



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

(TRADE/2022/OP/0008)

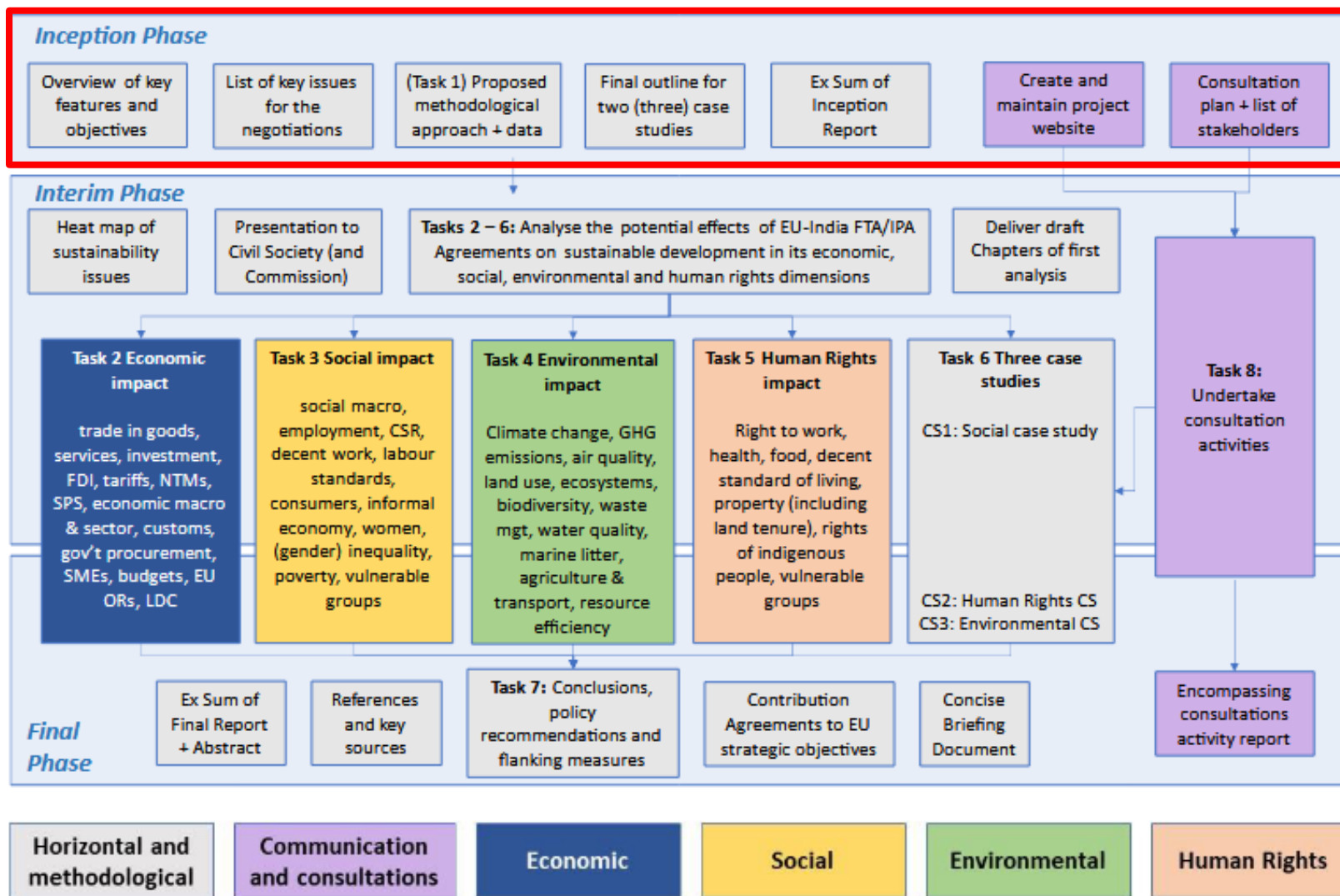
Proposed approach to the study Draft Inception Report

**Civil Society Dialogue meeting
21 March 2023**

Overall approach

- **Overall objective:** The analysis of economic, social, environmental and human rights-related impacts of the EU-India FTA and IPA, including for EU strategic objectives.
- **SIA components:** Desk research is complemented by a wide stakeholder engagement programme.
- **Steps in the analysis:**
 - **Step 1:** describing the situation in the EU and India since 2010, observed trends and factors influencing them,
 - **Step 2:** developing a heat map indicating areas which may require further attention,
 - **Step 3:** analysing potential impacts of the future EU-India FTA and IPA,
 - **Step 4:** formulating conclusions, policy recommendations and proposals for flanking measures.
- **Case studies:** The general analysis will be complemented by three case studies, with topics to be selected yet.
- **Project structure:** Three phases, study to be completed in Oct, before the end of negotiations.

Overview of the project scope



Economic analysis

Step 1: Baseline scenario

- Evolution of bilateral trade in goods and services
- Literature review of potential effects of FTA/IPA
- Analysis of current tariff and non-tariff barriers
- SMEs in the EU and India, their participation in trade
- EU Outermost Regions (ORs)
- Government procurement, customs operation

Step 2: Heat map

- Key economic issues linked to FTA/IPA
- Main findings of first screening and scoping
- Maximum five 'impact alerts' – priority effects
- Incidence/intensity of 'relevant impact' – horizontal and vertical impact issues
- Issues raised by stakeholders

Step 3: Economic impact

- Econometric modelling, gravity regressions for FDI and procurement, statistical data), qualitative analyses, stakeholder- and expert inputs; and input case studies
- Cover: GDP/production, welfare, trade, tariff revenue, sectoral effects, value chains, customs, LDCs, EU ORs, Türkiye, other countries, effects for procurement/FDI.

Step 4: Pol recs & flanking measures

- EU strategic objectives
- Overall analysis of economic impacts
- Analysis of specific sectors
- Aim to strengthen positive & mitigate negative impacts
- Recommendations for negotiations & broader policy

Investment analysis

- **The first research question:** What are the investment conditions that apply in the EU and India and to what extent are these barriers to investments?

Step 1: Key policies to attract FDI

- Literature review on drivers and international policy recommendations on how to attract FDI

Step 2: Current investment climates

- Literature review of current EU's / India's investment climates, focusing on areas where improvements have taken place & where attractiveness has been reduced

Step 3: Current investment conditions

- Detailed legal analysis, interviews and consultations with stakeholders, analysis of investment conditions for barriers investors face (both ways)
- A comparative analysis to highlight the similarities and differences between the systems

Step 4: Views on promoting and protecting investment, and IIAs

- EU's / India's perspectives on promoting investments, the EU's / India's position regarding investments, and views on international investment agreements
- Comparative analysis on the similarities and differences between systems

- **The second research question:** How can these barriers be reduced through the EU-India IPA?

Findings from the above four steps of the analysis will provide guidance for the IPA negotiations regarding (1) which barriers to FDI should be reduced/removed and (2) how this could be achieved in the EU-India IPA.

Social analysis

Step 1: Baseline scenario

Description, observed trends and influencing factors in:

- Employment, gender equality; labour standards, working conditions and inspection; poverty and inequality, public policies and services
- Cross-cutting issues: informal sector, CSR / RBC practices, consumer rights

Step 2: Heat map

- Key social issues linked to FTA/IPA
- Main findings from the baseline analysis
- Maximum five 'impact alerts' – priority effects
- Incidence and intensity of 'relevant impact' – horizontal and vertical impact issues
- Issues raised by stakeholders

Step 3: Social impact

- Thematic impact areas listed in Steps 1 and 2
- Impact analysis in areas /sectors affected by FTA/IPA (based on the CGE model), including via a case study
- Impact analysis of the agreement provisions, e.g., TSD chapter (qualitative analysis)
- Stakeholder engagement

Step 4: Pol recs & flanking measures

- EU strategic objectives
- Overall analysis of social impacts
- Analysis of specific sectors
- One case study
- Aim to strengthen positive & mitigate negative impacts
- Recommendations for negotiations & broader policy

Environmental analysis

Step 1: Baseline scenario

- Description, observed trends and influencing factors of five impact areas and two sectors:
 - Climate change, air quality, land use, ecosystems and biodiversity, waste management and water quality);
 - Agriculture (sub-sectors to be specified) and transport

Step 3: Environmental impact

- Impact analysis of 4 thematic priority areas prioritised in Step 2 (CGE results and other databases (EDGAR)) including one priority via a case study;
- Further stakeholder consultations
- Estimation of the welfare effects of the impacts

Step 2: Heat map

- Key environmental issues linked to FTA/IPA
- Main findings of first screening and scoping; issues raised by stakeholders
- Maximum five 'impact alerts' – priority effects
- Incidence and intensity of 'relevant impact' – horizontal and vertical impact issues

Step 4: Pol recs & flanking measures

- EU strategic objectives
- Overall analysis of environmental impacts
- Analysis of specific sectors
- One case study
- Aim to strengthen positive & mitigate negative impacts
- Recommendations for negotiations & broader policy

Human rights analysis

Step 1: Baseline scenario

- Identify international human rights obligations of the parties based on the ratification status of core international human rights conventions
- Situation in the EU and India in the reference period, pre-existing vulnerabilities and trends (Human rights profiles)

Step 3: Human rights impact

- Detailed impact analysis of two specific human rights likely to be affected by the FTA/IPA (based on the legal text of the potential agreements, CGE model, human rights indicators, etc.), including one via a case study
- Stakeholder engagement

Step 2: Heat map

- Key human rights issues linked to FTA/IPA
- Main findings of first screening and scoping
- Maximum five 'impact alerts' – priority effects
- Incidence and intensity of 'relevant impact' – horizontal and vertical impact issues
- Issues raised by stakeholders















Step 4: Pol recs & flanking measures

- EU strategic objectives
- Overall analysis of human rights impacts
- One case study
- Aim to strengthen positive & mitigate negative impacts
- Recommendations for negotiations & broader policy

Case studies: approach

- **Three case studies** (focusing on sustainability impacts of the FTA/IPA – social, environmental, human rights)
- **Proposed selection criteria:**
 - Importance for the EU's strategic objectives;
 - Importance from the economic, social, human rights or environmental angle (heat map);
 - Estimated magnitude of the expected economic, social, HR or environmental FTA / IPA impact (CGE);
 - Importance for stakeholders (consultations);
 - Relevance, importance or sensitivity from a negotiating perspective (negotiators);
 - Complementarity to the general analysis offering a more in-depth analysis.
- **Case study methodology:**
 - Definition of the case study (narrow) scope and a description of the specific issue in the EU and/or India context;
 - Analysis of the expected quantitative/qualitative FTA and/or IPA impact on the analysed issue;
 - Short conclusions (key takeaways) from the analysis;
 - Policy recommendations and flanking measures.

Case studies: preliminary suggestions (I)

1. Impact of the potential Agreements on sustainable business practices in India 
2. Impact of the potential Agreements on access to public procurement markets in India for EU firms 
3. Impact of the potential Agreements on India's IP regimes from the perspective of the EU pharmaceutical & greentech industries  
4. Impact of a potential IPA on India's tax regime that is applied on EU investors 
5. Impact of potential Agreements on labour market conditions, esp. child labour, in India's textile industry  
- * 6. Impact of a potential FTA on adherence to the fundamental principles & rights at work, incl. ILO fundamental conventions ratifications & implementation  
7. Impact of potential Agreements on the informal economy & working conditions (with a focus on India), in particular in labour-intensive sectors 
8. Impact of potential Agreements on job creation & destruction for vulnerable groups & how to strengthen positive and mitigate negative effects 
9. Impact of a potential FTA on the informal economy, focusing on an agricultural sub-sector as example of a labour-intensive sector 
10. Impact of a potential FTA on iron & steel trade between India and the EU and labour & env effects  



Economic pillar



Human rights pillar



Social pillar



Environmental pillar

Case studies: preliminary suggestions (2)

11. Impact of the labour standard provisions in a potential FTA on services trade between India and EU



12. Impact of the potential Agreements on workers employed in Special Economic Zones



13. Impact of the potential Agreements on access to medicines & medical treatments in India



14. Impact of a potential FTA on the right to food



15. Impact of a potential FTA on the freedom of association, incl. possible impact of the TSD Chapter



* 16. Impact of a potential FTA on the transition of India to a low-carbon, climate-neutral & resource efficient economy, incl. the way trade in env. goods & services & FDI can contribute to this transition



17. Impact of a potential FTA on sustainability practices in agriculture in India (use of pesticides, groundwater exploration & residue burning)



18. Sectoral impact of a potential FTA on water quality & water resources in India



19. Environmental effects of shipping between the EU & India in case of increased bilateral trade and port activities



20. Analysis of the trade & investment conditions needed to facilitate green technology development & trade in environmental goods via potential Agreements



Economic pillar



Human rights pillar

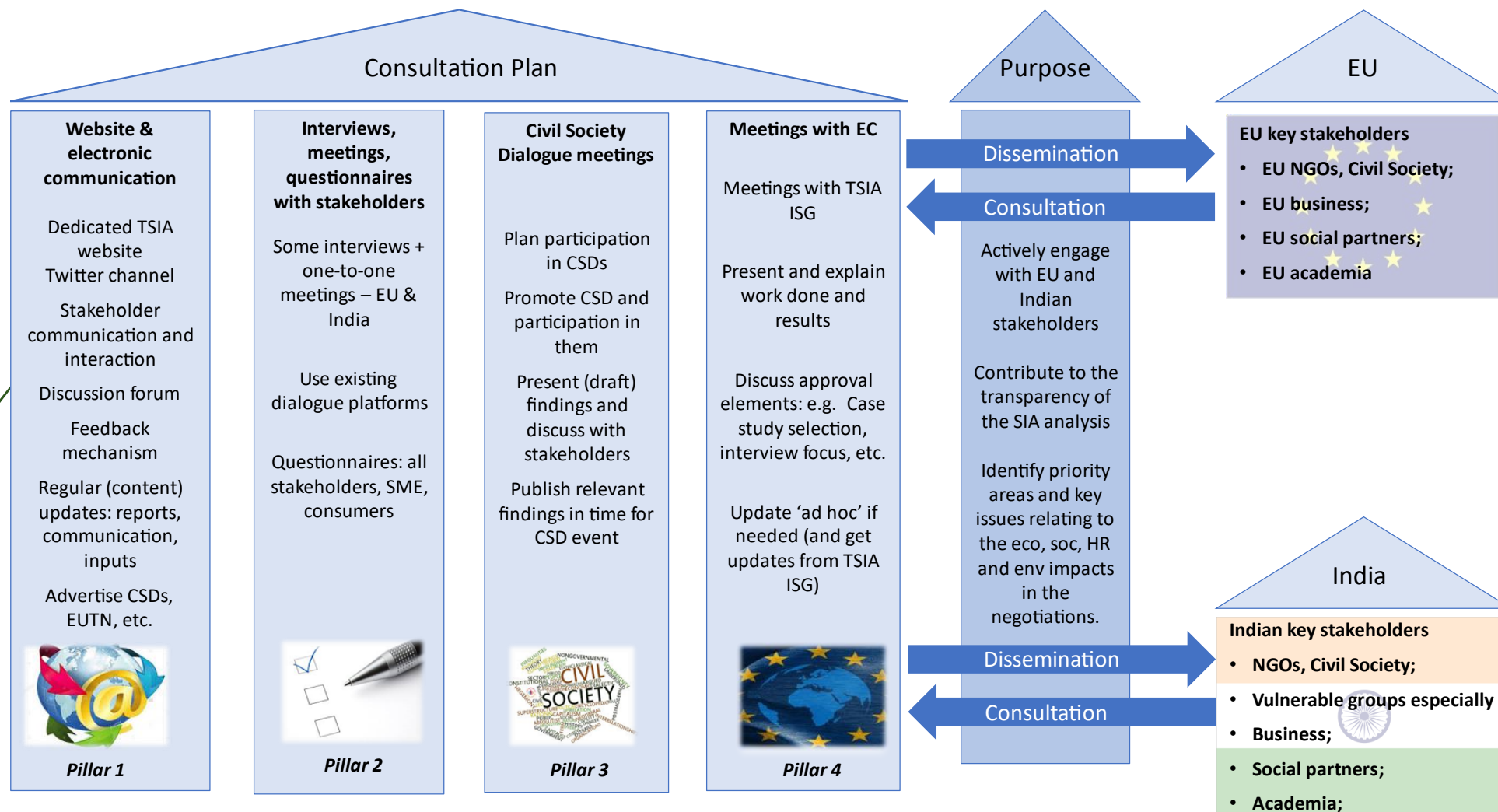


Social pillar



Environmental pillar

Consultations approach: overall



Foundation consultation plan: 1. Identified Key Stakeholders; 2. Map of nature of civil society in India

Consultations: website: www.eu-india-tsia.eu

Trade Sustainability Impact Assessment
of the EU-India trade and investment agreements

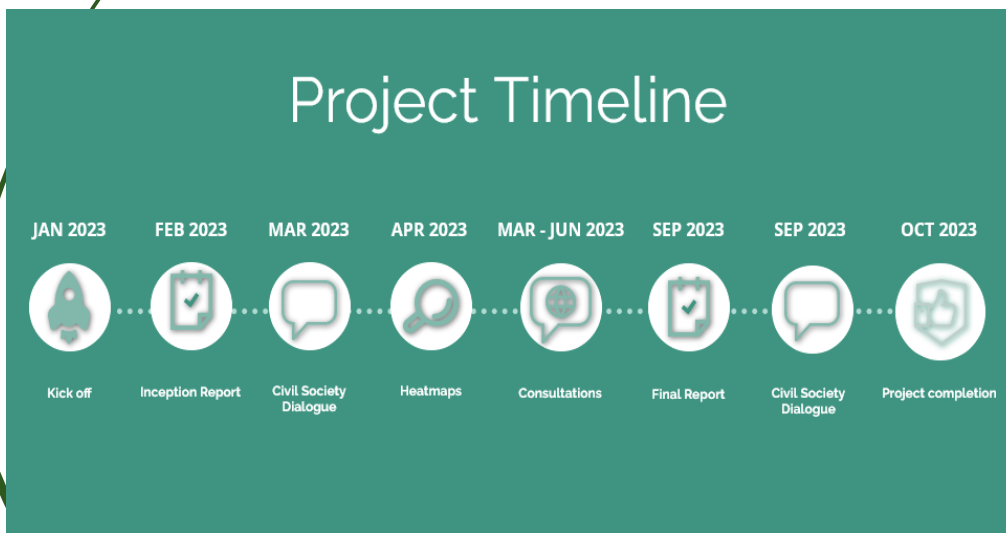
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EU Civil Society Dialogue will take place on 21 March 2023

Newsletter 15 February 2023



Sustainability pillars

The Trade SIA methodology consists of two equally important elements: the in-depth analysis of sustainability effects; and consultations with key stakeholders. The focus of each of the four sustainability pillars is shortly highlighted below, and also our approach on case studies is outlined.



Economic impact

The economic impact analysis provides the starting point for the SIA because many of the effects observed in other pillars follow from the economic effects. A broad range of economic variables will be analysed using a multi-pronged approach. We look, for example, at tariff and non-tariff obstacles, FDI flows, regulatory aspects, public procurement, customs, and impact on LDCs, EU Outermost Regions and SMEs.



Social impact

The social impact analysis focuses on an analysis of different types of potential social effects: e.g. on employment, informal sector, labour rights, working conditions, welfare, poverty, vulnerable consumer groups, women, vulnerable groups in the society, public policies and services and uptake of CSR practices.



Environmental impact

The environmental impact analysis, looks at the effects of the agreements on: the interaction with MEAs, the Paris Agreement and Global Biodiversity Framework, air quality, greenhouse gas emissions, water quality and resources, land use, soil quality, waste prevention and waste management, marine litter, biodiversity, ecosystems services and protected areas.



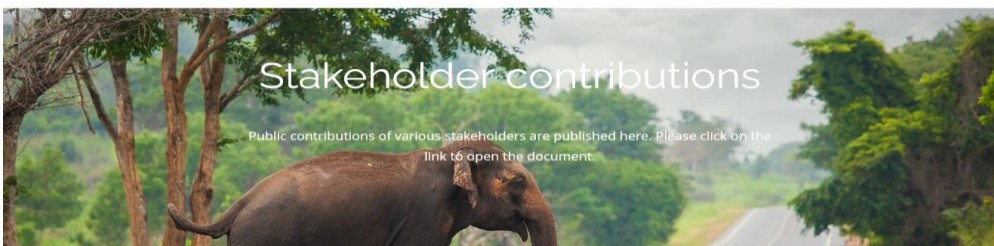
Human rights impact

The human rights analysis look at the impact of the agreements on human rights as set out in the Charter of Fundamental Rights of the European Union. It focuses on the pre-existing legal situation in the EU and India, pre-existing conditions of stress of vulnerability. The rights of indigenous people and rights to property and land use are core elements of the analysis.

Consultations

Continuous and wide-ranging consultations with stakeholders in India and the EU ensure a high degree of transparency, enrich the analysis with information "from the ground", and provide feedback on draft results. The main channels for communication and consultation - apart from this website and social media - are:

- Interviews with key stakeholders
- Overall online survey
- Business (SME) survey
- Civil society dialogue meetings in the EU



Stakeholder contributions

Public contributions of various stakeholders are published here. Please click on the link to open the document.

Next steps

➤ **Welcome inputs:**

- replies to online surveys (were launched on 10 March; will be available until 26 June),
- proposals for topics for three case studies (by 31 March),
- highlighted issues for the analysis, sectors, interests, concerns (by 31 March),
- comments to the draft Inception Report and Annex (by 31 March),
- written contributions (info, data) to be sent to the project team's e-mail address,
- availability for further discussions and interviews,
- following the project accounts / updates on Twitter and LinkedIn,
- comments and other inputs at further stages of the analysis.

TSIA EU-India trade and investment agreements



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