

Trade deal poses grave risks for India's workers and poor

A proposed Free Trade Agreement (FTA) between India and the EU poses a real threat to millions of small businesses, workers and farmers, according to a report published today by Traidcraft.

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The report, launched in advance of the EU-India Summit next week in France, also finds that the FTA would restrict powers needed by the Indian Government to address poverty and inequality where – despite recent high growth levels – an estimated 800 million people continue to live below the poverty line.

The threat is so serious that a newly-formed coalition of Indian trade unions, people's movements and civil society organisations has called for negotiations to be immediately halted.

Given the weight of concerns about the proposed FTA, Traidcraft is calling for the EU to undertake a review of its approach, so that development objectives are prioritised in its trade arrangements with India and other developing countries.

Far-reaching and almost immediate elimination of trade tariffs would expose a wide range of sectors to EU imports, disproportionately affecting India's 13 million small businesses. The European Commission's (EC) own initial impact assessment studies predict significant job losses in India, in sectors ranging from automobiles and paper products to processed foods.

In sectors which India has already partly liberalised, including retail and financial services, European companies are pushing for further access. However, Traidcraft's report shows that further opening-up of the financial services market is likely to exacerbate the overall decline in bank lending to poor and marginalised groups.

At the same time, the Indian government would be restricted from regulating large retailers, putting at risk the estimated 30-40 million people working in small shops and hawkers.

The FTA, under negotiation since 2007, is being positioned by the EC as an agreement between two equals, despite the clear imbalance between the EU and India: India's GDP is 6% of the size of the EU's and its per capita income ranks it alongside Nicaragua and Angola. Trade between the EU and India makes up only 2% of Europe's trade while it makes up 20% of India's trade.

Regular portrayals of impressive levels of growth and prosperity in India mask the reality that:

- Nearly 75% of the population in India live on less than a dollar per day, according to the new Asian Development Bank measures.
- While much of India's growth has been service-driven, more than half the population work in agriculture where incomes are stagnating.

"The EC's gung-ho approach to trade negotiations with India present clear risks to millions of India's most marginalised people. A fundamental re-think of EU trade policy is needed," says report author Sophie Powell.

Read the report

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