

**Commission services position paper on the
Trade Sustainability Impact Assessment for the
FTA between the EU and the Republic of India**
March 2010

1. INTRODUCTION

This paper provides the Commission services' position on the Trade Sustainability Impact Assessment (Trade SIA) for the FTA between the EU and India, carried out by Ecorys Netherlands, CUTS and CENTAD. The Trade SIA is an important tool for negotiators and serves to identify the potential economic, social, and environmental impact of a trade agreement. It provides a range of possible outcomes based on expectations at the time of analysis and drafting; policy recommendations suggest possible ways to prevent, mitigate, or enhance potential impacts. The final Trade SIA report is available publicly and the process leading up to it included extensive consultation both in the EU and in the partner country.

The report can be found on the following websites:

<http://www.tsia.ecorys.com/india>

http://ec.europa.eu/trade/issues/global/sia/studies_geo.htm#india

The consultants started work in 2008 and presented the final report in May 2009. As consultation is a main feature of the Trade SIA process, public meetings and workshops with representatives of civil society, as well as with key experts, took place at the report's different stages in Brussels – through the DG Trade civil society dialogue as well as through targeted consultations of interested sectoral social dialogue committees – as well as in Delhi.

The final report of the Trade SIA has been approved for publication by the European Commission, which commissioned it; but the views expressed therein are and remain those of the Consultant. This paper sets out the Commission services' views on the findings and recommendations set out in the final report. This paper is publicly available.

2. REMARKS ON THE FTA

Negotiations on an FTA with India started in 2007, after being agreed upon at the 2006 EU-India Summit in Helsinki. The FTA aims to improve bilateral trade and specifically aims to eliminate substantially all import tariffs on both countries' exports, improve the access for suppliers of services and for investors, and tackle non-tariff barriers to trade. The negotiations cover the liberalisation of goods and services, the inclusion of TBT, SPS, investment, competition, IPR, and public procurement, among other issues.

On sustainable development so far negotiations have proved difficult due to India's reluctance to include a Trade and Sustainable Development Chapter in the FTA. The EU promotes environmentally sustainable trade as well as the effective implementation of the internationally agreed decent work agenda and with it the effective application of core labour standards, including the fight against child labour, through positive instruments and an incentive-based approach. The EU therefore advocates the inclusion in all its new FTAs of a trade & sustainable development chapter that contains inter alia

commitments and cooperation on key issues with appropriate references to ILO core labour standards¹ and Multilateral Environmental Agreements, coupled with commonly agreed monitoring mechanisms.

The Commission services recognise the importance of developing common commitments and encouraging high standards and levels of protection, while leaving both parties the freedom to regulate according to their own preferences. Cooperation remains essential, such as sharing scientific information on the environment and promoting the Decent Work Agenda, and also conducting cooperation activities that focus on policy-dialogue, on local and global environmental issues, and on employment and social policies, human resources development, labour relations and social dialogue. In this sense, the Commission services do not aim at the harmonisation of social and environmental provisions with parties to trade agreements, but rather at progressing through dialogue and cooperation to make our economic and trade-related endeavours sustainable in the long term.

3. OVERVIEW OF THE TRADE SIA'S FINDINGS

A Trade SIA begins with a *screening* exercise to identify which trade measures (eg, tariff reductions, improved access in service sectors) require a Trade SIA because they are likely to have significant impacts inside or outside the EU. The next stage (*scoping*) takes each of the measures identified during screening and identifies which components of those trade measures are likely to be the main drivers of the predicted impacts. The scoping phase also considers alternative trade liberalisation scenarios, and analyses affected stakeholder groups within the target countries in relation to a core set of quantitative and qualitative indicators comprising economic, social and environmental components. Next, the potential impacts of each measure and of the agreement as a whole are assessed. In addition, the impact of the agreement on the following sectors were analysed in detail: grains, motor vehicles and automotives, textiles & clothing, financial and banking services, and other business services. Finally, measures – both trade and non-trade-related are identified that could prevent or at least mitigate negative impacts and/or enhance positive impacts on sustainable development as a result of the foreseen trade liberalisation.

The Consultant presents a series of policy recommendations based on quantitative analysis, complemented by further qualitative reasoning. The study therefore produces different scenarios depicting possible outcomes of further trade liberalisation.

Further details of the methodology are available in the Handbook for Trade Sustainability Impact Assessment:

http://trade.ec.europa.eu/doclib/docs/2006/march/tradoc_127974.pdf

To conduct an *ex ante* assessment of likely economic, social and environmental impacts, a Trade SIA needs to make a series of basic assumptions, which, however, can change over time. It draws up a set of different scenarios that are considered likely to be – 'everything else being equal'. Negotiations can be lengthy, however, and unexpected external events can have a substantial impact on the process.

¹ "Political Guidelines for the next Commission" by President Barroso commit the EU "to continue to advocate decent work and other standards in all parts of the world".

Economic

The Trade SIA examines three possible FTA scenarios: a limited FTA, an extended (deep) FTA and an extended (broad) FTA (including further NTB harmonisation). From the CGE analysis, the report concludes that every scenario leads to larger welfare gains for both the EU and India than the baseline scenario (which includes a notional WTO Doha round completion). The extended FTA brings India and the EU by far the greatest benefits in terms of welfare gains, production, international trade, wage increases and productivity increases. The welfare effects amount to an additional 0.3% growth for the Indian economy in the short run and 1.6% growth in the long run. The EU's large economic base means that the changes are too small to lead to significant changes in percentage GDP growth.

The study predicts that the FTA would result in increased investment flows, which combined with reductions in non-tariff barriers would have large potential beneficial effects for both EU and India. The extent to which these benefits materialise depends, according to the study, on the impact of the FTA on restrictions on foreign direct investment in the services trade, sector reform and integration in the global market of the services sectors. As an indication of the potential benefits, the study estimates the cost equivalents of certain existing FDI barriers; they claim, for example, that the restrictions on FDI raise the cost of selling insurance services in India by 18% and raise the cost of selling business and transport services by a similar amount.

In terms of trade flows, the Trade SIA suggests that an ambitious FTA would lead to an increase in exports, which would be more pronounced in the case of India. This is particularly the case in one of the sectors studied, the textiles and clothing sector. The trade patterns also show increased intra-sectoral trade (e.g. in the automotive and textiles & wearing apparel sectors) in line with further specialisation according to comparative advantage. Complementary trade is also expected in the services sector.

The Trade SIA looks into potential regional effects of an EU-India FTA and finds that the negative impacts on neighbouring countries are rather limited and confined to market share in the textiles sector. They reason that this is mostly due to the limited export volumes and the fact that neighbouring countries in South Asia all benefit from the EU's preferential import regimes.

Social

According to the Trade SIA, the FTA is expected to have no significant overall employment, income or social effects in the EU, with the exception of some limited displacement of labour across sectors and regions.

On the Indian side, the SIA highlights a number of potentially positive effects: the FTA is in particular expected to lead to significant increases in real wages of both skilled and unskilled workers as well as to moderate pro-poor effects. The reduction in the overall poverty ratio is expected to be more pronounced in the more ambitious FTA scenario due to income effects outweighing price effects. The urban and rural poverty levels are expected to decline in India as a result of the FTA.

The study expects no direct effects on health and education in India from the FTA but considers that increases in incomes, real wages, employment opportunities and declining poverty ratios could indirectly have positive effects.

Overall, the analysis suggests that employment opportunities would move across sectors in line with economic effects. The FTA could lead to some reallocation of production among regions and across sectors especially in India. In addition, increased competitiveness and further productivity enhancing investment can induce some substitution of labour by capital. The reinforcement of the FTA of current industrial restructuring processes in the textile and wearing apparel sector is expected to result in increased opportunities in India for both skilled and unskilled workers. Employment effects for financial services and other business services sectors in the EU are expected to be minimal but the possible impact of FDI and outsourcing is not taken into account.

Environmental

The Trade SIA estimates that the overall impact of the FTA on the atmosphere (air and climate) would be moderately negative, especially in India as a result of product increases in textiles, automotives and, more generally, an increase in trade, investment, production and consumption. Energy production is expected to rise as a result of FTA-induced increased economic growth, lower poverty levels, increased trade and higher incomes. Specifically, increased maritime and air traffic caused by higher flows in the goods and services sectors could negatively affect global emissions levels. However, the SIA also recognises that part of these negative impacts could be mitigated through the dissemination in India of cleaner environmental technologies as a result of this FTA. When analysing for example the impact of improved investment conditions in India, the SIA concludes that such improvement could increase investment in more energy efficient technology more generally and modern public transport, in particular, which overall could lower pollution levels.

The analysis also suggests that in India increased use of fertilisers in the agricultural sectors as a result of productivity enhancement boosted by the FTA might have a slightly negative impact on land and water quality. Moderate negative effects on water quality are expected from increased output in the textiles and wearing apparel sector in India.

No significant effects on biodiversity have been identified for the EU. However, In India, the study suggests that increased output for the textiles and apparel sector and an increased use of fertilisers could both potentially have an indirect negative effect on biodiversity.

Finally, the study cautions that the FTA may increase challenges in terms of waste management in India, e.g. as a result of increased imports of electronic and ICT equipment and waste materials.

4. DISCUSSION AND VIEWS OF THE COMMISSION SERVICES ON THE TRADE SIA'S FINDINGS AND POLICY RECOMMENDATIONS

General Remarks

Sustainable development is an overarching policy objective of the EU, as stated by the European Council in June 2006 and is also a shared objective with India under the EU-India Joint Action Plan. It consists of three main pillars, namely economic, social, and environmental aspects. In this context, the challenge is to make trade and sustainable development mutually supportive. This linkage presents an opportunity to improve the welfare of the people concerned and to foresee, prevent, and mitigate potential conflicts

between the above mentioned three pillars, as well as to enhance new or existing synergies.

The Commission services place considerable importance on having a strong framework for cooperation and dialogue on trade & sustainable development with India in the FTA. This would allow for a strengthened engagement on economic, social and environmental issues.

Economic pillar

Findings

The consultants had no means to foresee the unfolding of the global financial crisis and so this is not taken into account in the analysis. The consequences of the crisis on the possible impacts of a future EU-India FTA are difficult to assess at this stage. Whilst the strain on labour markets and public finances could have a negative impact on consumption and investment levels, the degree to which this could be exacerbated by the FTA seems low. Overall, the effects of the FTA would in theory take place from a lower GDP base but would not change the basic economic effects of trade liberalisation. Further trade liberalisation can be expected to be an important factor for economic recovery and can play an important role in enhancing trade rather than permitting a protectionist backlash that could exacerbate the crisis.

The Commission services note the limitations of economic modelling in determining possible long term welfare gains. According to the Trade SIA, the welfare effects for the EU diminish in the long term compared to the short term scenarios as capital moves from the EU to India. However, the long-run effects are among the most tenuous parts of CGE modelling because the capital accumulation process inevitably relies on basic assumptions and ignores the dynamic effects of enhanced integration and competition. Therefore, the analysis does not support a conclusion that the long-term effects would be smaller than the short-run effects for the EU. The services note that other studies have estimated that the FTA would create an additional \$11 billion worth of EU exports.²

The Commission services share the Consultant's view that an ambitious FTA offers the most beneficial outcome overall as only an ambitious FTA can bring the full range of benefits expected. The complementary and intra-sectoral trade created between the EU and India confirms the Commission services' view that the FTA would be mutually beneficial to both economies. In addition, the consultants' analysis suggests that the large increases of imports of certain goods³ into India would serve, in part, to fuel the expansion of the domestic industry. This supports the view that the FTA would provide significant "win-win" outcomes for both economies.

Recommendations

The Trade SIA considers that the economic benefits of the FTA are to a large part dependent on the extent to which investment is allowed to play its part. The consultants therefore call for an improvement of the investment climate of the services sector including a reduction of foreign ownership restrictions, adaptation of competition policy,

² http://trade.ec.europa.eu/doclib/docs/2007/may/tradoc_134682.pdf

³ Such as textiles, motor vehicles and parts, plus machinery and equipment.

engagement in more trade facilitation and an improvement of transparency of customs procedures and IPR enforcement system. The Commission services will continue to seek the reduction of foreign ownership restrictions and the inclusion of meaningful chapters on the other topics in the FTA.

The consultants note that despite the long-run benefits of a FTA, there may be adjustment challenges in the short-run and recommend the phasing-in of tariff liberalisation rather than an immediate and complete tariff reduction across all sectors. The Commission services note that the liberalisation of tariffs in the FTA will be done over time (many at 7 years rather than at entry into force) and will be reduced in a linear fashion (i.e. step by step over the allotted time period) and therefore the adjustment will be more gradual. The exact timetable has yet to be finalised in the negotiations but the Commission services are willing to consider specific sensitivities linked to India's level of development and to identified social and environment impacts.

The consultants recommend measures to enhance the positive opportunities for small and medium enterprises (SMEs) such as increase education and retraining. The Commission services recognise the essential role of SMEs in the EU economy and has put in place a comprehensive SME policy framework "the Small Business Act for Europe". One strand of this policy supports the development of SMEs' international activities and facilitates their access to markets. In addition, Business Support Centres, like the European Business and Technology Centre (EBTC) in India, are new tools to boost the internationalisation of EU companies, with particular attention dedicated to SMEs.

The convergence of applied standards is promoted by the consultant in order for India to gain better access to the EU market for high-value food products. Measures to further this aim could include closer regulatory cooperation initiatives or technical assistance programmes in standard-setting and implementation and exchange of scientific testing methodologies. The Commission services aim to include closer regulatory cooperation in the FTA, particularly in the TBT and SPS chapters and concur on the importance of using internationally agreed standards.

In terms of programmes, the European Commission's trade related technical assistance programmes strive to assist India in continuing its efforts to better integrate into the world economy with a view to enhance bilateral trade and investment ties. €13.3 million were allocated through the Trade and Investment Development Programme (TIDP) over the period 2002-2006. The programme achieved significant objectives in the areas of Sanitary and Phytosanitary Measures and Technical Barriers to Trade (including the upgrading of laboratories and testing facilities so that these are able to provide certifications for export to Europe), the setting up of Investment Facilitation Desks, the creation of a Trade Portal providing practical information on markets and regulations for both Indian and European businesses and investors, training customs officials to make controls more effective and to make exporting and importing faster and cheaper for businesses and training in Intellectual Property Rights (IPR) enforcement and awareness-raising.

At present, the follow-up programme to the TIDP - Capacity-building Initiative for Trade Development (CITD) - is being designed in consultation with the Government of India (GoI). The follow up programme with a total envelope of €9 million has two key objectives 1) to enhance capacity of India's trade-related regulatory institutions and enforcement systems in order to meet international standards and requirements and

business needs; and 2) to support India's trade-related training institutions in strengthening their capacities.

The new trade development programme will continue to work in the area of food safety and SPS management systems, it will strengthen capacities and transparency in the areas of industrial standards and TBT, IPR enforcement and customs as well as contribute to improving the capacity for investigation, reporting and enforcement functions of the institutions involved in competition policy.

In addition to the purely trade related assistance programmes which focus on institutional capacity building in standard setting, testing methodology, certification systems, equipment upgrading and training, the EU will launch in 2010 other important economic co-operation projects in the areas of skills development and vocational training (€6.5 million), clean technologies and eco business development (€10 million) and energy efficiency (€10 million). These new areas of co-operation are at the core of EU-India strategic co-operation partnership and are critical to India's development. All the EU co-operation programmes are designed in close consultation and in partnership with the GOI.

Social pillar

Findings

The study provides a valuable overview of the views and expectations of social partners and civil society, both in the EU and in India, with regard to a future EU-India FTA and its economic, social and environmental impacts. Social partners and civil society have in general a positive, open attitude to an EU-India FTA, provided that fair and equal rules (*'level playing field'*) and accompanying policy measures help mitigate possible adverse effects and ensure a fair distribution of the benefits of trade. Flanking policy measures should be as broad as possible, also covering issues such as IPR, trade facilitation and technical cooperation at sectoral level.

The consultant makes some effort to take into account the possible impact on decent work. Even though it is clear that indicators in this area are not easy to find, these efforts could have been reinforced, so as to incorporate possible impacts on social protection, forced labour, child labour and equality (relating in particular to gender and casts). More attention could have been paid to the impacts on informal employment.

The Commission services would have also appreciated if more analysis had been undertaken to estimate the size of possible labour displacement between sectors and regions as well as the net effect of job loss/creation for individual sectors and on the labour market as a whole. Such estimations would also allow more precise forecasts concerning other social impacts such as impacts on poverty, health and education.

Recommendations

As regards the social pillar, the EU and the Commission services aim to promote decent work for all at global level, including through the effective application of internationally agreed standards like the ILO core labour standards. As a member of the ILO India recognises the importance of these standards and commits itself to respect, promote and

realise the underlying principles.⁴ In this context, it acknowledges in particular that guaranteeing fundamental principles and rights at work is of particular significance to maintain the link between social progress and economic growth.

Besides the FTA, the EU also pursues additional avenues to promote the wider objectives of decent work. Promoting decent work for all is a Commission priority in the areas of employment, external relations, development, migration and trade. The Commission's commitment to increase cooperation with India on employment and social issues (including decent work and labour standards) more widely is explicitly included in the revision of the EU-India Joint Action Plan, adopted at the EU-India Summit in 2008. This aims to increase exchanges in the fields of sustainable extension of social protection, social dialogue, equal opportunities and gender equality.

The Trade SIA advocates measures to support the adoption and implementation of internationally recognised labour standards and decent work principles, to develop a regional strategy to deal with issues in regions suffering from industrial decline and migration (in the EU this may include the use of the European Social Fund and the European Globalisation Adjustment Fund), to promote the flexibility of the labour market and aid short term adjustment needs, in particular in relation to education and skills, to reduce the short-run transition costs for the Indian economy. In this context, the Trade SIA recognises the importance of social dialogue. Some preventive, mitigation and enhancement measures are also recommended for ensuring and strengthening the pro-poor and pro-gender equality effects of the FTA.

The Commission services recognise the role strong domestic policies play in helping a country to benefit from trade opening. Complementarity is an important concept in promoting decent work objectives alongside trade, financial and labour market policies. The Commission services are therefore exploring how best to support the implementation of the National Policy on Skill Development, formulated by the Indian Ministry of Labour & Employment at the beginning of 2009. This would be coherent with the policy dialogue launched after the signature of the Joint Declaration in the field of education in November 2008, in which the main areas identified are the modernization agenda for vocational education in India, quality assurance and qualification mechanisms as well as the promotion of excellence and innovation.

The Commission services note that account must be taken of the relatively large informal sector in India. The recent ILO/WTO joint study⁵ on informal jobs in developing countries stressed that trade reforms should be complemented with appropriate labour and social policies. Such policies should ensure that informal employment does not suppress the benefits of trade liberalisation or involve a rise in informal employment following adjustments and reallocation of jobs in the formal sector. Concrete measures mentioned in the report include making the reallocation of jobs more conducive to formal employment growth, facilitating conditions for formalisation of firms and workers, social reforms and integration of core ILO labour standards.

More attention could have been given in the SIA to the issue of labour migration which is not only relevant in the context of negotiations on trade in services and mode 4, but is

⁴ ILO Declaration on Fundamental Principles and Rights at Work, 1998.

⁵ "Globalisation and Informal jobs in Developing Countries – a joint study from the ILO and the WTO".

also linked directly to employment and social policy questions, including e.g. on the recognition of qualifications, and to the effective implementation of labour and social standards as basis for a fair competition.

The consultants recommend continuous involvement with civil society, especially in the field of employment and social policies as well as in regard to monitoring and assessing the employment and social impacts of the FTA and the effective implementation of the sustainable development chapter. To this end, the Commission services will propose a monitoring mechanism within the FTA which builds on existing social dialogue structures and involves relevant stakeholders and the civil society to support cooperation and dialogue. The Commission aims to have a transparent and accountable trade policy based on consultations with all parts of civil society and to this end, already arranges regular civil society dialogues as well as targeted consultations of interested sectoral social dialogue committees in all aspects of its trade policy.

Recognising that the effects of the FTA may be concentrated in certain EU regions or Indian States, the Consultants call for a regional strategy for regions suffering from industrial decline. As regards EU regional effects, the Trade SIA suggests using the Structural Funds or the European Globalisation Adjustment Fund as possible adjustment instruments.

As regards effects on individual Indian regions, the Commission services recall that responsibility for the development of Indian regional policy belongs to the Indian authorities but aim to support regions adjust to change. For example, the EU has signed State Partnership Programmes for two states in India: Chhattisgarh and Rajasthan. Over a period of six years (2006-2012), the EU will contribute up to €160 million for both states under the Sector Budget Support Programme.

In Chhattisgarh the programmes are directed towards governance and capacity building at the state level for the delivery of critical social services, especially health and education, improvement of forest based livelihoods and strategies for environment-friendly economic opportunities for the poorest. In Rajasthan, the programme is directed to state-wide water sector reform and to enhancing water supply and groundwater recharge in selected areas of the state.

In both programmes there is an involvement at all levels of state governmental institutions including at grassroot 'elected' institution level (i.e. village level or the so called Panchayati Raj). Partnering with the states on critical issues affecting their overall development, water supply, health care, education, or wider environment, ensures that the programmes are tailor made and adapted to the local conditions so as to enhance governance and services delivery according to the needs of the particular region.

EU – India Cooperation on employment and social policy
The EU India Strategic Partnership Joint Action Plan provides for a strengthened EU-India dialogue and cooperation on employment and social policy, which covers areas such as employment policies, restructuring, global employment opportunities, requirements for trained manpower, and human resource management, in particular through training and skills development, social security, decent work, sustainable extension of social protection, social dialogue, equal opportunities and gender equality. Following the signature of a Memorandum of Understanding between the Commission and the Indian Ministry of Labour in November 2006, a number of seminars at ministerial level took place focusing on the topics of skills' development, training and employment; social security and social

protection; labour relations and resolution of conflict. The 4th EU – India Seminar on Skills and Employment Policy in the context of Recovery from the Global Jobs Crisis will take place in 2010. The seminars have been accompanied by tripartite exchange programmes in the area of employment and social policy.

Environmental pillar

Findings

In addition to the environmental impacts analysed in the SIA in detail, some important issues relevant for the Indian environment and India's environment policy have not been given appropriate attention in the SIA. This concerns in particular the impact of transport on local air quality, the management of industrial and household waste, the quality but also the quantity of fresh water supplies and the subsidies on fuel transport and heating fuels.

The report focuses considerably on the creation of incentives for environmentally friendly production. While the examples mentioned (funds for upgrading, information sharing, voluntary management etc.) are not disputed, environmentally friendly production and consumption require also a stable, predictable and sufficiently stringent legislative framework that is also correctly implemented. This again points at the possible need for capacity building at federal and state level.

Recommendations

In the Commission services' view, first of all, ensuring that enhanced trade and investment between the EU and India as a result of the FTA will contribute to environmentally sustainable development requires the inclusion of a specific Trade & Sustainable Development Chapter in the Agreement. This corresponds to the EU's established policy on trade and sustainable development which the Commission services remain fully committed to.

In the long run the mitigation of negative effects on the environment can be best achieved through systemic shift towards an energy and resource efficient economy. The environmental challenges should be perceived as economic opportunities for business operators in the EU and in India. The EU is committed to move towards more sustainable patterns of consumption by means of overall improvement of environmental performance of products and through helping consumers to make environmentally responsible choices⁶. In that context the Commission services acknowledges the supportiveness of a number of voluntary instruments in place such as Green Public Procurement, Eco-Labeling and Eco-Management and Audit Scheme to establish incentives for environmentally friendly production. The continued increase of EU consumers' awareness about environmental impacts of products they purchase may create a market niche for Indian companies relying on voluntary environmental management systems and standards.

The elimination of tariff and non-tariff barriers to clean energy technologies would secure local environmental benefits and general efficiency improvements in the

⁶ Communication from The Commission on the Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan COM(2008) 397 final

production processes. More broadly, the liberalisation of trade in environmental goods and services along with the creation of favourable conditions for investments, including comprehensive and functioning intellectual property systems, would contribute to the creation of a growing and competitive global market and would stimulate innovation, development, transfer and deployment of climate- and environment- friendly technologies. Fast-track liberalisation of trade in environmental goods and services should thus be considered as a priority goal, as it would contribute to generating environmental gains and mitigating potential negative impacts from increased economic activity.

There are a number of policy options where the benefits can outweigh the short-term costs, for example by increasing energy efficiency and energy security, promoting renewable energy, improving local air quality and generally reducing air pollution, or capturing methane from sources such as landfills as a cheap source of energy. The Commission services will aim at strengthening cooperation in these policy areas by sharing good practice in policy design and planning and technology co-operation.

Environmental monitoring

It is of key importance to develop a factual baseline to determine the pressures on the environment, the state of the environment as well as the policy responses. In that sense the recommendation on environmental monitoring from the SIA can be supported. It should however be kept in mind that this requires considerable effort in organisational terms but also in conceptual terms as a consistent system of data collection, identification of suitable indicators and reporting needs to be devised.

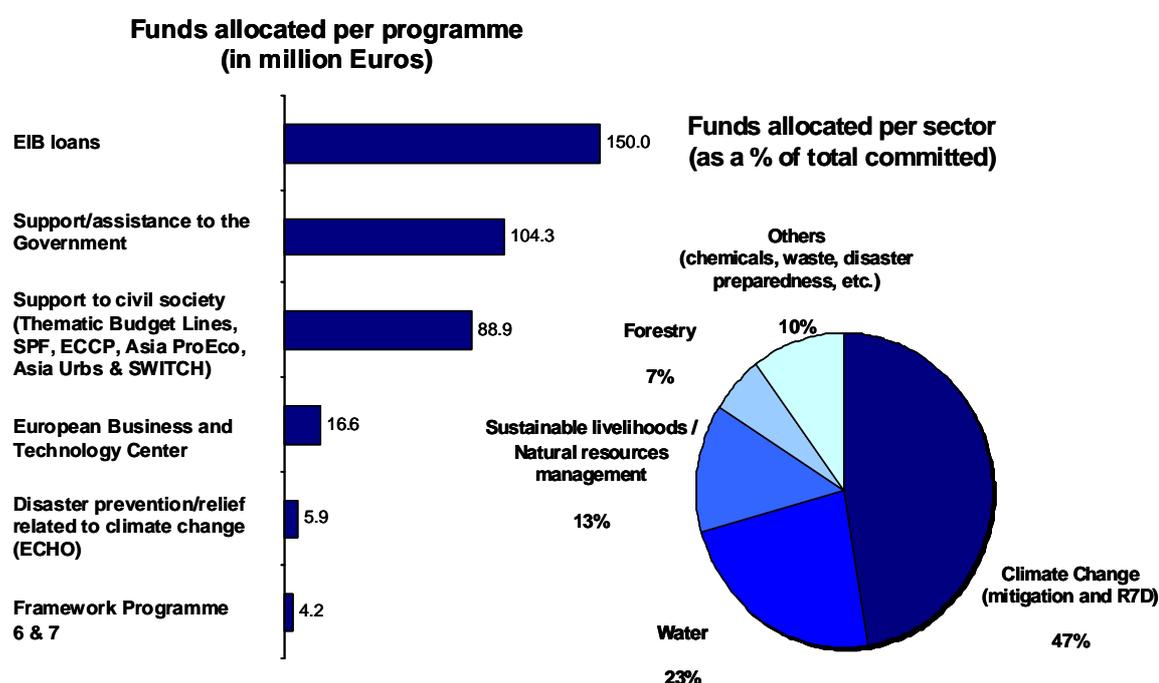
In India, as in many other developing countries, this is one of the key challenges when measuring the success (or lack of it) of environment policy and in the integration of environmental considerations into other policy domains. Clearly there is a considerable expertise on monitoring and reporting on environment in the EU, notably through the European Environment Agency, and increasing the Indian capacity could be an area of increased cooperation between the EU and India in the future. Some activities including training and exchange of experience are already taking place under the "Action Plan Support Facility".

EU – India Cooperation on environment

The EU has a long-standing bilateral cooperation with India on environment. Environment is recognised as a strategic area for dialogue in the EU-India Partnership and the Joint Action Plan. At the 5th EU-India Summit in The Hague, EU-India relations were upgraded to a "Strategic Partnership". The 6th EU-India Summit, in 2005, endorsed a wide-ranging Joint Action Plan giving substance to the Strategic Partnership. The Joint Action Plan covers all aspects of EU-India relations, including a chapter on Clean Development and Climate Change which establishes an EU-India Initiative on Clean Development and Climate Change. This initiative focuses on cooperation in the area of clean technology as well as on adaptation to climate change and the integration of adaptation concerns into sustainable development strategies. The Initiative has strengthened the political dialogue on international action to tackle climate change between India and the EU. The Joint Action Plan also initiated an EU-India Joint Working Group on Environment, which meets regularly to discuss a range of environment issues, including climate change, as well as the EU-India Forum, which is a regular conference on specific environment topics.

At the 2008 EU-India Summit held in Marseille, the Leaders stressed that climate change is one of the great challenges of our time and decided that clean and sustainable development should be a joint priority area of EU-India cooperation. To this end, a Joint Work Programme for EU-India Co-operation on Energy, Clean Development and Climate Change was launched. The Joint Work Programme calls for tangible action in this field, involving all stakeholders. The EU and India also reaffirmed their commitment to promote energy security and energy efficiency as a key to stable and sustainable development. At the EU-India Summit of 6 November 2009 in New Delhi, the importance of an early implementation of this Joint Programme was underlined, especially in the fields of solar energy, clean coal technology and energy efficiency.

EU-India cooperation in the field of environment consists of a policy dialogue, as well as a wide range of concrete cooperation activities. Overall, the Commission has funded around 100 projects worth approximately 340 million Euros related to environmental protection and sustainable development in India since 2000.



The main objectives of the EU-funded development cooperation have been so far:

- Support to the EU-India Policy Dialogue and exchange of best practices through the 'Action Plan Support Facility (APSF) Environment' providing expertise in water, waste, chemicals, air pollution and climate change and the 'APSF Energy' financing studies on energy-related topics (i.e., Renovation and Modernisation (R&M) of Thermal Power Plants; Eco-Design; Biofuels in India; Beneficiation for low volatile coking coal);
- Technical Assistance to the Government of India through the State Partnership Programme (SPP) supporting State Governments in water sector reforms in Rajasthan and sustainable forest-based livelihood in Chhattisgarh;
- Support to civil society through the thematic programme for environment and sustainable management of natural resources and the regional programmes, ProEco, AsiaUrbs and SWITCH focusing on sustainable consumption and production.

In addition, the Commission has funded the following activities through other programmes in parallel to the development cooperation:

- Support to private sector and research through the European Business and Technology Centre (EBTC) assisting in generating new business and research opportunities in the Biotechnology, Energy, Environment and Transport sectors as well as the EU Research Framework Programme promoting scientific and technology cooperation, notably in energy and environment;
- The European Investment Bank (EIB) loan to support investments contributing to climate change mitigation, through projects in the renewable energy and energy efficiency sectors;
- The Humanitarian Aid (ECHO) projects in disaster prevention related to climate change;
- Cooperation under European Atomic Energy Community (Euratom) in the fields of fusion and nuclear energy;
- The EU Research Framework Programme promoting scientific and technology cooperation, notably in energy and environment;
- EU-India Coordinated Call for Proposals on research in Solar Energy Systems.

5. CONCLUSION

The Commission services remain convinced that trade can make an important contribution to sustainable development and that it offers an opportunity to tackle issues characterising contemporary EU-India relations. The study suggests there is scope for positive developments arising from the FTA, pointing to employment and welfare gains as key elements in shaping lasting, stable, and mutually beneficial bilateral trade relations. The FTA offers a framework to put these elements on a solid legal basis. This view is largely shared by social partners and civil society, consulted in the context of this study, provided that fair and equal rules (*level playing field*) and accompanying policy measures help mitigate possible adverse effects and ensure a fair distribution of the benefits of trade both in the EU and India.

The Commission services note the main findings of the study and the views and expectations expressed by social partners and the civil society in this context, and it will consider them in the ongoing FTA negotiations. The study highlighted the intertwined nature of the impacts in the economic, social, and environmental spheres. The Commission services will continue to advocate an ambitious agenda regarding sustainable development in the ongoing FTA negotiations including the incorporating of a specific Trade & Sustainable Development Chapter in the Agreement. By promoting progress on the implementation of internationally accepted levels of social standards and environmental protection, the Commission services remain committed to sustainable development as one of their overarching policy objectives when dealing with India.