed EU-India FTA on the right to water in India can materialise through:

1. Trade liberalisation and investment facilitation that can lead to increased production in water polluting sectors which may affect local waterways.
2. Measures that can stimulate technology transfer and exchange of best practices to support environmental protection.
3. Opening market access to public procurement.

Trade liberalisation and increased investment may lead to increased business activities that involve intensive use of local water supplies and that can affect the level of water pollution. Economic results for both scenarios indicate significant increases in production in the water-intensive and water polluting economic sectors. The garment sector is estimated to increase production by 15.4% in the ambitious scenario and by 10.5% in the conservative scenario. In the leather sector, production is set to increase by 7% in the ambitious scenario and by 4% in the conservative scenario. In the textile sector the increase is predicted to be 3.6% in the ambitious scenario and 2.5% in the conservative scenario. Production in the paper and machinery industries (also water polluting industries), on the other hand, are expected to decrease (by 4.7% and 2.5% in the ambitious scenario and by 2.5% and 1.7% in the ambitious scenario).

According to several studies, the fashion industry has three main negative environmental impacts related to water: high water usage; high levels of chemical pollution; and high levels of physical microfiber pollution. Fabric dyeing and treatment are reported to generate about 20% of the world wastewater (Fair Planet, 2022; Bailey et al. 2022; European Parliament, 2019). The textile finishing process infuses many chemicals into water, including oil and phenol. The leather sector is also reported to be a highly water-polluting sector in India as wastewater from tanneries contains chromium which pollutes waterways and groundwater, affecting people's health (INKOTA Netzwerk, 2018).

Although access to water and sanitation is reported to have improved in recent years, it was established during the screening and scoping exercise that India does not effectively address industrial pollution. The International Water Management Institute states that 33% of Indian rivers are moderately or severely polluted. Approximately 70% of the sewage in India is reported to be untreated (City Monitor, 2021). Moreover, water scarcity is a serious issue in India. The World Bank states that India is among the most water-stressed countries in the world, as it has only 4% of its water resources. And climate change is likely to exacerbate this pressure even more as the frequency of droughts and floods increases (World Bank, 2023).

In the absence of effective mechanisms to treat wastewater and address industrial pollution as well as overall water scarcity in the country, increased production in water-intensive and water-polluting economic sectors is likely to increase pollution of water sources and contribute to water stress. In this case, additional measures need to be taken to mitigate this negative impact, primarily by the Indian government.

The proposed TSD Chapter tabled by the EU contains provisions related to the Multilateral Environmental Governance and Agreements (Article X.5), trade and climate change (Article X.6), and trade and responsible business conduct and supply chain management. Provisions related to environmental protection include commitments of the Parties to effectively implement the ratified Multilateral Environmental Agreements (MEAs), protocols and amendments. All states-parties to the Agreement have ratified the Paris Agreement, the Ramsar Convention (the Convention on Wetlands of International Importance), and the Stockholm Convention on Persistent Organic Pollutants (POPs) that address water issues. Specific cases of water pollution from economic activities carried out by companies could be addressed under the CSR/RBC provisions. However, the current text of these provisions does not include specific commitments for the companies.

Regarding measures to stimulate technology transfer, the proposed legal text of the agreement includes provisions regarding cooperation and exchange of best practices on trade-related sustainability issues, including the environment. In its Communication on "The power of trade partnerships: together for green and just economic growth", the Commission unveiled its new plan to "step up engagement with trade partners in a cooperative process to foster compliance with international labour and environmental standards, including through technical and financial assistance". In case of productive cooperation, the Indian government may choose to invest in building infrastructure to improve the treatment of wastewater and decrease water pollution, with EU support. Through public-private partnerships, EU and Indian green technology firms can also be encouraged to collaborate and support technology transfers. However, this depends on the political will of the government.

Regarding opening market access to public procurement, water services in India are reported to be privatised in some areas. Stakeholders expressed concern about further privatisation of water services in the country as a result of the EU-India FTA/IPA. In particular, concerns were raised regarding the impact on the availability, affordability, and quality of water services, especially for marginalised communities. It is important for the Indian government to balance private sector participation with the obligation to provide universal access to safe and clean drinking water for all.

The right to regulate is stipulated in the EU textual proposal for the TSD chapter (Article X.2) and refers to the ability of the Parties to the Agreement to maintain their authority to

pass and enforce laws within their territory in the areas of public interests, including water services, without being at risk of violating their FTA obligations. The EU proposal for the IPA also contains provisions on the right to regulate (Article 2.2) to ensure that governments can continue to legislate in the public interest without being at risk of violating the Agreement. If water services were to be privatised and then a subsequent government wished to 're-nationalise' or otherwise alter the terms, this would have to be done in a manner that is consistent with the FTA's provisions – meaning non-discriminatorily and with compensation, if it amounted to expropriation.

Water services can also be excluded under the definition of public utilities. The current text of the Government Procurement chapter in the EU textual proposal does not specify a definition of public utilities to clarify what constitutes public utilities and services. Furthermore, there is no proposal for the text of the annexes that would include a general reservation that applies to public services, as in the EU-Canada Comprehensive Economic and Trade Agreement (CETA), for example, which indicated that the agreement would not oblige governments to privatise any service or prevent governments from defining or regulating public services, including in the water sector.

5.4.3 Right to health

Addressing the right to health in the context of trade and investment agreements involves a set of issues touching upon intellectual property rights, availability and affordability of healthcare services/medicines, environmental protection, safety of traded goods, and labour rights.

European Union

Results of the screening and scoping exercise point to no significant impact on the right to health in the EU. Economic results do not predict significant changes in production of polluting sectors to majorly affect health of EU citizens. However, according to the EU system reporting unsafe food products (RASFF), some of the imported Indian agricultural products, such as rice (and also spices and nuts) are stopped at the EU borders because of identified risks for health (e.g., pesticides in rice, aflatoxin in peanuts and peanut butter, salmonella and diverse unauthorised substances in spices and sesame seeds, and other unauthorised substances, e.g., arsenic, cadmium, and others). Given that imports of rice are estimated to increase (even if in a limited way), EU regulatory authorities should continue to apply market surveillance mechanisms to ensure that quality and safety of food products imported from India meet the necessary standards and may even consider additional checks. On the Indian side, awareness raising and training for Indian farmers regarding EU requirements may be necessary.

Regarding access to medicines, EU production of medicines is expected to decrease by 0.3% (which translates into -€1.4 billion), and exports from India are expected to increase by 1.1% (€1.3 billion). Regulatory oversight in India presents a serious challenge to the quality of the medicines it produces. Several medical product alerts issued by the World Health Organisation were linked to Indian-made products (WHO, 2022; WHO, 2023; 2023a; 2023b). Following the WHO report, Indian regulatory institutions found 12 violations in the plant that produced these medicines (The Wire, 2022a). A total of 76 pharmaceutical firms in India faced action from the Indian authorities for selling adulterated or fake products following the death of children in Gambia and Uzbekistan linked to drugs made by India-based firms (South China Morning Post, 2023).

The EU textual proposal includes SPS and TBT provisions that aim to ensure quality of products, including medicines that enter EU market, and the EU has strong legal framework for licensing, manufacturing, and distribution of medicines (e.g., Directive 2011/62/EU). However, reported evidence of poor-quality generic medicines that sometimes reach EU market, suggests that additional inspections of medicine quality may be necessary. Some stakeholders indicate that increased flow of pharmaceutical products from India into the EU may lead to more falsified medicines circulating in the EU, despite measures already taken by the European Medicines Agency (EMA) who reports that "the phenomenon of

falsified medicines is on the increase, with more and more medicines now being falsified” (EMA, no date). On the Indian side, strict and effective regulatory framework is necessary with respect to the surveillance of the quality of medicines, active pharmaceutical ingredients used for the production of medicines, as well as the production itself. Moreover, the shift of production of essential medicines may not support strategic resilience objectives of the EU and makes the EU more dependent on exports of essential medicines from India.

India

The impact of the proposed EU-India FTA on the right to health in India can materialise through:

1. Trade liberalisation and investment facilitation that can lead to increased production in water polluting sectors which may affect local waterways and environment,
2. Provisions on sustainable food systems, SPS and TBT provisions,
3. Access to medicines.

Results of the economic modelling do not predict any significant increases in production of agricultural products in India. However, due to an increase of production in such polluting sectors as textiles, leather, garment, and to a limited degree, chemicals (increased in production by 1% in the ambitious scenario and 0.6% in the conservative scenario), there may be a negative impact on the right to health for workers from these sectors (due to potential exposure to hazardous substances during work) as well as communities living in proximity to production sites. In the absence of effective mechanisms that ensure environmental protection in India, as well as in the absence of systems that treat polluted water in the rivers (see section related to the right to water), this may have a negative impact on the right to health of workers from affected sectors and persons from affected communities.

The EU textual proposals include commitments under the ILO Conventions on health and safety at work (Conventions No. 155 and 187). Their effective implementation can help address adverse health impacts. Next to that, the text proposed by the EU contains provisions related to environment protection and cooperation on “trade-related aspects of environmental policies and measures” that include, policies and measures promoting mutual supportiveness of trade and environment, initiatives to encourage trade and investment in environmental goods and services, the impact of environmental law and standards on trade and investment and otherwise, and “other trade related aspects of MEAs, including their protocols, amendments and implementation”. Exchange in best practices and technology of clean and sustainable production could play a role in mitigating the negative impact in the long run. However, immediate impact may not be possible to address unless the Indian government takes urgent measures to introduce a comprehensive legal and policy framework on environment protection that is in line with international standards and implements it effectively.

Transition towards sustainable food systems may potentially improve food security and safety in India in the long run, which may also have a positive impact on the right to health. In the context of pre-existing challenges with respect to food safety and food security, it is not likely that this impact will be significant, at least not in the short run. For the positive impacts to materialise, it is important to create operational infrastructure through technical and financial assistance and involve related international actors (e.g., FAO) to maximise the effectiveness and operation of sustainable food systems.

The SPS measures under the proposed FTA aim to protect safety of food products. The TBT measures are set to follow standards of safety and quality for non-food products. If properly managed, certifications and audits as well as transparency and exchange of information on SPS and TBT measures may in the long run create a potential to increase safety of food and non-food products in India. Standards relate to the import power, i.e., the power of consumers with high disposable incomes. At the same time, exporting industries are also the most competing. In the long run, consumer pressure from domestic

producers may start to put pressure on local government to increase quality for domestic producers. However, this impact may be very limited as there is a large informal sector in India, where no audits or certifications take place.

Regarding access to medicines, India is the most competitive country globally. Its system is designed to produce large quantities of generic medicines for the Indian and global markets, hence India's resistance against stronger Intellectual Property (IP) provisions. In fact, India publicly expressed its strong reluctance to include provisions currently tabled in the legal texts proposed by the EU on pharmaceutical IP and stated that it would not agree to IP provisions that would go beyond the minimum requirements under the World Trade Organisation's Agreement on Trade-Related Aspects of Intellectual Property Rights (WTO TRIPS) (Correa, 2009).

Based on the IP provisions included in the EU textual proposal currently publicly available, some stakeholders expressed concerns about their potential negative impact on the access to medicines for patients from developing countries (MSF, 2023; Verheecke, 2023). The current legal text for the IP Chapter of the FTA includes provisions regarding patent term extension or supplementary protection (Article X.33) and regulatory data protection (Article X.36) that do go beyond the minimum requirements of the WTO TRIPS. Stakeholders indicate that these provisions may directly affect access of patients (especially in low- and middle-income countries) to affordable generic medicines, delaying access to some lifesaving medicines whose patents are set to expire in the next few years (e.g., a drug against TB - delamanid) (MSF, 2023; Rosa Luxembourg Stiftung, 2023).

TRIPS requires member states to provide patent protection for a minimum of 20 years from the filing date. However, it does not provide for patent term extensions to compensate for time lost during the regulatory approval process. Article X.33 of the IP Chapter tabled in the EU textual proposal for the EU-India FTA includes such provisions, thereby offering pharmaceutical companies longer market exclusivity periods by delaying production of new drugs by generic companies.

TRIPS Article 39.3 requires countries to protect undisclosed test data submitted by pharmaceutical companies for the approval of new pharmaceutical products against "unfair commercial use". However, the language is relatively vague and does not specify the length or nature of the data protection. In contrast, Article X.36 includes extended periods for data exclusivity, thereby preventing generic manufacturers from relying on the originator's data for a certain period and thereby delay the introduction of generic medicines.

Both provisions can limit the ability of generic manufacturers to bring products to market quickly and can, therefore, have implications for access to medicines, especially in developing countries.

In order to ensure access to medicines for patients in developing countries, the current IP Chapter should be modified to not go beyond the minimum standards of IP protection under the WTO TRIPS Agreement.

Results of the economic modelling do not reflect upon the assumption that the FTA will include strong IP provisions and show that Indian production of medicines (mostly generic ones) is expected to rise by €1.3 billion annually in the ambitious scenario and €181 million in the conservative scenario, while EU innovative and generic medicines production is expected to decline by €1.4 billion a year in the ambitious scenario and €642 million in the conservative scenario. Indian bilateral exports to the EU are expected to rise by 73% (€6.2 billion) in the ambitious scenario and 34% (€2.8 billion) in the conservative scenario, while global Indian exports are predicted to go up by 6.3% (€5.3 billion) and 2.8% (€2.4 billion). This shows increased availability of pharmaceutical products for Indian and third country patients as a result of the EU-India agreements.

5.4.4 Right to just and favourable conditions of work

The impact on the right to just and favourable conditions of work may materialise through competitive pressures as a result of trade liberalisation, increased investment and implementation of labour rights-related TSD commitments. To address possible adverse impact on labour rights and to promote the decent work agenda, the EU-India FTA, like other EU FTAs, is set to include specific related provisions in the TSD chapter. The pre-existing situation in potentially affected sectors both in India and in the EU (for some categories of workers) indicates vulnerability of workers' rights and challenging working conditions.

The right to just and favourable conditions of work is often associated with the broader right to work and the right to an adequate standard of living. While key components of this right also intertwine with other labour rights analysed in this report (e.g., freedom to form and join trade unions, the right to collective bargaining, freedom from discrimination, prohibition of forced and child labour, etc.), the focus here is on fair wages and equal pay, reasonable working hours and rest periods, job security and employment contracts, and safety at work.

It is difficult to establish the impact of the agreements on the right to just and favourable conditions of work based on the results of the economic modelling, as it does not include any of these variables. However, it indicates changes in employment and production at the sectoral level, which is also useful in this analysis. Nonetheless, most of the assessment is largely based on interviews with stakeholders, expert opinions, and additional literature review.

European Union

As previously noted, employment and production changes in the economic modelling point to no significant impact of the proposed agreements overall but indicate a relatively significant impact in the textile, leather, wearing and apparel, and rice sectors. These are the sectors that also employ a considerable number of workers, including such vulnerable population groups as migrants and women (Fair Wear Foundation, 2020).

While most workers in the textile and garment sectors have formal contracts, regular misuse of part-time contracts has been reported by the Clean Clothes Campaign in Croatia and Bulgaria (Clean Clothes Campaign, 2020). Wages are reported to be close to minimum wage, which, on average, constitutes less than 30% of a living wage. Payments are often delayed or not paid in full (Clean Clothes Campaign, 2020; 2017; Fair Wear Foundation, 2019; 2020; Euronews, 2019). According to the report of the Clean Clothes Campaign, some workers have to work overtime which is paid as an allowance and not documented on the salary slip. Because of high pressure at work and long hours, health and safety at work is not reported to be optimal (Clean Clothes Campaign, 2020). Many workers in the textile and garment sectors in Bulgaria, Hungary, Romania, and Croatia are reported to have no other employment alternative.

Increased production and employment in these sectors in India as a result of the proposed agreements directly affects jobs of EU workers in these sectors who already work under pressure from employers trying to cut production and labour costs. Based on the pre-existing vulnerability of the workers in these sectors, it may be possible that Indian exports to the EU will negatively affect their right to just and favourable conditions of work through further pressure on working hours, wages, and contractual relations with employers. In case EU jobs in these sectors are replaced by cheaper jobs in India, at least in the short run, some EU workers in the textile in garment industry are not likely to easily find alternative employment, which may negatively affect their right to an adequate standard of living (see also case study No.1).

India

Economic modelling suggests a likely impact of the proposed EU-India agreements on employment in the garment, textile, and leather sectors. For this reason, this section focuses on these sectors. The impact of the proposed agreements is investigated through a more detailed look at the existing legal framework in these sectors (presented in the Annex) and their implementation, and through studying whether the TSD provisions of the proposed FTA can provide sufficient protection to workers in India and mitigate possible negative impacts that may accrue in the context of high pre-existing vulnerability regarding the enjoyment of this right.

Based on the analysis of current trends, increased economic activity in these sectors as a result of the proposed EU-India agreements is not likely to significantly improve working conditions, given that many factories already work for the EU market. Moreover, multiple stakeholders indicate that these conditions are likely to deteriorate under increased pressure to produce more. Given current practices, expansion of affected sectors is likely to lead to an increase in informal jobs of poor quality without social benefits. While some jobs may become formal due to the expansion of factories, many enterprises are likely to remain informal and continue to avoid applying existing national legislation in order to cut costs. Wages are likely to remain low, and overtime is likely to increase due to even higher production targets. Stakeholders report that employers are likely to continue hiring temporary workers and workers from marginalised communities to save production and labour costs. Several interviewees stated in that respect that unfair practices can only stop if concrete mechanisms of monitoring are followed by international and European companies. Some measures have already been taken by the Indian government, for example, the government has encouraged Indian companies to become parties to certification schemes (e.g., Silk Samagra – aimed at empowering poor and backward tribal families including women; SA8000 an international social accountability standard¹¹⁷, and Project SURE – aimed at improving sustainability of the Indian fashion industry).¹¹⁸ However, it has been reported as insufficiently effective due to non-transparent auditing, greenwashing, falsification of documentation, and overall lack of commitment on the part of the companies, including international brands (Fair Wear Foundation, 2019). While certification can be a useful tool for improving labour conditions, it needs to be a part of a broader strategy that includes government regulation, worker education, and public awareness.

The EU proposal for the TSD chapter addresses working conditions and safety and health at work through commitments to adhere to the ILO fundamental Conventions related to equal remuneration, non-discrimination, and occupational safety and health (No. 100, No. 111, No. 155, and No. 187) (Article X. 3), the non-derogation clause in Article X.3, which aims to prevent the Parties from weakening or reducing their labour standards to attract trade or investment, cooperation activities for the promotion of labour standards, public participation and consultation, and bilateral dialogue. However, in light of serious pre-existing vulnerabilities, these provisions alone are not likely to mitigate potential negative impact as a result of activities under the FTA.

Representatives from local human rights organisations believe that labour issues are largely linked to the fact that national legislation is not fully in line with international standards, as well as weak implementation of the existing labour laws. For example, some of them noted during the interviews that current labour legislation contains loopholes that allow for labour rights' violations, and that some of the latest legislative changes in the new Labour Codes weakened labour protection (for further details, please see Annex). At the same time, however, they also insist that stronger commitments under the Agreement are necessary to require EU companies to fundamentally change their business practices

¹¹⁷ <https://www.sgs.com/en-nl/services/sa-8000-certification-social-accountability>

¹¹⁸ <https://byjusexamprep.com/state-psc/government-schemes-ministry-of-textiles#:~:text=Ministry%20of%20Textiles%20has%20launched,India%2C%20and%20Samarth%20were%20launched>

to include internationally recognised standards regarding fair and decent working conditions for all.

Article X.11 of the proposed TSD Chapter contains provisions related to trade and responsible business conduct and supply chain management and includes commitments “to promote corporate social responsibility”, to “encourage the uptake of relevant practices by businesses”, and to “support the adherence, implementation, follow-up and dissemination of relevant international instruments”, including through cooperation and exchange of best practices. In the Indian setting, these provisions may not be sufficient to lift-up the culture of corporate social responsibilities of the companies that try to benefit from low labour costs.

Concrete requirements for the companies under the Agreement may be necessary to address labour violations in general, not only violations of the right to just and favourable conditions of work (11.11.11 et al, 2022). Stakeholders insist that effective change is only possible if companies commit to take responsibility for working conditions in their supply chains, align their company policies with international norms like the UN Guiding Principles on Business and Human Rights, stop unfair practices, and ensure that workers in Indian subsidiaries enjoy the same rights as workers in their factories. One of the main requirements of the stakeholders is for the companies to commit to record their suppliers down the supply chain, make those lists public, and carry out independent inspections beyond tier one suppliers to ensure effective monitoring along the entire supply chain (interviews with stakeholders from human rights organisations, and stakeholders from the textile and garment sectors).

It may not be sufficient to add these measures only into the legal text of the EU-India FTA, as it represents a much broader issue that needs to be enforced at the national and EU levels. The EU is in the process of adopting a Due Diligence Directive, which, once adopted, may play an important role in strengthening fair trade. Similar effectively implemented legislation may need to be present also in India. At present, the concept of Corporate Social Responsibility is governed by Section 135 of the Companies Act (2013). The CSR provisions within the Act apply to companies with an annual turnover of INR 10 billion or more, or a net worth of INR 5 billion or more, or a net profit of INR 50 million INR or more. However, CSR in India is criticised as being inconsistent and inefficient due to the lack of clear guidelines and lack of audit transparency (Human Rights Watch, 2022).

Also, given the limited effectiveness of labour inspections, the existing grievance redressal mechanisms in India, and monitoring applied by international brands, the Parties should consider application of an effective complaint mechanism under the FTA, enabling trade unions and other relevant stakeholders from the EU and India to submit complaints to the EU in case of possible violations of workers’ rights. The set up of such a mechanism is widely supported by the EU Ombudsman,¹¹⁹ the European Parliament,¹²⁰ academic research (Bartels, 2023) and stakeholders. FIDH states that “under existing FTAs, the process is too long for DAGs and civil society to obtain specific action from the Commission when parties fail to respect the obligations set down in the TSD Chapter or human rights clauses” (FIDH, 2023, on file).

The grievance mechanism should have a structured framework with rules to ensure consistency, and transparency. It should complement the overall dispute settlement mechanism and enable tailored, flexible, timely, and effective solutions in cases of serious human and labour rights violations as a result of the economic activities under the EU-India FTA.

¹¹⁹ See: [Closing note on the Strategic Initiative concerning how the European Commission ensures respect for human rights in the context of international trade agreements \(SI/5/2021/VS\) | Correspondence | European Ombudsman \(europa.eu\)](#)

¹²⁰ See: [European Parliament resolution of 18 January 2023 on human rights and democracy in the world and the European Union's policy on the matter — annual report 2022 \(2022/2049\(INI\)\) \(europa.eu\)](#)

The initiation of complaints should be possible not only for EU stakeholders but also relevant stakeholders from India.

Bartels (2023) suggests using a complaint mechanism similar to the EU Single Entry Point for complaints concerning human rights violations under the essential elements clause. This possibility should be further explored in order to improve enforcement of the agreement.

Measures to improve the existing situation should also be considered outside the EU-India FTA due to the high vulnerability of workers and a challenging situation regarding workers' rights. Urgent action from the Indian government is necessary in order to align its existing labour laws with the relevant international standards, so that they ensure effective protection of all categories of workers with regard to social security, minimum wage, safety, and health at work, etc. It is important that new labour legislation does not contain loopholes that allow for labour rights' violations, and that some of the latest legislative changes in the new Labour Codes that weakened labour protection are reversed to effectively address needs of all workers.

5.4.5 Freedom of association, right to form and join trade unions, incl. the right to collective bargaining

The impact on the right to form and join trade unions, including the right to collective bargaining, may materialise through economic pressure as a result of increased competition, which can either weaken or strengthen collective bargaining rights. For example, companies might push for more flexible labour regulations to increase competitiveness, which could erode collective bargaining right. Or, conversely, higher labour standards demanded by trade partners or international consumers can strengthen these rights. To address possible adverse impact on labour rights and to promote a decent work agenda, the EU-India FTA, like other EU FTAs, is set to include specific related provisions in the TSD chapter. The pre-existing situation in potentially affected sectors both in India and in the EU indicates vulnerability of workers' rights and challenging working conditions.

European Union

Employment and production changes in the economic modelling point to no significant impact of the proposed agreements overall but indicate a possible impact in the textile, leather, and wearing and apparel sectors.

Baseline analysis indicates that overall there is a strong legal framework regarding workers' rights in the EU. However, additional analysis on the right to form and join trade unions in the economic sectors that are likely to be affected by the proposed EU-India trade and investment agreements reveals that the situation regarding the enjoyment of this right varies significantly across the EU Member States (see screening and scoping in the Annex).

Increased competitive pressure from trade under the proposed EU-India agreements in these sectors may further affect collective bargaining rights of EU workers, especially, in Eastern European countries. In 2022, the European Commission set out plans to bring more sustainability to the textile industry with its EU Strategy for Sustainable and Circular Textiles. It does not, however, address the social element of sustainability. Organisations such as Fashion Revolution, Fair Trade, Clean Clothes Campaign, Traidcraft Exchange, IndustriAll Europe have expressed their concern that it does not focus on the labour rights of workers in these sectors (Solidaridad, 2022).

In June 2023, the Council of the European Union adopted the Council Recommendation on strengthening social dialogue in the EU which aims to support EU Member States in implementing Principle 8 of the European Pillar of Social Rights (see detailed screening and scoping analysis), by providing guidance on reinforcing social dialogue and collective bargaining at the national level. While it can be used as a platform to raise collective

bargaining rights in the textile sector at Member State level, its effectiveness remains to be seen.

India

Based on the inputs from stakeholders, increased employment in the garment and leather sectors predicted by the modelling is not likely to significantly improve the situation regarding freedom of association and collective bargaining in India, as domestic legislation and regulations will remain unchanged, shaping the climate for trade union creation and conditions for workers to join them.

Moreover, given strong pre-existing vulnerability, jobs created as a result of the EU-India trade and investment agreements are likely to be mostly informal in nature. This means that there are likely to be more unorganised workers. The growing prevalence of informal workers in India can significantly hinder the establishment and effectiveness of trade unions, mainly due to the precarious nature of such work.

Informal workers in India often find themselves in temporary jobs without formal employment contracts, social security, or legal protections. These vulnerabilities make it difficult for them to engage in collective bargaining or union activities. The fear of job loss or employer retaliation is heightened when there is no legal framework safeguarding the worker's employment, making the prospect of unionising not just risky but potentially detrimental to their immediate livelihood.

Moreover, informal workers in India are often dispersed across different locations, working in small-scale businesses. The fragmentation in the informal sector makes mobilising for a common cause more challenging. Without a central organisation point or common gathering spaces, disseminating information (as most of informal workers are not aware of their rights) and coordinating collective action becomes far more complex.

Finally, Indian labour laws offer little to no protection for the rights of informal workers to form or join trade unions. The Trade Unions Act of 1926 is not applicable to informal workers. The applicability of the new Industrial Relations Code to informal workers, as discussed earlier, is also limited. Without legislative backing, informal workers find themselves with little recourse to negotiate for better conditions or pay, further diminishing the likelihood of successful union formation (Kerswell, Pratap in Sundar et al, 2019).

The TSD chapter of the proposed EU-India FTA contains provisions regarding decent work and improvement of labour standards, including through effective implementation of ILO fundamental Conventions. However, India has not yet ratified the ILO Conventions No. 87 and No. 98 regarding freedom of association and the right to collective bargaining. In this context, multiple stakeholders expressed concern regarding the process of monitoring of the respect, promotion, and realisation of the related fundamental principles and rights at work. Concerns were particularly expressed that no progress will be made, and worker's right will continue to be violated. In this regard, many stakeholders pointed out the importance of the ratification of these conventions by India. However, they do not consider it likely that the Indian government will ratify them in the near future, as India maintains its position that it ratifies an ILO Convention only when its national laws and practices are in full conformity with the Convention. At this stage, the government argues that the main reason for non-ratification of ILO Conventions No. 87 and 98 is due to restrictions imposed on government servants regarding the right to strike, which is prohibited under internal statutory rules (Ministry of Labour and Employment of India, 2017a).

Even though the 1998 ILO Declaration on the Fundamental Principles and Rights at Work (amended in 2022) calls on all ILO member states to respect and promote fundamental labour rights – regardless of whether they have ratified the relevant conventions or not – ratification itself carries additional weight for several reasons.

First, ratification of an ILO Convention makes it legally binding for the country in question, requiring it to bring national laws and regulations into alignment with the Convention's

provisions. This creates a stronger legal framework for workers' rights and imposes more stringent obligations on the government to ensure compliance. Failure to ratify a convention, even if a country is an ILO member, leaves a gap in the legislative architecture for worker protection. The government would not be legally obligated to align its domestic laws with the Convention's principles, making it easier to dilute these fundamental rights.

Second, ratification opens the door for closer monitoring and accountability mechanisms. Once a country ratifies an ILO Convention, it is required to submit to the ILO Committee of Experts regular reports detailing how the principles of the convention are being implemented. This process allows for international scrutiny and can often provide civil society, trade unions and other stakeholders with the leverage they need to push for more robust protections at the national level.

Lastly, ratification sends a powerful political message, domestically and internationally. It signifies a government's commitment to adhere to globally recognised labour standards, which can improve its international standing and potentially make it more attractive to socially conscious investors. Domestically, ratification can empower workers and unions by providing them with a legal framework to back their demands for better rights. Moreover, when the country commits serious violation of the rights guaranteed under the ratified convention, it can be referred to the ILO Committee on the Application of Standards as an individual case of concern.

Therefore, building on the EU textual proposal (and going a step further), the Parties should consider including into the TSD chapter provisions that require ratification of related Conventions or include specific deadlines for their ratification (see section 5.3.1) as this may put legal and political mechanisms into play that are essential for the actual realisation of the right to form and join trade unions, including the right to collective bargaining.

5.4.6 Prohibition of all forms of forced labour, including child labour

Estimating the impact of a trade agreement on forced labour (including child labour) is a challenging task for various reasons: e.g., complex supply chains; insufficient data; and the informal nature of forced and child labour which is not documented.

In today's global economy, supply chains are often sprawling and complex. When companies do not provide detailed information about their supply chain, it is impossible to trace products back through multiple stages to confirm labour practices. Accurate, comprehensive, and up-to-date data on forced labour practices is often hard to come by. Forced and child labour are illegal and thus usually hidden, making it challenging to accurately assess their prevalence.

European Union

Screening and scoping analysis did not point to a significant impact of the proposed EU-India FTA on forced and child labour in the EU.

India

In the absence of up-to-date comprehensive data on forced, bonded, and child labour in India, reports of various organisations and interviews and stakeholders have been used to assess the situation. Forced, bonded, and child labour have been detected down the supply chains of producers in the sectors that are estimated to be significantly affected by the proposed EU-India FTA: textiles; garment; and leather. Stakeholders pointed out that members of Scheduled Castes, persons from religious minorities, migrants, persons residing in rural areas, and children are particularly vulnerable to forced and bonded labour (AntiSlavery International, 2021, GoodWeave International, 2020; interviews with trade unions, international human rights organisations, local human rights organisations, and international NGOs).

Given that effective safeguards are not in place, increased production in the affected sectors may potentially exacerbate existing situation. In a situation of increased demand in the sectors with forced or child labour, employers might resort to using more forced and child labour to meet that demand, especially if it is cheaper and labour protections are poorly enforced. This concerns both large factories and smaller factories or workshops. Workers further down the supply chains are likely to be affected the most if CSR provisions are not strengthened, as discussed in previous sections. Larger companies might subcontract work even more to smaller factories or workshops that may not adhere to labour standards or might be less scrutinised in terms of labour conditions. Based on current reports, these workers are likely to include most vulnerable population groups.

Forced and child labour in India are complex and multifaceted issues that are influenced by a combination of many factors related to, among others, poverty, lack of regular well-paid employment, lack of education, discrimination, social norms, and family traditions. That is why concerted effort from the Indian government, the EU, and private sector is necessary to address them effectively.

One of the ways to mitigate possible negative impact is through the introduction of strong CSR provisions with an effective grievance redressal mechanism which seem to be essential against the evidence that international brands are also engaged in poor labour practices, especially at the level of subcontractors.

However, robust enforcement and regular audits of working conditions may be challenging in Indian setting when labour inspections tend to be not transparent, and there is limited possibility to conduct unannounced visits at workplaces based on complaints (see analysis on the right to just and favourable conditions of work). Moreover, many small workshops remain outside the labour inspection system as they are not covered by the Factories Act (1948).

Stringent labour rights provisions, including targeted sanctions (as a last resort because they may lead to strong effects and possibly deterioration of workers' human rights situation) and targeted sanctions or penalties for specific companies that are found to be using forced or child labour could also play a role in possible mitigation. Monitoring mechanisms and dispute resolution are set to be included in the Institutional and Dispute Settlement chapters of the Agreement. The textual proposals for related provisions are not yet publicly available (see also analysis on other labour rights).

While the TSD chapter of the proposed EU-India FTA includes specific provisions related to forced and child labour, they are not likely to be sufficient in eradicating the use of forced and/ or child labour in the affected sectors. Article X.3 refers to international labour standards laid down in the ILO fundamental conventions on forced and child labour (Conventions No. 29, No. 105, No. 138, and No. 182). All Parties to the proposed agreements have already ratified these conventions. Paragraph 5 of Article X.3 includes a commitment to effectively implement these (and other) ILO conventions, including through cooperation and consultation under the FTA, as specified in paragraphs 9 and 10 of Article X.3. However, no concrete targets related to the elimination of forced and child labour are included. This may need to be addressed through the detailed and time-bound roadmap with concrete actions similar to the one discussed in the 2022 Commission Communication on the power of trade partnerships.

The proposal for the EU Regulation to prohibit products made using forced labour, including child labour, on the internal market of the EU as well as the Corporate Sustainability Due Diligence Directive may play a role in motivating international brands to apply fair labour practices that are in line with international standards. However, it remains to be seen how they will be implemented.

Primary responsibility in addressing forced, bonded, and child labour lies with the Indian government that should substantially increase efforts to strengthen and enforce existing legislation. Stakeholders actively report that employers use loopholes in the existing legislation to benefit from cheap labour (interviews with local NGOs in the affected sectors).

In addition, stricter fines should be applied for those employers who use forced and child labour. Labour inspections and monitoring mechanisms with a special focus on forced and child labour need to be implemented. The government should consider implementing regulations that require businesses to audit their supply chains for forced and child labour and disclose the results. Financial incentives for education and professional training should also be introduced.

5.5 Recommendations related to human and labour rights impacts

The impact of the EU-India trade and investment agreements on human and labour rights is complex and multi-faceted, involving a variety of stakeholders and sectors. These recommendations try to apply a holistic approach that takes into account interconnected rights, pre-existing vulnerabilities, complex supply chains, and economic inequality. Recommendations are based on collaborative measures that need to be taken by multiple stakeholders (the Indian government, EU, and private sector (including international companies) who have international human rights obligations to respect, protect, and fulfil human rights.

Overall recommendations:

For the EU and Indian government:

- Include into the legal text of the FTA a **human rights clause** that consists of an 'essential elements' clause and a 'non-execution' clause to ensure its enforceability. Based on the research of Bartels (2023), it is also recommended to include a 'positive obligations' clause that sets out a positive obligation for the Parties to comply with the norms laid down in the essential elements clause.
- **Consider improving the implementation of the essential elements clause** by supporting it with a clear set of targets and procedures that need to be followed in case of human and labour rights violations and make progress regarding the implementation of human and labour rights. **Tailored set of specific targets or benchmarks** should be considered that are accompanied by **time-bound roadmaps**, which will be monitored as part of the monitoring of the implementation of the FTA. Parties should consider establishing these roadmaps in a formal way to ensure accountability, either in the agreement itself or as an addendum to the agreement (in the form of the addendum or a Memorandum of Understanding, agreed before the agreement has been signed).
- The EU and India should negotiate a robust TSD chapter in line with the new EU approach.
- Linked to the abovementioned recommendation on implementation of the essential elements clause, look into various possibilities of improving **monitoring** of the essential elements clause, for instance, by extending the **mandate of the Domestic Advisory Groups (DAGs)** to include monitoring of the essential elements clause under the FTA as one of their specific tasks (i.e., explicitly include human rights issues into their mandate).
- Clearly specify composition of the civil society representatives represented in the DAGs, in order to ensure participation of independent civil society organisations in the implementation and monitoring of the TSD chapter and human rights related issues under the FTA.
- Consider including an effective **complaint mechanism** under the FTA to facilitate action in case Parties fail to respect their obligations under the TSD chapter. Explore possibilities of similar existing mechanisms, such as the Single Entry Point. The mechanism should have a structured framework with rules to ensure consistency, transparency, and it should cover labour and human rights. The initiations of complaints should be possible not only for EU stakeholders but also for relevant stakeholders from India. Reports produced should be made public. Furthermore, it should be quick in responding to possible violations. Explicit actions and procedures should be agreed to

follow in case of violations. For instance, imposition of targeted sanctions should be envisaged for companies with verified cases of forced or child labour.

- Include provisions into the TSD chapter that require States-Parties to the FTA to **ratify fundamental ILO Conventions** prior to the signature of the Agreement or specify clear deadlines on the ratification in the legal text of the Agreement. Concrete targets and timelines for their ratification and implementation can also be included in the roadmaps formalised in the agreement in the form of an addendum or an MoU but need to be established prior to its conclusion.
- **Strengthen national laws** to bring them in full conformity with international standards.

For the European Union:

- Require European companies operating in or sourcing from India to undertake **human rights due diligence**, including assessing and mitigating impacts on human and labour rights.
- Offer **financial support for social programmes** that could improve human and labour rights situation in India.
- As an alternative to offering straightforward financial support or technical assistance, the European Union could establish a **Social Impact Fund** tied to the trade agreement. This fund could be designed to incentivise and reward innovations and initiatives that address labour issues relevant in the context of this Agreement, both for the EU and Indian needs. For instance, the fund could host annual innovation challenges where companies, local entrepreneurs, and NGOs, could pitch solutions to challenges related to labour and environment. It could facilitate and co-finance collaborative projects between Indian and EU entities, focused on technologies or methods that identify and combat forced or child labour. Instead of a top-down approach, the EU could use this fund to invest in grassroots organisations that are already making a difference in local communities but need financial backing to scale up their efforts. Companies that demonstrate a certain level of compliance could be given a share of the profits generated by the fund's investment, creating a financial incentive for firms to rigorously enforce labour laws. To supplement the fund, the EU could set up a crowdsourcing platform where EU citizens can contribute, creating a sense of collective engagement in solving this issue. The fund's activities would be publicly reported to ensure transparency, and its effectiveness would be regularly evaluated by an independent body. This way the fund would not only provide the necessary resource but would also engage a broader spectrum of stakeholders in a creative and dynamic way and through a collective and incentivised effort.

Specific recommendations¹²¹:

Regarding the right to an adequate standard of living

For the Indian government:

- Strengthen safety nets and public services that contribute to an adequate standard of living, such as education, healthcare, and housing, especially for workers from affected sectors and effectively extend the social security coverage to all categories of workers, including workers on temporary contracts and informal workers.
- Amend legislation to ensure that minimum wage provisions apply to all categories of workers, including those on temporary contracts and informal workers and regularly update and enforce a fair minimum wage to ensure that workers can afford basic necessities.
- Ensure that economic growth from trade does not lead to environmental degradation, which in turn, affects people's quality of life.

¹²¹ Overall recommendations also apply for specific recommendations but are not repeated here.

For the European Union:

- Strengthen safety nets and public services for informal and migrant workers.

For the private sector:

- Commit to paying fair wages to all employees, including informal workers.
- Take responsibility for the entire supply chain, ensuring that suppliers and subcontractors also respect human rights and provide fair working conditions.
- Involve local communities, workers, and NGOs in decision-making processes, particularly those that directly affect living conditions, such as location of factories or environmental practices.

Regarding the right to water

For the Indian government:

- Include provisions in trade agreements that address water quality and accessibility as part of human rights and environmental clauses.
- Enforce strong environmental regulations to prevent pollution of water resources by industries.
- Implement comprehensive water management policies that prioritise equitable access for all, including marginalised communities.
- Invest in water infrastructure to improve the quality, availability, and sustainability of water supplies, especially in underserved rural areas.
- Work closely with the EU to tap into technologies and expertise for water management and purification.

For the European Union:

- Include provisions in trade agreements that address water quality and accessibility as part of human rights and environmental clauses.
- Facilitate the transfer of water purification and management technology to India to help address shortages and improve quality.
- Encourage EU companies to follow responsible business practices that consider water usage and impact in their operations in India.

For the private sector:

- Adopt water-efficient technologies and practices in production processes, especially in sectors like textiles and leather that are water-intensive.
- Require suppliers and subcontractors to comply with sustainable water management practices.
- Collaborate with local communities to understand their water needs and challenges and involve them in decision-making processes related to water access.
- Provide data on water usage and management practices that can be monitored by both government organisations and civil society.

Regarding the right to health

For the Indian government:

- Strengthen quality controls to ensure quality standards in the production of medicines to avoid adverse impact for patients.

- Improve quality standards in food production, including in relation to the use of pesticides, for domestic market and exports to avoid adverse health impact.
- Use any additional revenue from trade to invest in healthcare infrastructure, focusing on rural and underserved areas.
- Implement stringent environmental standards to limit pollution, which has direct and indirect effects on public health.
- Strengthen social safety nets to protect the vulnerable populations whose health may be adversely affected by rapid economic changes.

For the European Union:

- Amend legal provisions (as currently tabled in the EU textual proposal) regarding patent protection and data exclusivity, in line with the WTO TRIPS standards, not going beyond the minimum standards of IP protection.
- Promote the sharing of healthcare technologies that could improve the delivery of healthcare services in India.
- Encourage European companies to adopt sustainable practices that don't harm the environment, and, by extension, public health.

For the private sector:

- Adopt and strictly enforce ethical sourcing practices, ensuring that suppliers meet adequate standards for worker health and safety.
- Commit to sustainable operational practices that minimise environmental impact, thereby indirectly contributing to public health.
- Invest in community healthcare as part of corporate social responsibility.
- Regularly conduct and publish health impact assessments of business operations, especially when it involves the use of natural resources, emission of pollutants, etc. that could have an indirect impact on community health.

Regarding labour rights (right to just and favourable conditions of work, right to join and form trade unions, incl. right to collective bargaining, and prohibition of forced and child labour)

For the Indian government:

- Ensure that national labour laws align with international standards, including for informal workers. Address loopholes in existing labour laws that inhibit unionisation.
- Take additional efforts to increase unionisation in the country, including unionisation of informal workers.
- Strengthen labour inspection mechanisms to ensure compliance with labour laws, particularly in sectors that are likely to be affected by the proposed agreements (leather, garment, and textile). In that context, improve the capabilities of labour inspectors to identify and prosecute instances of forced and child labour.
- Establish an effective grievance redressal system that allows workers to report violations without fear of retaliation.
- Require companies to publish annual reports on working conditions, labour rights, and occupational safety.
- Use economic gains to improve vocational training and worker education programmes.
- Increase awareness among workers about their rights through public information campaigns.
- Regularly collect and publish data on union membership and activities to monitor the situation and guide policy.

- Develop a comprehensive system for the collection and analysis of data related to forced and child labour to identify at-risk industries and areas.
- Invest in education and social services that provide alternatives to child labour and support the rehabilitation of survivors of forced labour.

For the European Union:

- Provide technical assistance, if necessary, in cooperation with other international organisations, e.g., ILO, to help India improve its labour inspection systems and occupational safety standards.
- Provide support to Indian authorities to build capabilities for effective labour law enforcement and adjudication.
- Require EU companies operating in India to adhere to EU standards for working conditions, even when operating abroad and to carry out the due diligence regarding labour rights in their supply chains.
- Implement disclosure requirements for EU companies on how they are monitoring and combating forced and child labour in their supply chains.
- Promote labelling or certifications that inform European consumers about the labour conditions under which products were made.
- Support Indian SMEs in adapting to higher labour standards through training programmes and easier access to capital.

For the private sector:

- Conduct due diligence in the supply chain to ensure that subcontractors and suppliers are also adhering to fair labour practices.
- Maintain open channels of communication with worker representatives and engage in collective bargaining in good faith. Educate workers about their rights and the mechanisms available to exercise these rights.
- Invest in the communities where the company operates, as better living conditions often translate into better working conditions.
- Regularly conduct third-party audits to evaluate compliance with labour rights, including freedom of association.
- Establish mechanisms for workers to report unsafe or illegal conditions, including forced or child labour, without fear of retribution.
- Work with local NGOs and government agencies to promote awareness and create alternatives for vulnerable populations.

6 CONTRIBUTION TO ATTAINMENT OF EU STRATEGIC OBJECTIVES

In addition to the traditional elements of trade liberalisation and the benefits that ensue, the EU-India Agreements are being negotiated in a time that is unprecedented in terms of global uncertainties: the war in Ukraine, the deteriorating US-China and also EU-China relationships, the aftermath of Brexit, the post-COVID19 recovery with policies focused on strategic autonomy and security, and the paralysis of the WTO's Appellate Body. Because of this context, the EU is also clear that it looks at these Agreements (and many other policy initiatives) to support some of its strategic objectives. The Terms of Reference for this study list the following strategic objectives in particular, whereby the contribution of the Agreements to each of these initiatives should be investigated:

- Defending and promoting the place and influence of the EU in India, including in terms of market shares and how they compare to the market shares captured by India's other key partners such as China, Japan, US, UK, and Russia,
- Ensuring greater security in the EU's global supply chains through enhanced diversification of supply,

- Providing alternative outlets and sources of supply for EU operators (alternatives to Russia and others),
- Promoting the EU as a strategic partner for India in the Indo-Pacific,
- Promoting the EU's new approach to trade and sustainability, and advancing the EU's climate and environmental agenda, by focussing on clean tech, renewable energy and green products, services and technologies, and the market access obstacles encountered.

6.1 Impacts for the EU's place in India's trade and investments (the first EU strategic objective)

To answer the question of what the impact of the EU-India FTA/IPA would be on the EU's place in India's trade compared to other trading partners, we have to first establish the baselines: the EU's share in Indian trade and India's share in EU trade. Between 2010 and 2022, we can observe the following changes (based on UN Comtrade data):

- **EU share in Indian exports:** in 2010, the EU27 share in Indian exports was 12.2% and in 2022 it was 12.0%. This points to a stagnant share of the EU in Indian exports. The market space has been absorbed by the US, whose share in Indian exports rose from 6.9% in 2010 to 11.4% in 2022 (+65.3%).
- **EU share in Indian imports:** in 2010, the EU27 share in Indian imports was 8.3% and in 2022 it was 5.7%. This is a decrease of 31.4% in 12 years. Trade flows from decreasing EU share have been taken over mostly by ASEAN, China, and the US whose shares rose between 2010 and 2022 from 5.8% to 7.9% (ASEAN), from 8.1% to 9.1% (China) and from 3.7% to 4.6% (US).
- **Indian share in EU exports:** in 2010, the Indian share in EU exports was 0.5% and in 2022 it had gone down to 0.4%. This is a significant decrease of 11.0% in 12 years. The difference has gone mostly to China and the US, whose shares rose (between 2010 and 2022) from 1.6% to 2.0% (China) and from 3.4% to 4.3% (US).
- **Indian share in EU imports:** in 2010, the Indian share in EU27 imports was 0.5% and in 2022 it had gone up to 0.6%. This is an increase of 20.0% over 12 years. We can see that the Chinese share in EU imports has gone up too from 4.3% to 5.4% and so has the US share, from 2.8% to 3.4%.

We combine these statistics with the modelling results that show a significant bilateral increase in trade between the EU and India, in part at the expense of third countries. The modelling results that indicate the changes in bilateral trade in the long run are shown in Table 6.1. The Table should be read from rows to columns. For example, EU27 exports to India increase by 82.9% and Indian exports to the EU27 increase by 32.7%. This means that the row 'EU27' shows EU27 exports to partner countries/regions. Because countries do not trade internationally with themselves, some cells are empty (e.g., India-India). But regions do have intra-regional international trade, like the EU27 (intra-EU trade) and ROW (which are all countries in the world together that are not singled out), so for EU27-EU27 and ROW-ROW we do have an impact on international trade.

Table 6.1: EU-India FTA induced changes in bilateral trade in the long run (% change, ambitious scenario)

Destination Exporter	EU27	India	US	UK	China	Russia	ROW
EU27	-0.7%	82.9%	-0.4%	-0.4%	-0.7%	-0.4%	-0.5%
India	32.7%		-1.6%	-2.0%	-1.5%	-1.9%	-1.3%
US	0.0%	-3.0%		0.0%	-0.2%	0.1%	-0.1%
UK	-0.2%	-4.2%	0.0%		-0.2%	0.1%	-0.2%
China	-0.1%	-6.1%	0.2%	0.3%		0.2%	0.0%
Russia	0.1%	-3.8%	0.0%	0.1%	-0.1%		-0.1%
ROW	-2.8%	-1.1%	0.3%	0.3%	0.1%	0.3%	0.1%

Source: CGE modelling conducted by DG Trade

The result of the EU-India FTA/IPA for bilateral trade effect is shown in Figure 6.1 and Figure 6.2.

In Box 6.1, we present our methodological approach to analysis the strategic objectives from a quantitative angle.

Box 6.1: Quantitative methodological approach to the strategic objectives

Methodological note

In order to compare 2010 with 2022 and then simulate the trade shares for 2032, what we do methodologically is the following:

- 1) We calculate the trade shares in 2010 from UN Comtrade trade data for 2010 for EU exports, EU imports, Indian exports, and Indian imports. This is the first column in Figures 6.1 and 6.2.
- 2) We calculate the trade shares in 2022 from UN Comtrade trade data for 2022 for EU exports, EU imports, Indian exports, and Indian imports. This is the second column in Figures 6.1 and 6.2.
- 3) In calculating the effect of the FTA for 2032, we have to be careful not to overestimate the effect by wrongfully adding the scale effect that increases as the simulation goes further into the future, but we do use the ambitious FTA scenario from the economic model. So, we apply the relative changes in trade that come from the ambitious scenario in the economic model to the 2022 base year. The result is that from 2) we have the 2022 year without the FTA and from our calculations we get a '2022 with an FTA' simulation. This is the expected 2032 effect without the scale increase from the model, outlined in the third column in Figures 6.1 and 6.2.
- 4) In order to calculate the Herfindahl Hirschmann Indexes (for Strategic Objective 2), we then use the trade shares in 2010, the trade shares in 2022 and the trade shares in '2022 with FTA' = 2032. These three values are then compared.
- 5) For Strategic Objective 3, we use the same approach as highlighted in the above steps, but then also for Indian imports.

Our key findings regarding the FTA/IPA effect are as follows:

1. **Bilateral EU-India trade in goods:** After a decline in trade shares between 2010 and 2022, the EU share in Indian trade and India's share in EU trade increase again significantly:
 - a. The EU share in Indian imports dropped from 12.1% in 2010 to 8.8% in 2022 (losing out to China, the US, ASEAN, and Russia). Because of the FTA/IPA, the EU share in Indian imports increases again from 8.8% in 2022 to 15.3% in 2032, moving the EU from 3rd to 1st place in Indian import shares (ceteris paribus).
 - b. The EU share as a destination for Indian exports decreased from 18.9% to 18.7% between 2010 and 2022. The effect of the FTA/IPA is to increase this share from 18.7% in 2022 to 23.7% in 2032 (ceteris paribus).

Figure 6.1: EU share in Indian exports (% , 2010, 2022, 2032)

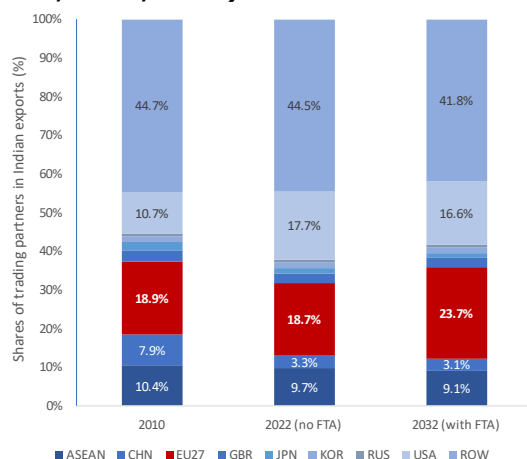
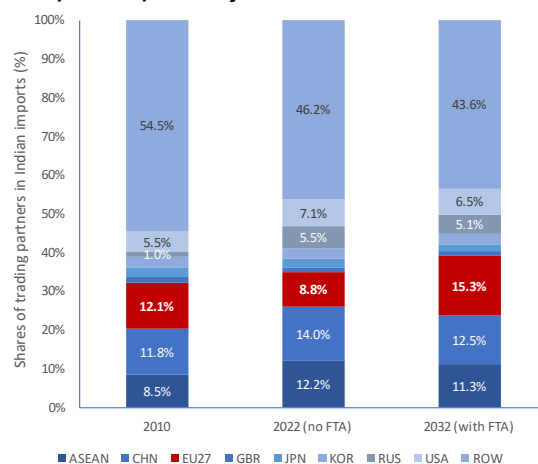


Figure 6.2: EU share in Indian imports (% , 2010, 2022, 2032)



Source: Own calculations based on UN Comtrade and CGE modelling results

2. **Russia/Belarus:** The Indian import share of Russia/Belarus has increased strongly from 1.0% in 2010 to 5.5% in 2022 (making Russia the 5th most important exporter to

India), with the strongest increase in 2022 since the start of the war in Ukraine. The EU-India FTA/IPA will have a negative effect on Russia's share in Indian imports (down to 5.1% in 2032 from 5.5% in 2022) but will not really reverse the sharp bilateral trade increase witnessed in 2022. Russia has not become a more important export market for Indian products between 2010-2022, nor will the FTA impact that trend.

3. **United States:** The share of the US as a destination for Indian exports had gone up from 10.7% in 2010 to 17.7% in 2022 and is estimated to decrease to 16.6% as a result of the FTA/IPA between the EU and India, making the US the 2nd most important export destination for India in 2032. The share of the US in Indian imports has risen from 5.5% to 7.1% between 2010 and 2022, but as a result of the FTA/IPA is expected to decline marginally to 6.5%, making the US the 4th largest exporter to India in 2032.
4. **China:** The share of China as a destination for Indian exports has already gone down significantly from 7.9% to 3.3% between 2010 and 2022. This share will decline marginally further, to 3.1% by 2032, because of the FTA/IPA. China was the 2nd most important exporter to India in 2010 (11.8%), after the EU (12.1%), but by 2022, China's share had increased to 14.0%, while the EU share had dropped to 8.8%. This gain is expected to be reversed in part by the FTA/IPA by 2032, when China's share of Indian imports will have gone down to 12.5%.
5. **ASEAN:** The ASEAN region is a main destination for Indian exports. Its share dropped from 10.4% in 2010 to 9.7% in 2022 and with the EU-India FTA/IPA would decline further to 9.1% in relative terms by 2032. ASEAN has also been an important exporter to India, increasing its share from 8.5% in 2010 to 12.2% in 2022. The FTA/IPA will marginally reverse that trend from 12.2% to 11.3%.

Conclusion: The significant increase of the relative importance of the EU as a key trading partner for India both as a destination for Indian exports and as a source for Indian imports, means that indeed the FTA/IPA is likely to contribute to achieving the first EU strategic objective: **significantly strengthening the EU's role as a key partner for India's imports and exports.**

However, there are two important caveats that we need to mention in respect of this main finding. They do not undo the conclusion, but are important to note:

- These results only show the effect of the EU-India agreements on the relative shares while keeping all other possible policy changes constant. We know, for example, that India is also negotiating bilateral trade agreements with the UK and – since recently – with Russia. The effects of these potential agreements have not been included in the economic model used for this study and in our analysis. Conclusion by India of such agreements would lead to trade diversion away from the EU-India relationship again and partially undo the effects of the EU-India agreements under negotiation. The deeper the EU-India agreements, the more the EU's position in India is strengthened, even in the light of other policy developments.
- These results show the long-run effects; that is when the economic production structures have adapted to the new bilateral trade relationship. These adjustments could typically take ten years or more to materialise. Therefore, we caution that these effects are not immediate and will not be visible until after several years.

6.2 Impact on the EU's supply chain security through diversification (second EU strategic objective)

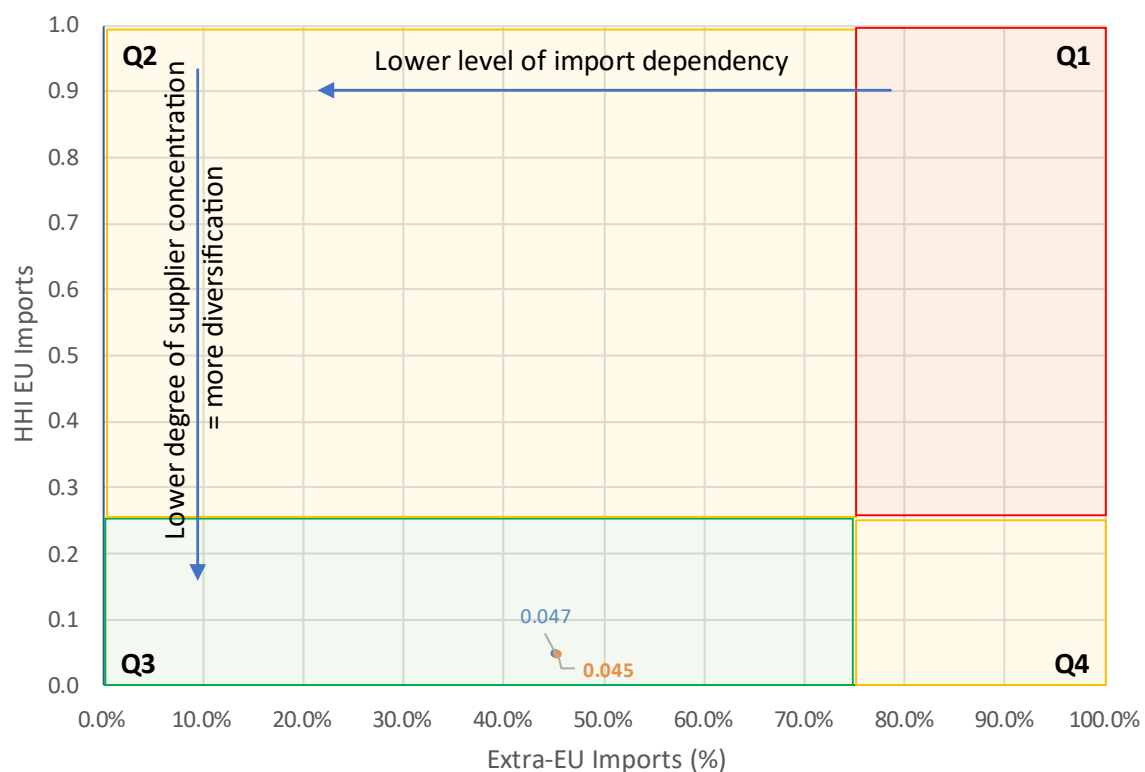
Since the COVID-19 pandemic, when some supply chain vulnerabilities became apparent (e.g., for face masks), and more recently in response to the ongoing global fragmentation in part because of the fall-out of the war in Ukraine, the EU (and also other countries) have increasingly focused on supply chain risks and dependencies. While OECD (2020) on shocks, risks and global value chains shows clearly that it would not be helpful to reduce international dependencies by increasing domestic production (as this would increase a country's vulnerability to global shocks), diversification of supply chains could be a way to also reduce supply risks. After all, when a certain product is supplied to the EU by several suppliers in multiple countries, if one country halts its exports to the EU (or is forced to halt exports), suppliers from other countries could cushion the blow and (partially) take over some of these exports, reducing EU import vulnerabilities.

There have been some very news-dominating examples of export bans and unwanted strategic dependencies like face masks in March/April 2020, an Indian export ban on paracetamol and hydrochloroquine¹²², and chips in Taiwan (China). The EU's overall level of dependency is reduced by virtue of the large EU Internal Market and the strong export position the EU enjoys globally. However, there are also areas where dependencies exist that the EU is aware of: 1) energy import dependencies¹²³; 2) raw materials (like aluminium, copper and iron ore, but also soybeans); 3) food and agriculture, with the EU importing a range of agricultural products like grains, fruits, vegetables and meat products; 4) pharmaceuticals, where the EU is dependent on India and China to source Active Pharmaceutical Ingredients (APIs) for the generics industry; and 5) critical minerals (especially critical mineral and rare earth materials needed for the EU's twin transition).

We measure supply chain risks in two dimensions:

1. The share of extra-EU imports compared to total imports – looking at intra-EU trade as well. The larger the share of goods imported from outside the EU, the higher the risk of dependency. **Measure:** import shares in percentage terms.
2. The number of supplying countries of certain products. The larger the number of countries supplying, and the more evenly spread across those various suppliers the products are, the lower the risk of dependency for the EU. **Measure:** Herfindahl-Hirschman Index (HHI) measuring import concentration across suppliers to the EU. The HHI is calculated as the square of the respective market shares of countries and regions the EU imports from (so only focusing on extra-EU trade).

Figure 6.3: EU import dependencies in terms of imports and supplier concentration (2010, 2022, 2032)



Source: Own calculations based on UN Comtrade and CGE modelling results

These two dimensions are depicted in Figure 6.3 where we split each dimension into 'higher risk' and 'lower risk' (for imports taking 75% as the border; for the HHI, taking 0.25 as the border). This leads to four rectangles of risk that help us to interpret the degree of supply chain risk that is faced. In the green rectangle (Q3), we see that supply risks are low

¹²² Hydrochloroquine is a substance used to treat lupus and/or rheumatoid arthritis. For a short while during the COVID-19 pandemic, it was thought that hydrochloroquine would also be useful to treat COVID-19. This turned out not to be the case in the end.

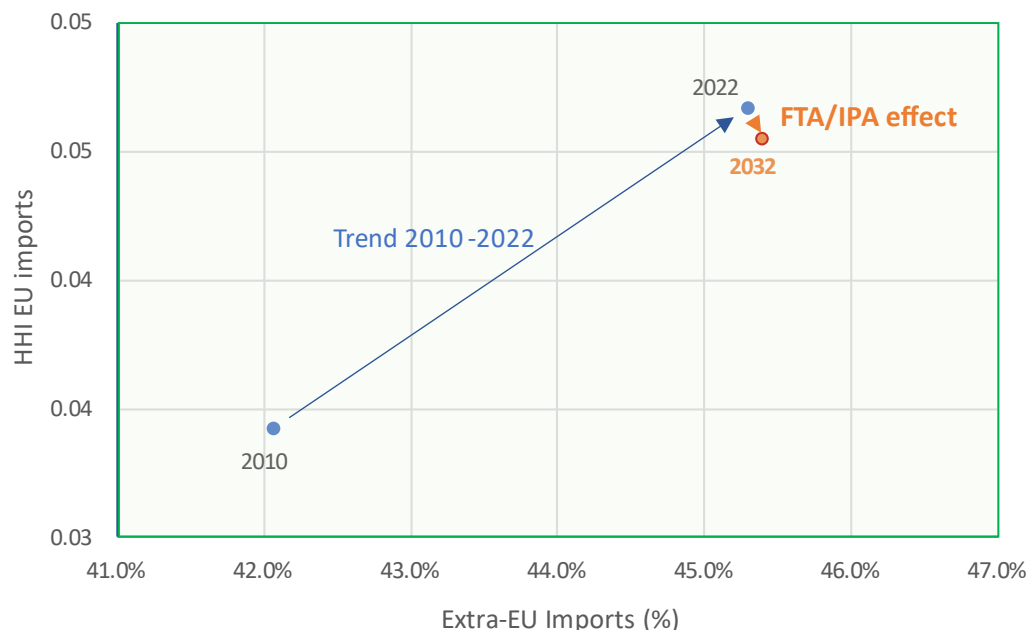
¹²³ IEA (2022) "Energy Policies of IEA Countries – European Union 2021 Review", IEA, 2022.

because import dependencies are lower than 75% (i.e., over 25% of trade is intra-EU trade) and the importer concentration is lower than 0.25. In the yellow rectangles, either the import share is higher than 75% (Q4) or the degree of supplier concentration is over 0.25 (Q2). In rectangle Q1, supply chain risks are higher because the EU would import over 75% from abroad and there is a significant supplier concentration in one or a few countries. In Figure 6.3, we also depict two dots: 1) a blue dot for 2022 (based on UN Comtrade data); and 2) an orange dot for 2032 (based on UN Comtrade data 2022 plus the economic modelling results for the trade effects of the FTA/IPA). Both dots depict total trade flows. We see that these dots are in the green quadrant and closely together, implying that the EU's overall supply chain risks (at the aggregate level) are low and that the impact of the EU-India FTA/IPA is limited. But the fact these data points are in the green quadrant does not mean that there are no dependencies and risks at a more disaggregated level (for example, for the abovementioned sectors and products – to which we will turn later).

Part I: EU-India FTA/IPA impact on overall supply chain risks

First, we look at what the impact is on supply chain risks from the EU-India FTA/IPA as a whole. The results are shown in Figure 6.4. In the next section, we will look at a more disaggregated sector level at the same impact.

Figure 6.4: EU import dependencies in terms of imports and supplier concentration (2010, 2022, 2032, zoomed in)



Source: Own calculations based on UN Comtrade and CGE modelling results

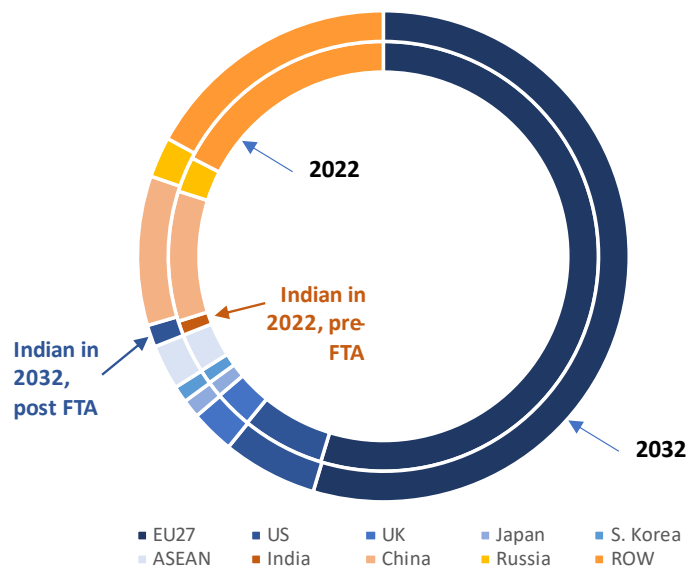
Figure 6.4 is an enlargement of Figure 6.3 for the three moments in time and shows the pre-FTA/IPA situation in terms of imports and HHI for 2010 and 2022 in blue, and the post-FTA/IPA situation for 2032 in orange.

From Figure 6.3 and Figure 6.4, we can conclude that:

- Between 2010 and 2022, the trend has been that EU supply chain risks have increased marginally (blue arrow Figure 6.4) and that EU import dependencies have gone up (from 42.1% to 45.3%).
- While the effect of the EU-India agreements on supply chain security is small (Figure 6.3), it does break/mitigate the trend of the 2010 – 2022 period where risks were increasing.
- The effects of the EU-India agreements, while small, do create more supply chain resilience through diversification (Figure 6.4) at the expense of marginally higher extra-EU imports:
 - The share of extra-EU imports increases marginally as a result of the agreements from 45.3% to 45.4%; and
 - The degree of market concentration drops a bit (mainly due to a decrease in market share for ROW and an increase of India's market share).

While the effects of the agreements on EU supply chain risks are small when looked at through statistical and modelling analysis, this may not cover the entire scope of the strategic objective. What is equally important, is whether through the FTA/IPA, the EU and India manage to agree on more bilateral supply chain security and will – for example – manage to avoid export restrictions (or bans) in the future and engage in types of regulatory collaboration. During the pandemic, India has not always proven a reliable trade partner, but the FTA/IPA could potentially change this.

Figure 6.5: EU imports from FTA/MRA Parties and other trading partners (% , 2022, 2032)¹²⁴



Source: own calculations based on UN Comtrade and CGE modelling results

If that is the case, one effect becomes visible in Figure 6.5, while the other needs to be assessed in the future:

- In 2022, around 69% of EU imports come from countries that are more closely allied to the EU (including via having a formal FTA and/or mutual recognition agreement (MRA) – indicating a certain level of mutual (regulatory) trust). This includes countries like the US, the UK, Japan, South Korea, and several countries of ASEAN (e.g., Singapore, and Vietnam). If – because of the FTA/IPA, in 2032, India is also considered a strategic partner and an ally by the EU (and vice versa), for example via binding commitments in the FTA/IPA, India goes from 'orange' in 2022 to 'blue' in 2032, joining the EU's allied trading partners. This means that the share of FTA/MRA covered trade for the EU goes up by 1.5% points (India's trade share in the EU) to 71%.
- This statistical analysis could still underestimate the effects to some extent as the gains in supply chain resilience through a deeper, trust-based partnership with India are not modelled and could lead to larger FTA gains than currently estimated.

Conclusion Part I: The EU-India agreements are likely to (marginally) support the achievement of the EU strategic objective of increasing supply chain security through diversification (as shown by a decrease of market concentration of suppliers). This increase in supply chain resilience comes at the price of a marginal increase in extra-EU imports. If India also becomes a more trusted trading partner because of the agreements under negotiation, additional supply chain security may be the result.

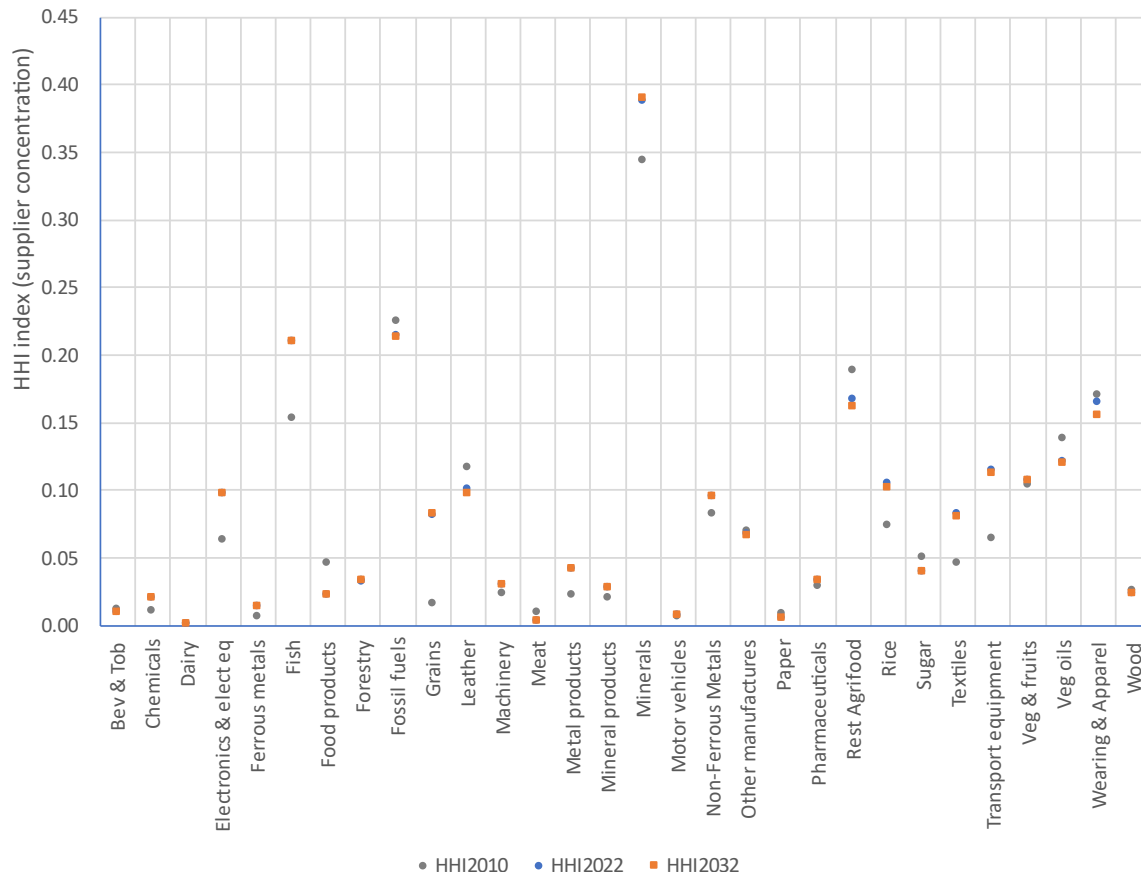
Part II: EU-India FTA/IPA impact on supply chain risks at sector level

In this section, we look at the impact of the EU-India FTA/IPA on supply chain security at sector level.

¹²⁴ Figure 6.5 singles out only those EU trade partner countries that have been singled out in the economic model and therefore, for which trade shares can be calculated for 2032. We note, however, that the EU has preferential trade agreements or MRAs with many more partners, such as Canada, the Andean countries, or Central America, to name a few.

Calculating the HHI index for 2010, 2022 and 2032 (with the EU-India FTA/IPA effect) allows us to see in which sectors the EU is facing high degrees of market concentration and what the effect of the Agreements is. As shown in Figure 6.6, the EU level of dependency is relatively highest in minerals (2010: 0.343; 2022: 0.388; 2032: 0.389), followed by fossil fuels (2010: 0.225; 2022: 0.214; 2032: 0.213) and lowest for dairy, meat, and paper.

Figure 6.6 Market supplier concentration for the EU (HHI 2022, HHI 2032)

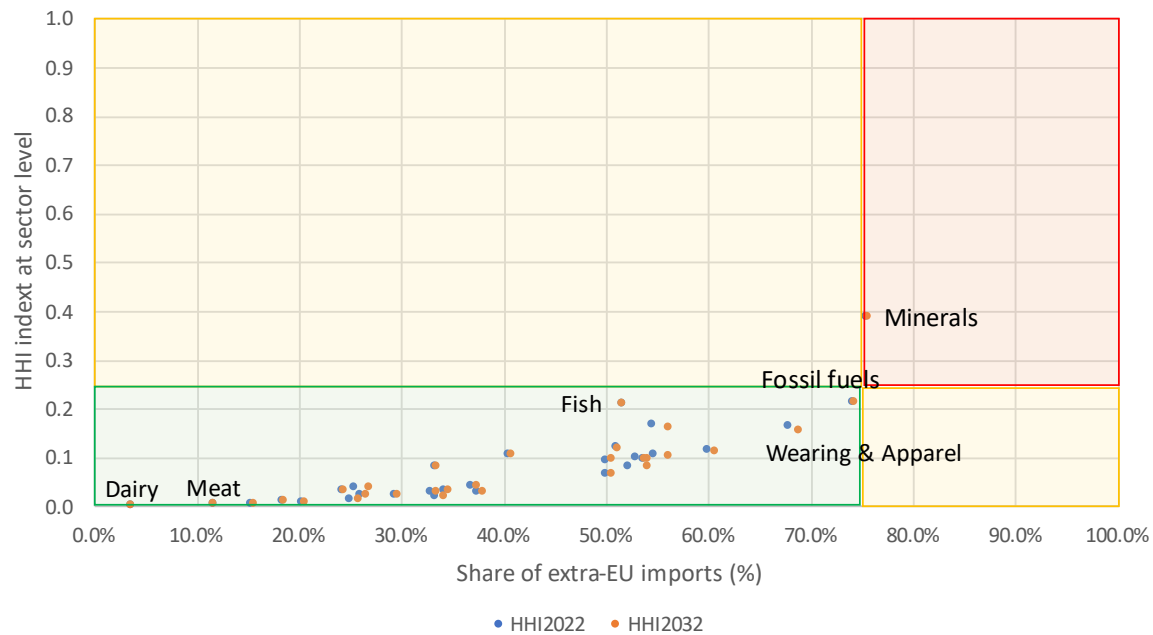


Source: own calculations based on UN Comtrade and CGE modelling results

If we add the degree of extra-EU import dependency to the data of Figure 6.6, we get an overview of the level of supply chain security for the EU (shown in Figure 6.7). From this figure we can derive the insightful results that:

- Around the low level of supply chain risk for the EU for total trade (see Figure 6.4) there is a lot of sectoral variation.
- The supply chain risk for the mineral sector is considered high for two reasons. First, the EU imports over 75% of its mineral needs from abroad. Second, the number of suppliers of these minerals is very limited (i.e., we see a high value for the HHI).
- Also, the supply chain risks for fossil fuels and wearing and apparel, while in the green quadrant, are very close to medium-high, due to the fact that the EU is dependent on imports to a large extent and – especially for fossil fuels – the supplier base is concentrated.
- Other sectors like dairy and meat are not facing supply chain risks (which is both due to the low levels of imports and low levels of supplier concentration).

Figure 6.7 EU supply chain security by sector (2010, 2022, 2032)

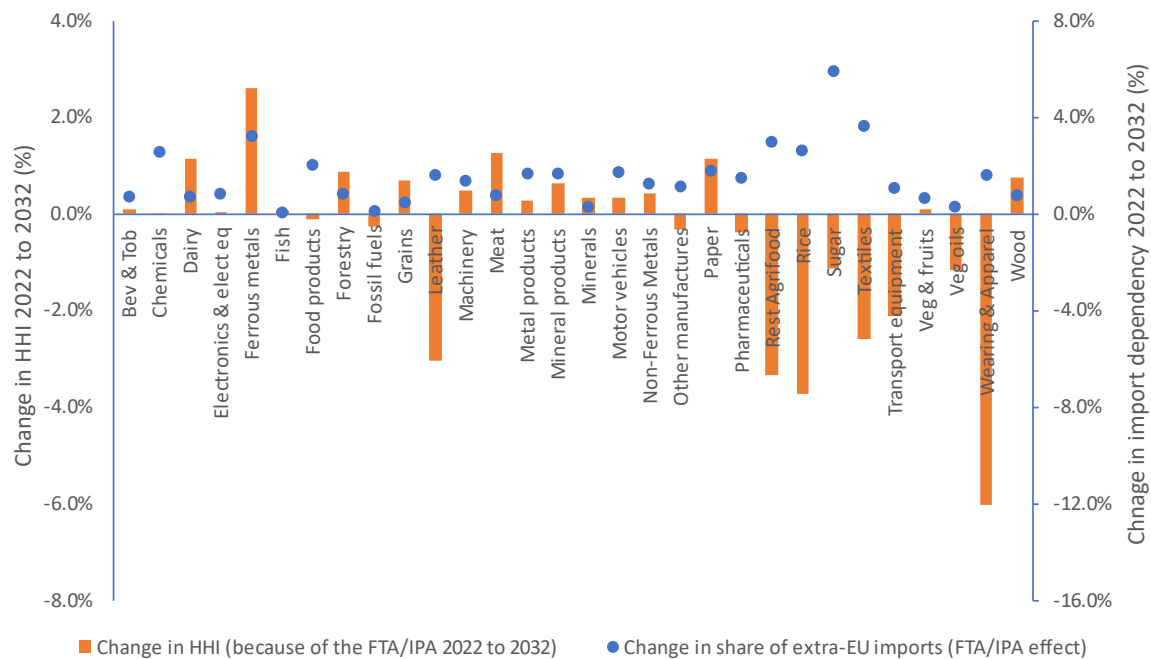


Source: own calculations based on UN Comtrade and CGE modelling results

While these findings show EU trade pattern dependencies at sector level, the question remains what the effect of the EU-India FTA/IPA on these levels of supply chain security is. Figure 6.8 summarises the effect. The main conclusions from Figure 6.8 are:

- On average, the Agreements have a marginally positive effect on supply chain security levels, i.e., they increase supply chain resilience.
- The sectors where the gains in terms of decreases supplier concentration are most pronounced (see changes in the orange bars) are those sectors where India benefits a lot from the Agreements and where India is not already one of the key suppliers. Sectors where the market concentration has dropped most are wearing and apparel, agrifood, rice, textiles, transport equipment and sugar.
- For some sectors market concentration has gone up marginally (e.g., ferrous metals, meat, paper, and dairy) with India increasing its access to the EU. But these increases are changes on such a low base level of market concentration that the effects are negligible.
- If we look at minerals (the EU's sector that is most at risk), we see that the Agreements with India do not have an effect (for the better or worse). The reason for this is that India is not one of the few countries with large mineral bases. Other Agreements, e.g., the EU-Canada CETA agreement, would be much more important for the EU to reduce market concentration in minerals. It is also worth noting that while the EU's supply chain risk is higher for minerals, this is not the case for (processed) mineral products.
- Finally, we see that for all sectors, but to varying degrees, the share of extra-EU imports goes up. This change is negligible for sectors like minerals, fossil fuels and vegetable oils, but more significant for sugar, textiles, other agrifood, ferrous metals and rice – where increases in import range from 2.6% points to 5.0% point. In this context, we note (based on other parts of the analysis) that sectors including sugar, rice and textiles have been identified by EU sector representatives as fully or partly sensitive. In these sectors, the economic model estimates negative impacts for the EU resulting from increased imports from India, e.g., reduction in EU production and jobs and the complementary analysis points to other negative social, environmental, and human rights-related effects.

Figure 6.8 Impact of the EU-India FTA/IP on EU supply chain security



Source: own calculations based on UN Comtrade and CGE modelling results

Conclusions Part II:

- **The EU has a high level of risk in the minerals sector** because of high import demand combined with a limited number of suppliers of those minerals globally. Also, the fossil fuel sector is close to high-risk.
- The EU-India Agreements **will have a very small positive impact on (reducing) EU supply chain risks.**
- **The supply chain benefits occur in sectors where India benefits most from the Agreements and where India does not already have a large market share in EU imports.** For example, the wearing and apparel, leather, rest of agrifood, textiles, sugar, and rice sectors become more resilient. In this context, we note (based on other parts of the analysis) that sectors including sugar, rice and textiles have been identified by EU sector representatives as fully or partly sensitive. In these sectors, as well as in the wearing and apparel and leather, the economic model estimates negative impacts for the EU resulting from increased imports from India, e.g., reduction in EU production and jobs and the complementary analysis (outlined in chapters 3-5) points to other negative social, environmental, and human rights-related effects.
- For **all sectors extra-EU imports go up** (so import dependencies rise). But the increases vary a lot by sector, ranging from almost 0% change for minerals to 5.9% change for sugar – extra-EU imports go up (we note that due to the sector sensitivity, EU sugar sector representatives called for its exclusion from further liberalisation in the EU-India FTA talks).

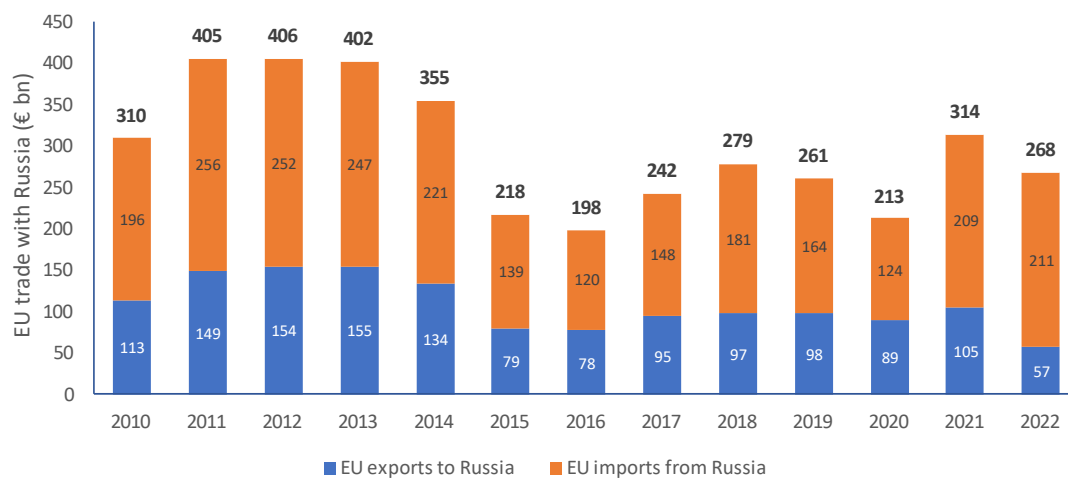
6.3 Impact on providing alternative outlets and sources of supply for EU operators (the third EU strategic objective)

On 24 February 2022, Russia attacked Ukraine and the war in Ukraine began. In response to that war, the EU, the US, and other countries started to impose sanctions on Russia (and later also Belarus) via subsequent sanctions packages. At this moment the EU has imposed on Russia 11 sanctions packages. For the purpose of this study, we do not focus on whether the sanctions achieve their objectives, but on the effects, they have on EU exports to and imports from Russia. We then look at to what extent the trade enhancing effect of the EU-India FTA/IPA can (partially) offset this loss in market access in Russia. That is the third EU strategic objective.

In Figure 6.9, we show how EU exports to and imports from Russia have evolved from 2010 to 2022 (based on UN Comtrade statistics). We see that EU exports to Russia dropped from €105 billion in 2021 to €57 billion in 2022 – a drop of €48 billion – as a result of the

sanctions. Imports went up by €2 billion from 2021 to 2022 because of the increase in energy prices and because the EU was decoupling itself from Russian energy supply at a much slower pace.

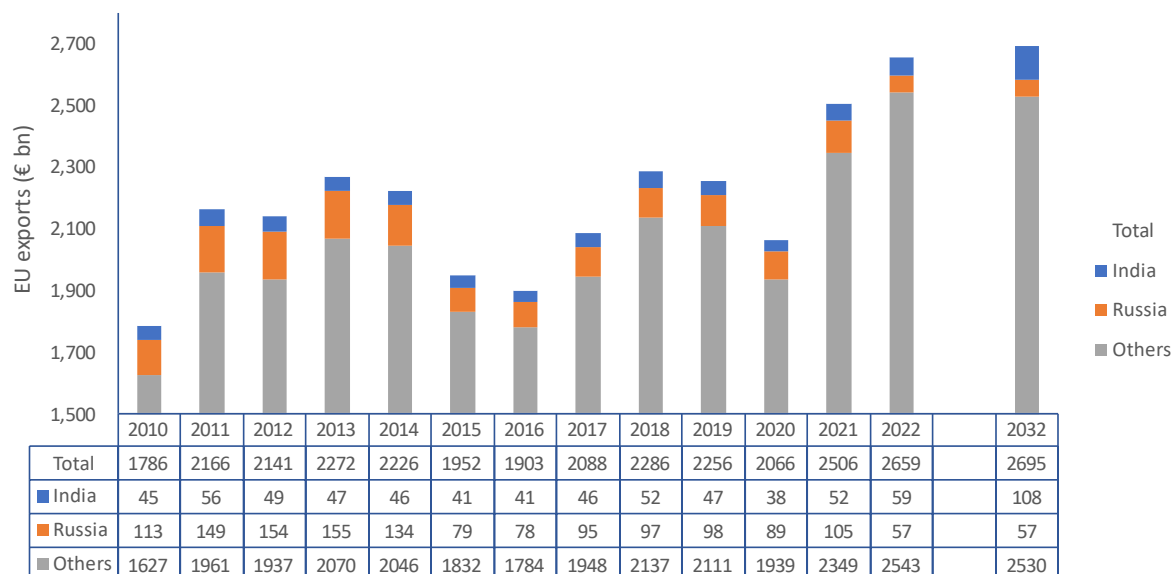
Figure 6.9: EU trade with Russia (2010-2022, € billion)



Source: UN Comtrade

In Figure 6.10, in orange we show the EU's total exports to Russia with the values in the table underneath. The drop in EU exports to Russia from €105 billion in 2021 to €57 billion in 2022 can clearly be seen. If the sanctions are not reversed, this will be an annual effect. Can the EU-India FTA/IPA make up for this loss of €48 billion in exports to Russia?

Figure 6.10: EU exports to India, Russia, and all other countries (2010-2022, € bn)



Source: own calculations based on UN Comtrade and CGE modelling results

When we look at the effects of the EU-India FTA/IPA on trade, we find that the increase in EU exports to India – imposed on the year 2022 – amount to €49 billion a year, from €59 billion in 2022 to €108 billion – ultimately – in 2032 (and then from that moment annually onwards). *Prima facie* it seems that the EU-India FTA/IPA would exactly compensate EU exporters for the loss of the Russian market, but this is not correct for various reasons:

- **The €49 billion in export loss because of the EU sanctions on Russia could either be an over- or underestimation** of the true economic costs for EU exporters:
 - It could be an overestimation of the economic loss for EU exporters, because while the UN Comtrade data show a decrease in EU exports to Russia worth €48 billion in 2022, a sizeable share of these exports initially destined for Russia have been diverted to other markets and sold there. While the size of trade diversion is not

clear, the increase in EU exports to 'Other countries' from 2021-2022 (by €194 billion) is an indication.

- It could be an underestimation of the annual economic loss for EU exporters because the €49 billion loss is calculated only for the period from end of February to end of December 2022, roughly 75% of the year. On an annualised basis, and 2023 would be the first full year to show this, the export losses could therefore be larger.
- **Economics losses for EU operators are happening now, while the gains from an EU-India FTA/IPA would not fully kick in until 2032.** EU exporters are facing the effects of the sanctions since 2022, while market access gains in India will only come in a few years from now when negotiations are completed, and the FTA/IPA are ratified, and start being applied.
- **The economic losses for EU operators are measurable now, while the EU-India FTA/IPA negotiations could lead to potential gains,** if – and only if – the negotiations remain ambitious and are actually concluded. Given the negotiating experience between the EU and India from 2009-2012, that is not a given. Moreover, while the total estimated value of gains and losses is almost the same, there is no certainty that the same would be true in a break-down by sectors, given that increases in EU exports to India may have a different pattern (in terms of sector selection and their shares) than the EU exports to Russia lost as a results of the sanctions. This will also depend on the final outcome of negotiations and the agreed reduction of both tariffs and non-tariff measures.

Conclusion: The EU-India FTA/IPA has the potential to offset a significant part of the losses incurred by EU exporters because of the EU sanctions against Russia, by providing alternative outlets for EU exports. However, the effect of these gains are long term (from 2032 onwards) and are yet uncertain because they depend on the successful conclusion of ambitious Agreements, while the costs of the sanctions are borne now, from 2022 onwards.

6.4 Impact related to promoting the EU as a strategic partner for India in the Indo-Pacific region (the fourth EU strategic objective)

There may be various ways to view what 'strategic partner in the Indo-Pacific' means. In this section, we look at this through the lens of trade and investment partnership – relative to what other partners are doing in the region; and cooperation on non-trade policy objectives – again relative to what other partners are doing in the region.

Trade and investment partnership

While there are many other factors besides the trade and investment agreements between the EU and India, the EU-India FTA/IPA, if successfully concluded, will strengthen the role of the EU as a strategic partner for India in the Indo-Pacific. The degree to which this is the case will depend on the actual text of the Agreements.

- When covering the first strategic objective, we already concluded that (from India's perspective): the significant increase of the EU as a key export destination for Indian products (23.7% market share) and a key provider for Indian import needs (15.3%) is strengthening the EU's role as a strategic partner for India in the Indo-Pacific.
- The effect of the Agreements on India's position as a destination for EU exports and as a provider of products the EU imports, is shown in Figures 6.11 and 6.12. We see that India, while not being the largest trading partner for the EU, is likely to become more important thanks to the FTA: with its share of EU exports almost doubling from a 0.8% to 1.5% while the share of EU imports from India would up from 1.1% to 1.5%.

Figure 6.11: Indian share in extra-EU exports (% , 2010, 2022, 2032)

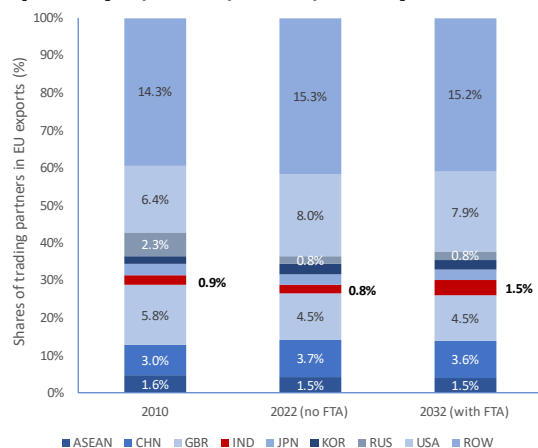
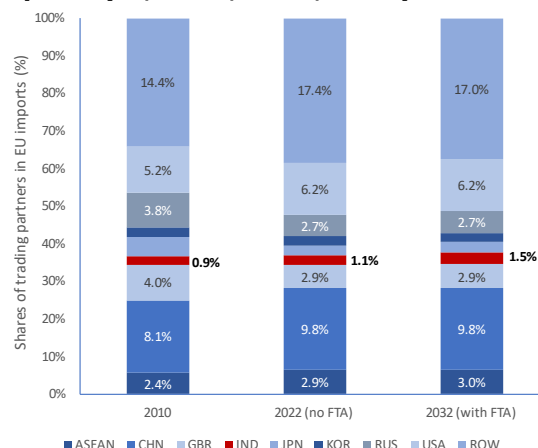


Figure 6.12: Indian share in extra-EU imports (% , 2010, 2022, 2032)



Source: own calculations based on UN Comtrade and CGE modelling results

- The degree to which these estimated deeper trade effects will materialise (and investment effect – not quantified) will depend on the success of the negotiations.
- Contextually:
 - India is a party to the discussions in the framework of the Indo-Pacific Economic Framework (IPEF), driven by the US. But IPEF is still being discussed at this stage. More importantly, India is not party to two agreements that have been concluded in the past and are now in effect: the CPTPP and the RCEP regional trade agreement covering most of Asia's economies in the Indo-Pacific region.
 - The EU is faced with the war in Ukraine and the economic fall-out from the sanctions against Russia and Belarus. India could serve as an alternative market for EU exporters (see the analysis related to the EU third strategic objective).
 - These are two contextual factors that increase the value of the EU and India for each other as key partners in the Indo-Pacific region.

Cooperation on non-trade policy objectives

Promoting the EU as a strategic partner for India in the Indo-Pacific points to a deeper level of collaboration on major global policy files. Although trade and investments are key catalysts, they are necessary but not sufficient conditions to call the bilateral relationship 'strategic'. The degree to which the EU and India will collaborate beyond the trade and investment provisions will determine how strategic the EU-India partnership could be. This will depend on what is agreed in the two Agreements and how the two countries collaborate above and beyond them.

Strengthening the commitments related to cooperation on non-trade policy objectives and their implementation would be key to consider in order to conclude two Agreements that would really increase the depth of the bilateral collaboration. It is clear that this involves a two-way street, where India needs to put in the (political and institutional) capital and will to reform, with the EU being a strategic partner to help India implement the necessary changes by providing the needed (technical and financial) support in terms of implementation. Putting sufficient efforts into making the FTA/IPA 'living agreements' with a strong institutional structure that creates permanent platforms for dialogue on key issues will be most important. EU Member States coordination regarding activities to support enterprises, build networks, engage trade promotion, and export credit agencies are important to flank the Agreements.

Conclusion: The EU-India Agreements will support the fifth strategic objective: promoting the EU as a strategic partner for India in the Indo-Pacific. If an ambitious FTA is concluded, the expected trade effects suggest that EU is becoming a more strategic partner for India. The degree to which the EU and India also manage to conclude an ambitious IPA and the level and enforceability of commitments on the non-trade policy objectives will determine how much the EU's strategic role can really be enhanced.

6.5 Impact related to promoting the EU's new approach to trade and sustainability (the fifth EU strategic objective)

According to a study for the European Parliament in 2022, there is a general belief in Western countries that the role of values as a foreign policy driver is on the decline.¹²⁵ The EU, on the other hand, has been expanding its values into its external policies.¹²⁶

The EU is one of the leading regions in the world with regard to tackling climate change, promoting high labour standards and upholding human rights. We provide a short overview of the degree to which the EU-India Agreements could contribute to these non-trade policy objectives (NTPOs), with a focus on climate and environmental issues.

The RESPECT project¹²⁷ key recommendations are a very good summary of the overall potential of EU Trade Policy to achieve NTPOs, and where to focus. The key conclusions are summarised in Box 6.2.

Box 6.2: Key conclusions from the EU RESPECT project

- There is strong support among stakeholders for the strategy of linking trade policy to the pursuit of non-trade goals (EU values). There is a high degree of coherence in the values projected by the EU and its Member States, helping the EU harness its soft power to promote its policy objectives externally.
- There is, however, no evidence of a causal relationship between inclusion of NTPO provisions in EU reciprocal trade agreements (conditioning access to the Single Market on partner-country non-trade policy commitments) and improvement in non-trade indicators. In most cases, analysis suggests the absence of any relationship.
- RESPECT research finds more evidence for a positive relationship between realisation of NTPOs and foreign direct investment (FDI) flows into trading partner countries. Provisions related to civil and political rights in trade agreements are found to be positively associated with additional FDI; such associations are not observed for provisions on economic and social rights and environmental protection provisions.
- The scope for successful linkage of preferential access to the EU market to the realisation of NTPOs in reciprocal trade agreements is constrained. This is because once tariffs are eliminated following the entry into force of a trade agreement, trade preferences no longer can be used as a 'carrot' to reward 'good behaviour' on NTPOs by trading partners.
- Using trade sanctions to enforce non-trade policy commitments by partner countries may also have little effect given that trade preference margins are often relatively small and depend on the value of affected trade (i.e., the share of the EU in total exports) and the ability of countries to find alternative markets. In principle, there is greater scope to offer positive incentives and to withdraw them if deemed necessary through non-reciprocal trade preferences.
- The EU can better balance material interests with its values by using ex-ante impact assessment processes (like this SIA study for the EU-India Agreements) to identify non-trade priorities of stakeholders and the appropriate instruments to pursue them, and through stronger monitoring and evaluation of implementation enhance the results the EU wants to achieve.
- The achievement of NTPOs calls for effectively combining and leveraging a range of policy instruments jointly. Research findings suggest greater attention be given to non-trade policy tools, including tailored development assistance, dialogue and regulatory cooperation and the need to build partner country domestic institutions to implement non-trade provisions.
- The capacity of domestic institutions in partner countries to implement non-trade provisions is a key determinant of non-trade outcomes. Differentiated technical and

¹²⁵ Damen, M. (2022), "Values on the retreat? The role of values in the EU's external policies", Study for the European Parliament under 'Global Trends in external policies' framework, March 2022.

¹²⁶ RESPECT (2021), EU research project on values in EU external policies. URL: <https://respect.eui.eu/overview/> [accessed 9 September 2023].

¹²⁷ RESPECT (2021), EU research project on values in EU external policies. URL: https://respect.eui.eu/wp-content/uploads/sites/6/2021/09/RESPECT_Policy-brief.pdf

financial assistance that reflects partner country conditions and priorities is a critical complement to trade agreements.

- Policy instruments through which EU Member States can support enterprises, including enterprise networks, trade promotion organisations and export credit agencies complement EU-level trade policy mechanisms.
- An underappreciated instrument of EU external engagement is policy dialogue to establish good practice in different issue areas. Such 'soft law' cooperation, for example, appears to have been associated with gradual convergence in regulatory standards in China over time in several non-trade policy areas, including the environment.
- The use of standards in supply chains can help improve non-trade outcomes. The EU-governed Eco-management and Audit Scheme is an example, as are the ISO 14001 series of environmental certifications. EU trade agreements with environmental protection provisions complement the effect of these private standards in reducing air pollutants and greenhouse gases.
- Greater trade in services can enhance access to key services that matter for specific NTPOs. Benefits from trade liberalisation (trade agreements) may not materialise if the institutional environment is not supportive or regulatory regimes are not in place.

It is clear that the EU is advocating through its trade policy overall¹²⁸, and through the bilateral negotiations with India, its climate, and environmental agenda, focusing on clean tech, renewable energy and green products, services, and technologies.

As outlined in the social, environmental, and human rights-related analysis in chapters 3-5 above in this Report and in the Annex, the levels of respect for international standards and commitments in the EU and India are different and the expected effects of the EU-India FTA/IPA are mixed in these three areas, depending on the level of ambition of the finally agreed provisions and the implementation and enforcement of these and the related domestic legislation.

For example, from an environmental perspective, the most substantial expected impacts of the FTA are related to climate change, air quality, land use and biodiversity. Regarding climate change and air quality, CO₂ emissions and emissions of other air pollutants (nitrous oxide, methane, or ammonia) are expected to increase in the ambitious scenario in India, as a result of an increased production and trade in sectors such as apparel, leather, textiles, dairy and meat. Moreover, agricultural production in specific sectors, such as rice and sugar, can lead to a concerning overuse of freshwater and chemical inputs for production in India. Regarding land use, the FTA is projected to lead to a decrease of land use for agriculture in the EU and an increase in India resulting in biodiversity loss through increased crop areas in fragile ecosystems such as humid primary forest. On the other hand, the FTA may support trade in environmental goods, including uptake of electric vehicles in India. The Parties are also expected to commit to the implementation of the Multilateral Environmental Agreements and agree on a cooperation within the Sustainable Food Systems chapter to support the uptake of sustainable farming methods in India.

Regarding social aspects, while the reduction of tariffs and NTMs is estimated to lead to job creation in some sectors in each Party, increased imports from India in the textile, garment, leather, rice, and sugar sectors may create negative effects for EU businesses in these sectors which are already under pressure. This in turn may bring about negative impacts for working conditions, leading to withdrawal of smaller producers and the lack of incentives for the young generation to engage. It may also mean negative impacts for women who account for the majority of workers in the EU textile, garment, and leather sectors. In India, increased exports to the EU may initially lead to increased pressure on workers to deliver to higher production targets through working overtime and with reduced breaks. Moreover, only part of additional jobs that may be created are likely to be formal and permanent, while the majority of jobs (to be taken by women and representatives of lower castes and religious minorities) are likely to be informal and linked to poor working

¹²⁸ Trade Policy Review – An Open, Sustainable and Assertive Trade Policy, COM(2021)66, DG Trade, February 2021.

conditions without legal protections. Poverty among working adults may in turn preserve the practice of engaging children in work thus cementing child labour incidence in families of informal and home-based workers. There is also evidence that child labour and forced labour in the Indian sugar and rice sectors is projected to grow, despite the ratification by India of the ILO fundamental conventions on elimination of child labour and forced labour and the existence of the relevant domestic legislation. High levels of informality and the weakness of the labour inspection system encourage the lack of respect for labour laws in India and decrease the likelihood of positive EU-India FTA impacts to occur unless there are changes in the legislation, its implementation, and enforcement.

The human rights analysis suggests that the EU-India FTA/IPA is likely to affect the right to an adequate standard of living, right to water, right to health, right to just and favourable conditions of work, freedom of association and the right to collective bargaining, prohibition of all forms of forced labour, including child labour, and women's rights. While the Agreement is estimated to contribute to job creation in some sectors, to a limited wage increase and trade in products important for consumers (like medicines), the existing vulnerabilities, notably in India, mean that this potential may not be realised in full or that negative impacts may occur. The vulnerabilities include weak implementation of existing laws, lack of their effective enforcement, and multiple labour rights violations, including discrimination of women, religious minorities, and persons from lower castes, as well as cases of child and forced labour, informality, and restrictions in civil society activity.

In this context, as mentioned in chapters 3-5, stakeholders and practice from other trade agreements or preferential arrangements suggest that at this stage of the negotiations, there is some leverage for the EU to push its NTPOs in exchange for market access (until the Agreement's signature and ratification), but once the Agreement comes into force and tariffs are removed early on, that leverage has largely disappeared.

Conclusion: The EU-India FTA/IPAs can be good vehicles to strengthen the EU's outreach on its approach to trade and sustainability. The RESPECT project shows that the effectiveness of EU trade policy in general has been limited in achieving this strategic objective for various reasons, and so far, India has not shown much interest in strong commitments in the area of sustainability. There are ways to increase the effectiveness of the Agreements to achieve this strategic objective: 1) link preferential tariff liberalisation to NTPO achievements; 2) allow for withdrawal of preferences in case of non-compliance with agreed NTPOs; 3) exempt environmental goods and services trade from points 1) and 2) to achieve the EU's climate change and environmental policies; 4) conclude a meaningful IPA and get EU Member States to ratify it; 5) collaborate beyond the FTA/IPA to ensure domestic capacity building for implementation; 6) flank the Agreements with EU Member States economic and investment policies; and 7) ensure creation of permanent platforms in the Agreements for continued dialogue in the areas of interest for the EU at the implementation stage.

6.6 Recommendations (EU's approach to trade and sustainability)

Translating the findings from RESPECT project to the EU-India Agreements, in order to especially advance the EU's climate and environmental agenda, the EU may consider some changes to its negotiation approach. While we realise this may not be politically feasible at this stage, to enhance this strategic objective, the EU could consider the following:

- Removing the constraint placed on the scope to link preferential market access to achieving NTPOs by negotiating tariff liberalisations conditional upon India achieving mutually agreed NTPOs instead of liberalising the bulk of tariffs right at the start of the (provisional) application of the FTA (this ensures there is much stronger post-ratification incentive system ('carrot') to pursue NTPOs).
- Adding clauses in the Agreement that would allow for the withdrawal of given tariff preferences in case of non-compliance with set NTPO goals or in case of India going back on them (as per GSP practice, where the 'stick' is always there).
- Strengthening support for the EU's climate change and environmental policies could be achieved through exempting tariff liberalisation in the areas of environmental goods and

services from the conditionality of achieving NTPOs (see previous two bullets), and by prioritising work on reduction of NTMs in this area between the EU and India both through sector-specific work and addressing certain horizontal aspects (e.g., through alignment of product standards and regulations with international standards and other solutions discussed in the economic analysis in chapter 1 and proposed by the EU in chapters related to TBT, SPS and Good Regulatory Practices).

- Ensuring meaningful investment protection provisions in the IPA and ensuring swift ratification by EU Member States – given the link between foreign direct investment and civil and political rights.
- RESPECT found that the capacity of domestic institutions in partner countries to implement non-trade provisions was a key determinant of non-trade outcomes. For this reason, to achieve the EU's strategic objective, it is key to combine the Agreements with non-trade policy tools like technical assistance, policy dialogue, and regulatory cooperation.
- Engage the EU Member States level more actively by asking them to use their policy instruments to support enterprises, including enterprise networks, trade promotion organisations, export credit agencies in India. Clearly some EU Member States are very active in this area. These EU Member States efforts could complement the EU-level Agreements with India.
- Make sure that the EU-India Agreements are designed as 'living agreements' by adding appropriate committees for permanent policy dialogue, especially in those areas where the EU has its strategic objectives (e.g., critical raw materials, labour standards, SPS, climate change). The evidence from RESPECT is clear that this 'soft power' helps with convergence.

7 OVERVIEW OF CONSULTATION ACTIVITIES

7.1 Introduction

This chapter outlines stakeholder engagement activities undertaken as part of the study.

In line with the Terms of Reference, the main objectives of the consultation process were:

1. To actively engage with all interested parties in order to reflect their experience, priorities, and concerns,
2. To contribute to the transparency of the SIA analysis,
3. To help identify priority areas and key issues relating to the possible economic, social, environmental, and human rights impacts in the negotiations.

Engagement activities covered all pillars of the analysis: economic; social; environmental; human rights; and investment; as well as topics analysed in the case studies. They were used to collect information and data to close the knowledge gaps and to test preliminary findings from the analysis. Moreover, the engagement activities were meant to increase transparency of the process and to encourage a dialogue about the EU-India trade and investment agreements currently under negotiation.

The stakeholder engagement strategy was developed by the study team and approved by the Commission at the inception phase,¹²⁹ and engagement activities took place throughout the whole project lifetime.

Stakeholders from the EU and India were identified in accordance with the relevance for topics covered by the analysis, as well as in as balanced as possible composition reflecting a wide range of interested groups. They included but were not limited to:

¹²⁹ See Annex to the Inception Report: Consultation Plan: [70e9b1_b4444ff961d84fb082732524823b69a2.pdf](https://ec.europa.eu/economy_finance/sites/default/files/2016/05/70e9b1_b4444ff961d84fb082732524823b69a2.pdf) ([eu-india-tsia.eu](https://ec.europa.eu/economy_finance/sites/default/files/2016/05/70e9b1_b4444ff961d84fb082732524823b69a2.pdf))

1. Representatives of the Commission and Indian government, the EU Delegation in India, as well as related agencies.
2. Chambers of Commerce, business associations, horizontal and sectoral, including representatives of sectors involved in trade between the Parties and likely to be affected by the trade and investment agreements, e.g., textiles, automotive, pharmaceuticals, medical devices, machinery, chemicals, agriculture (including sugar), services, and others. Other business organisations, such as those supporting women entrepreneurs or promoting the use of Corporate Social Responsibility (CSR) by businesses, as well as individual companies, including SMEs, were also consulted.
3. Other civil society representatives, including trade unions and NGOs representing interests of different sectors (e.g., workers in sugar, textiles, garment, leather, and chemicals sectors), groups (e.g., indigenous peoples, religious minorities, and women) and thematic areas (e.g., environment).
4. Other types of institutions, e.g., human rights institutions, and academia.

7.2 Summary of consultation activities

In line with the Terms of Reference (ToR) for the Trade SIA, the study team used a mix of engagement activities to collect the necessary evidence. The summary of verbal and written contributions shared by the stakeholders has been included into the relevant parts of the analysis, including the Annex (baseline analysis) outlining the latest situation in the EU and India and their trade relations, this main (draft) Final Report (impact analysis and recommendations) and case studies (for details, please, the respective files).

7.2.1 Meetings with ISG and CSD and other meetings and presentations

At each stage of the project, the study team held meetings with the **Interservice Steering Group (ISG)** of the European Commission and the European External Action Service (EEAS) to discuss plans for the project (kick-off meeting), the proposed methodology and calendar of activities (draft Inception Report), preliminary results of the analysis and final outcomes, including case studies, conclusions, and recommendations (draft Final Report). The ISG meetings took place in January, March, June, and October 2023.

The study team also presented and discussed each of the draft reports with EU civil society at **Civil Society Dialogue** meetings organised by the Commission. They were held in March, June, and October 2023 to consult the proposed methodology, test the findings at the interim and the final stage of the analysis, and to gather additional views. Presentations delivered at those meetings and the related minutes are available at the study website.¹³⁰ At each meeting and in follow-up to it, civil society had the opportunity to provide verbal and written comments on the draft reports (presentations) to ensure that additional evidence, corrections, and other suggestions can be included into the revised versions to improve the quality of the analysis.

Study team representatives were also invited to present methodology of the project and ways for civil society engagement at the meeting of the External Relations Section (REX) of the **European Economic and Social Committee (EESC)**. This meeting took place in March 2023.

7.2.2 Interviews and written contributions from stakeholders

Interviews with the EU, as well as Indian stakeholders represented an important form of engagement enabling the study team to receive information and data, close knowledge gaps, better understand potential impacts of the Agreements, and the situation in sectors involved in trade between the Parties and likely to be affected by the FTA/IPA, as well as to collect recommendations regarding how to mitigate possible negative and strengthen positive impacts. In total, representatives of 69 institutions and organisations were

¹³⁰ Study outputs: [Consultations | EU-India Trade SIA \(eu-india-tsia.eu\)](https://eu-india-tsia.eu)

interviewed. In addition, in cooperation with WTC Mumbai, a virtual meeting with Indian stakeholders was organised in July, gathering over 100 participants.¹³¹ All interviews and the meeting were held virtually. Due to the circumstances related to restricted civil space in India many requests for interviews were left unanswered. To protect some of the stakeholders, communication with them was also held on such platforms as Signal and WhatsApp or in person by local partners.

To ensure an adequate coverage across stakeholder groups, notably in India, some interviews (e.g., with local SMEs and environmental NGOs) were held by local study team members based in India. The study team has also used intermediation of civil society organisations (both in the EU and India) to reach out to other stakeholders relevant for the analysis. The study team ensured a balanced representation of the stakeholders across Government and non-governmental actors, all pillars of the analysis, sectors, and types of stakeholders, i.e., business associations, trade unions, NGOs, and others. In total, the study team interviewed 29 stakeholders in the EU, 27 stakeholders from India, seven having knowledge, interests or stakeholders related to both the EU and India, and seven international stakeholders. Among them, the team has talked to a total of six negotiators, five other officials, 25 business organisations, four trade unions (however, in some cases the study team held separate discussions with different sectoral experts from the same trade union), 14 NGOs, and nine academics/independent experts (these figures relate to individual interviews and do not include participants of the large business meeting).

The interviews provided valuable insights and were complemented by **written comments** and **additional information** shared by the EU and Indian stakeholders at each stage of the project. A total of 22 written contributions were received and eight of them were published on the project website (upon explicit permission from the stakeholders).

7.2.3 Online survey

In line with the established practice, the study was accompanied by **an online survey**, which was composed of two parts: a general questionnaire and a targeted survey for businesses. Both were open during the period of 15 weeks, remaining available from 10 March 2023 to 26 June 2023. The general questionnaire was available in English, German, and French, and included a wide range of questions focused on potential economic, investment-related, social, human rights and environmental impacts of the FTA/IPA and their possible effects for different groups of stakeholders in the EU and India. It was promoted by e-mails, newsletters, social media, and in meetings held or attended by the study team. Replies from all interested Parties were encouraged, including business associations, trade unions, NGOs, other civil society organisations, academia, think tanks, public authorities, and individual citizens. The business survey was published in English and was directed to the business community in the EU and India, including those involved in trade between the Parties. It covered questions focused on trade between the Parties as well as the potential for further trade and possible obstacles to it that can be resolved as a result of the proposed agreements. In total, 21 replies were submitted to the general questionnaire and nine to the business survey. All of them were subsequently reflected in the relevant parts of the analysis.

7.2.4 Website

A **website**¹³² for the project was created at the inception phase. In line with the ToR, it includes an introductory paragraph in all official EU languages which explains the scope and objective of the SIA. The website contains information about the project and the study team. It displays the main outputs (reports) from the project, presentations delivered at the Civil Society Dialogue meetings and minutes thereof. Other appropriate SIA-related information is also provided on the website (e.g., links to further information about the status of the negotiations, textual proposals for the FTA/IPA, information about existing

¹³¹ The meeting brought together business associations representing agriculture, medical devices, pharmaceutical, alternative medicine, leather, chemicals, machinery, and textiles sectors, among others.

¹³² Project website: [Home | EU-India Trade SIA \(eu-india-tsia.eu\)](https://eu-india-tsia.eu)

trade between the EU and India, as well as other relevant information). Some written contributions received from stakeholders have also been published on the website.¹³³ Throughout the project, the website also provided updates about milestones (e.g., publication of a Report) and deadlines for stakeholder activities (e.g., timeline for comments). Together with other communication tools (see below), the website aimed at extending the outreach of the project, facilitating access to documents, and contact with the study team (through a contact form) and ensuring transparency at each stage. The website was viewed 3,403 times.

7.2.5 Social media and electronic communication

The study team regularly informed stakeholders about progress achieved and milestones in the project, the following steps, and the related timeline. Seven **e-mails**,¹³⁴ including five graphical **newsletters**¹³⁵ were sent to a wide range of stakeholders from the EU and India (743 addressees in the mailing list in total). They encouraged comments on draft reports, replies to the online survey and other actions. The e-mails and newsletters generated some stakeholder activity and in response to those, the study team has received questions and additional submissions that were useful for the analysis. The study team also had a dedicated e-mail address for stakeholders to get in touch.

Social media, notably a dedicated LinkedIn and X (former Twitter) accounts, were also used, with 19 **LinkedIn posts** and 19 **tweets** sent during the project. They informed about milestones, invited to submit position papers, informed about the publication of the surveys and planned CSD meetings, summarised outcomes of the CSD meetings, and encouraged further engagement, including comments, and provided additional information and data. The LinkedIn account had 40 followers, the X account had 31 followers and followed 19 other users. Posts on LinkedIn were viewed 4,885 times, and tweets on X had 26,938 views.

¹³³ Only from stakeholders who gave their permission for the publication.

¹³⁴ This number covers only the main information e-mails, however, does not include detailed correspondence between the study team and stakeholders regarding interviews, received inputs, etc.

¹³⁵ All Newsletters are published on the project website: [Resources | EU-India Trade SIA \(eu-india-tsia.eu\)](https://eu-india-tsia.eu)

HOW TO OBTAIN EU PUBLICATIONS

Free publications:

- one copy:
via EU Bookshop (<http://bookshop.europa.eu>);
- more than one copy or posters/maps:
from the European Union's representations (http://ec.europa.eu/represent_en.htm);
from the delegations in non-EU countries
(http://eeas.europa.eu/delegations/index_en.htm);
by contacting the Europe Direct service (http://europa.eu/europedirect/index_en.htm)
or calling 00 800 6 7 8 9 10 11 (freephone number from anywhere in the EU) (*).

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

Priced publications:

- via EU Bookshop (<http://bookshop.europa.eu>).

Priced subscriptions:

- via one of the sales agents of the Publications Office of the European Union
(http://publications.europa.eu/others/agents/index_en.htm).



Publications Office

ISBN: 978-92-68-09783-0

DOI: 10.2781/47890