

Broad-based Trade and Investment Agreement (BTIA): Notes for IAS Exams

The trade agreements between India and the European Union are some of the many current affairs topics that candidates attempting the IAS Exam must be well-versed with. This article will give details of one of these agreements - the BTIA (Broad-based Trade and Investment Agreement).

What is the BTIA?

The BTIA is a comprehensive agreement that covers all aspects of trade in goods, services, and investment. The EU is India's largest trading partner where India accounted for 13.5% of overall trade of the EU in 2015-16, well ahead of China (10.8%), the USA (9.3%), the UAE (7.7%) and Saudi Arabia (4.3%). India was the EU's 9th trading partner in 2016 and Indian exports accounted for 2.2% of EU's overall trade.

India and the European Union (EU) have been negotiating the Broad-based Trade and Investment Agreement (BTIA) since 2007. The negotiations cover a wide range of topics including tariff reductions, market access for services and intellectual property rights and investments. The last round of discussions took place in November 2013 and the negotiations have stalled ever since. Recent events including the ongoing Brexit negotiations and the termination of investment treaties might however have a direct impact on the BTIA and one can expect negotiations to resume in the near future.

Current Scenario of BTIA

In June 2016, it was announced by the government of the United Kingdom (UK) that it had decided to pull out of the European Union. The Brexit would formally happen on February 1st 2020. Before this event, the UK was one of the vocal opposition regarding the framing of the BTIA. Indeed, amongst the elements that had stalled the negotiations are the liberalization of visa rules for Indian workers and the reduction of tariffs on spirits. The UK has a substantive interest in both issues as it is opposed to liberal visa rules for Indian skilled labour and wants its whiskey and other spirits to face lower customs duties in India. Since the UK is now out of the BTIA talks, one can safely expect easier negotiations. However, the recent decision of India to terminate bilateral investment treaties are also thought to be the main reason for the stalemate.

Conclusion

However, the Brexit and the new trade policy of the United States following the election of the new US President have dramatically changed the scenario. In addition, the EU is now entering uncharted waters in the Brexit negotiations and India is busy negotiating the Regional

Comprehensive Economic Partnership (RCEP), a mega-regional trade agreement with the Association of SouthEast Asian Nations (ASEAN) plus Australia, China, Japan, South Korea and New Zealand. However, RCEP negotiations are complex and involve sixteen countries at different levels of development and with diverging interests.

Resuming the BTIA negotiations could therefore be good move for India for the following reasons:

1. The EU is India's first trading partner; the benefits might thus be easier to reap given the trade volume.
2. Both parties have a substantial market and big population.
3. An improved market access for services and a better integration in the global value chains are key elements for India's continuous economic development.

It is hence believed that the upcoming months might see the revival of the BTIA.