



Brussels, 23 September 2014

Dear President Van Rompuy, Dear President Barroso,

For over 100 days, India has been led by a new government under Prime Minister Narendra Modi. We understand that a first direct meeting at the highest level between the EU and the new Indian leaders may take place in the margins of the United Nations' General Assembly, possibly followed by further contacts during the ASEM summit in Milan in October.

Access to key emerging markets is vital in delivering jobs, growth and innovation in the EU, but equally for the development of these economies. As associations representing a broad cross-section of European industry, we are writing to underscore the importance of trade and investment relations with India, the second largest emerging market in the world. The EU is India's most important trading partner and the biggest source of foreign direct investment (FDI).

However, progress towards an ambitious EU-India Free Trade Agreement has stalled to the detriment of European and Indian businesses and consumers alike. Its scope has also narrowed to the extent that it does not reflect the full opportunities that exist. For some European sectors, the degree of liberalisation may be insufficient. We urge the EU to seek a renewed engagement and also to focus on addressing a number of issues where progress would improve business conditions and support the investment that India needs.

These include:

- **Liberalising trade:** Indian tariffs average 14.5% but for certain goods reach 60% (automobiles) and even 150% (wines and spirits);
- **Removing unjustifiable barriers to entry** including double testing of products, burdensome licensing and labelling requirements, local content rules and data storage requirements, often in contravention of international standards, and bringing customs valuation practices in line with international norms;
- **Improving public procurement rules** which tend to favour Indian industry;
- **Ensuring intellectual property rights – and effective protection and enforcement –** in line with global standards, such as the WPPT/WCT treaties, which India should accede to ;
- **Institutional reform to improve the ease of doing business** including infrastructure bottlenecks, administrative transparency and unpredictable and discriminatory taxation;

- **Lifting restrictions on FDI** in a range of sectors, in particular services, and bolstering investment protection;
- **Improving the ability of foreign financial institutions to operate in India** to improve the overall financing of the economy;
- **Facilitating the movement of services providers** including the ability of European companies to expeditiously obtain visas and work permits in India and conversely the ability of highly qualified Indian business personnel to access the EU.

The new Indian government offers hope that this can be achieved. However, its first months in office have left a mixed impression, as Prime Minister Modi has preferred incremental change to major market-oriented reforms. While positive initiatives have been announced, there has been little attempt to address India's discriminatory trade practices, facilitate FDI on a broader scale or improve the protection of IPR. By contrast, the Modi government acted decisively in late August to block the implementation of the important WTO Trade Facilitation Agreement. Whether the new government will be a constructive trade partner remains an open question.

We stand ready to provide you with more detailed information and will support any EU efforts to improve the terms of trade with India. We see this as a win-win scenario: An economically strong and open India that plays a constructive part on the world stage is in everyone's interest, starting with India's own growing population that aspires to a better and more prosperous life.

We thank you in advance for raising these considerations with India's new leadership.

Sincerely,

CEFIC - The European Chemical Industry Council

DIGITALEUROPE

EFPIA - European Federation of Pharmaceutical Industries and Associations

ESF – European Services Forum

EuroCommerce

IFPI - International Federation of the Phonographic Industry

Spirits Europe