


# Key demands for the negotiations for an EU-India Free Trade Agreement

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## Introduction

With an increase in exports of 28.2 percent to EUR 3.9 billion in 2022, India now ranks 14th among the buyer countries for machinery and equipment from Germany. This ranks India's export market as one of our most important markets in Asia and shows what an important partner this south Asian country already is for our sector. For European manufacturers, companies from China, Japan and South Korea are the main competitors in the mechanical engineering sector in India. Furthermore, our member companies import many parts, components and raw materials from India. In this respect, an EU-India FTA would improve the competitiveness of our industry in India and at the same time further open-up the EU market for Indian manufacturing companies and service providers.

Below you will be able to find VDMA's key demands for the negotiations between the EU and India on a Free Trade Agreement.

## Key demands for the negotiations between the EU and India on a FTA

- **The elimination of tariffs**

The tariffs for the machinery sector are 7.5% on average, which are one of the highest in the world and which should be eliminated as soon as possible. VDMA is also strongly against a so-called "exclusion list", which completely excludes certain goods from tariff liberalisation and which was proposed by India. This is in our view incompatible since an FTA is intended to eliminate all tariffs.

Other duties, levies and taxes from the Indian authorities should also be eliminated.

- **The establishment of modern Rules of Origin**

The Rules of Origin of the FTA must be in line with other EU Free Trade Agreements, which enable our member companies to benefit from an EU-India FTA. In the case of mechanical engineering products, we support a maximum permissible proportion of non-EU originating material of 50% or of 45% of the ex-works price. Alternatively, the change-of-tariff heading-rule can be supported by VDMA.

- **The abolishment of Technical Barriers to Trade**

We support bilateral talks in this area in order to be prepared to deal with any issues that may arise. Since the Indian market is expected to become more liberalised, it is becoming even more important for European industry to have a corresponding network locally, with which at the appropriate time, it can negotiate on an international basis to achieve a result with the Indian side. The aim must be to enshrine international ISO, IEC and ITU standards in an agreement.

However, we are concerned by a proposed regulation for machinery safety in India, which provides for a general obligation that machinery and equipment must in general be registered in a database before being imported into India. VDMA is against this proposed regulation. We are afraid of additional bureaucracy and administrative burdens when exporting machines and plants have to be entered individually in the database. Furthermore, there is the aspect of an unwanted and uncontrolled outflow of relevant machine data in the database.

Furthermore, the extension of BIS product certification – a mandatory third-party certification - to more relevant industrial products and components in the mechanical and plant engineering sector, such as electric motors (since 2018) and low-voltage components (planned at this stage for May 2023), is concerning. This means unnecessary double testing of components, which are already pre-tested in Europe, because of manufacturer's self-declaration and CE marking. Experience has shown that capacity bottlenecks in India can be expected at the recognized testing and certification bodies as

a result of the expansion to additional products. This was for example the case for electric motors.

- **The establishment of access to the public procurement market**

On five occasions over the past ten years, India has implemented rules that direct domestic purchases of mechanical engineering products to local producers.

Consequently, public procurement at every Governmental level in India should be covered in these negotiations.

- **The laying-down of a level-playing field in subsidies**

Between a fifth and a quarter of German exports compete against subsidized local firms in India. Subsidies should, therefore, also be addressed by the EU and India in this Free Trade Agreement.

- **The protection of intellectual property rights**

Our member companies complain about the extremely slow procedures for trademark applications in India. The same is also true for court proceedings and enforcement procedures of intellectual property rights in India. Therefore, we would also welcome a robust chapter on the protection of intellectual property rights.

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