

# *The EU India FTA in Agriculture and Likely Impact on Indian Women*

## **Executive Summary**

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## **Executive Summary**

Since 2007, India has been negotiating a Free trade Agreement with the European Union. Agriculture is very much a part of this FTA, and the impact on India's agricultural sector; on livelihoods as well as food security; has been a matter of much debate. While the negotiating text is a secret document, making it difficult for researchers, analysts, CSOs to evaluate possible impact of this FTA, the EU FTAs in general are known for their pervasive coverage of agriculture including the removal of export and import restrictions, TRIPS plus provisions in IPRs, complicated dealings in NTBS, and strong protection of foreign investment and investors' rights. While all these provisions will have significant impact on India's population, on its poverty, inequality, and development process in general, it is obvious that there will be differential impact on specific groups, especially vulnerable population groups. FTAs, as expected, are a question of give and take, and gain and loss; while some sectors, regions, populations gain, others may lose. It is vital to assess who and which segments gain, who and which segments do not, and evaluate the FTA accordingly. This evaluation must also be in touch with specific development needs of specific groups.

In this paper our key focus is the impact on women. It has been increasingly proved that trade policy is not gender neutral. The key reason is that women do not have equal access to resources and services, are overall constrained by time and income poverty, and has lower skill levels. Their socio-economic position is also always consistently weaker compared to men, more so in developing economies. It is well known that in India, women are largely engaged in agriculture as it requires less skill and also because it is informal, can be combined with house work, and is often unpaid. Therefore, what happens to the agriculture sector has important implications for women.

The impact on Indian women is partly determined by what generally happens to the Indian agricultural sector in the wake of the FTA, and therefore to all, including women farmers and workers. Some other part of the impact may be directly felt by women because of the way they are integrated into the agriculture and food sector, especially in rural areas.

### ***Women in Indian Agriculture Sector***

In India, agriculture is a highly gender sensitive sector. 75.38% of all women workforce are engaged in agriculture. Within agriculture, 94% of women in crop cultivation are in cereal production and other crops n.e.c, 1.4% in vegetable production and horticulture, while 3.72% are engaged in fruits, nuts, beverages, and spice crops.

Women's participation rate (% share in all workers) is high in tea plantations (47.08%), cotton cultivation (46.84%) and growing oil seeds (45.43%). Vegetables also show a high share of women workers (39.13%). All these crops need labour intensive work. Foodgrains production too draws about 33 percent of its labour from women while growing of sugarcane and sugar beet draws 25.5 percent. Women are also significantly engaged in agricultural allied activities, for example in animal husbandry (7.03% of women engaged in agriculture & allied activities, and 71.08% of women engaged in agricultural allied activities), plantations and fisheries. These are also significant livelihood options for women in specific regions in India.

Indian agriculture, with its low requirement of skills, and work which can be more easily combined with work at home, is an easy source of work for women, though women are confined to low end jobs like sowing, transplanting, weeding and harvesting. Many women also work as unpaid family labour. While

gender wage disparity in all these activities is about the same, with women earning only 70 percent of men's wages, the gap between wages for ploughing earned by males and weeding wages earned by females is Rs. 21.47.

The level of lower skill and education level is highlighted by the fact that 52-75 per cent of women engaged in agriculture are illiterate. This also implies that they are less able to shift easily to other higher skilled jobs, for example, in the services sector. This makes them dependent on agriculture and on its stable growth for survival.

The distribution of critical resources like land is also unevenly distributed across gender. Women seldom enjoy property ownership rights directly in their names. Even when women have mutations of land in their names, they may not have actual control over that land. Decision making in cropping patterns, sale, mortgage and the purchase of land or the instruments of production remains in the hands of the men of the household. With unequal access to other resources like credit, skills, and other inputs aggravating this deep inequality, land inequality is one area that is of crucial importance for rural women in India and goes a long way towards strengthening the unequal socio-economic relations in our society.

### ***Possible Impact of the EU-India FTA***

Impact assessment studies of the EU-India FTA indicate that India's share in EU's trade of agricultural products will remain virtually unchanged, while EU's share will increase significantly by 2020. Primary products overall and cereals show very high jumps (CEPII-CERM 2007) in EU's shares. As per ECORYS et al (2009) the EU-India FTA will not bring gains in agricultural trade to India in long run. The Report predicts a small increase in agricultural exports, a larger increase in agricultural imports. In addition it predicts that agricultural employment will decline in India.

**Trade Patterns:** EU-27 has an advantage in poultry, dairy and dairy products, cereals other than rice (basmati and non basmati), fruits and vegetables, coffee, mate, tea, sugar and olive oil over India. The EU-India FTA may lead to increased imports of the products, especially more value added products, in which EU has an advantage. This will affect dairy, coffee, mate, tea and wheat farmers, and fruits and vegetable growers and local agro based processing industries. These are gender sensitive products and women farmers will be worse affected as dairy, coffee, tea, vegetable & fruit production employ large population of women farmer and labourers. Agro processing in India is also a large employer of women workers and strong competition can adversely affect them.

**Applied Tariffs are to be now cut as** the EU India FTA will require India fixes its tariff at zero or near zero for at least 90% of its products. Protection loss is therefore very real. This is a substantial difference from the WTO requirements where bound or maximum tariffs are committed on.

**Difference in Applied Tariffs** is an important issue for this FTA. The EU has much lower agricultural tariffs than India in almost all products except dairy (2009). Average bound agricultural tariff was 114.2 per cent in India compared to EU's 15.9 per cent. Similarly, average applied MFN rate on agricultural products was 32.2 per cent in India compared to EU's 16.0. Therefore the FTA represents a large loss of protection for India. This also implies a loss of tariff revenue which could have been used by the government on social spending.

**An important point to note** is that, the products in which EU has an advantage and which are the top five agricultural export commodities to the globe from EU, faces high applied tariffs in India. The applied tariffs

on these commodities in India are; beverages and tobacco (70.8 percent), coffee and tea (56.1 percent), sugar and confectionary (34.4 percent), cereal and cereal preparation (30.8 percent) and oilseeds, fats & oils (26.2 percent though it has come down only in the recent past). Therefore, once and if India reduces its high protection levels after the FTA, imports from EU in these products are likely to increase significantly. As evident from our discussion in the paper, women workers are concentrated in plantation products, oilseeds, cereals. Even confectionary products' entry into Indian markets may adversely affect women's employment in the production of sugar.

On the other hand, Indian women are heavily engaged in animal husbandry, and EU is likely to retain high protection both through tariffs and NTBs on meat and poultry products,. In addition, EU dairy products are likely to enter Indian markets threatening Indian markets and women's livelihoods in animal husbandry. As discussed earlier, SSM instruments at India's disposal may also be very limited. On the other hand, over dependence of foreign imports for food products will reduce not only livelihood opportunities for small farmers (including women) but threaten food security and self sufficiency. As is evident from recent experience, this can be critical in the time of a crisis when the foreign supplies deplete.

**Export Restrictions** on natural resources imposed by India are to be removed at the insistence of the EU. In fact, acquiring raw material is a major interest area for the EU. Increased trade and removal of export restrictions on natural resources, for example, forest products, clear endanger women's access who are heavy users and in turn, protectors of such resources.

**High agricultural subsidies** enjoyed by EU-27 countries come in the forms of State Aid and other under Common Agricultural Policy (CAP). The aim of the CAP is to strengthen the position of European farmers but this affects adversely, farmers from the developing and least developed countries by lowering EU competitors' prices and reduce exports and welfare in developing countries. Unfortunately subsidies cannot be negotiated under the FTA, as they are ostensibly being negotiated at the WTO. Besides this, farmers in India do not have the privilege and access to such high subsidies, including on credit. Indian agriculture is predominated by small agriculture farms and small farmers who face difficulties in accessing subsidies. Women, in fact, face a more severe constraint in accessing such subsidies, especially in the credit market, because they have limited control over physical resources like land which can be offered as collateral.

**Non Tariff Barriers** have been on the rise as trade agreements lower tariff rates throughout the world. Non-tariff barriers include technical measures, standards and food safety conditions, customs rules and procedures, transport regulations or costs, lack of knowledge of regional markets, and import policies. There is a problem of harmonization of standards between India and EU, as well as across the EU-27 countries. In India the apparatus for evaluating most of these standards is not present. Its marketing system provides a much less stringent method of quality evaluation, and Indian products even by large exporters have often been rejected on quality grounds in the EU market. In fact the EU does not recognize much of India's quality evaluation certificates. The host of barriers that EU imposes on agricultural trade makes it much more difficult for small farmers and women farmers, with low access to quality evaluation apparatus, to effectively access the EU market.

**Liberalisation of Investment** in agriculture is a sensitive issue with significant gender differentiated impact in India. If strong investment rights are accorded to EU investors under this FTA, women's skewed access to land and natural resources may be further squeezed following this FTA. This also affects their access to forest products, water, traditional plants and seeds and other natural sources of sustenance for them and their families. On the other hand, increased mechanization and increased use of fertilizers and pesticides in the wake of the FTA may exacerbate the labour saving tendency of FDI and add to unemployment of women

labourers. This tendency is evident even in agro-processing industry. Small scale food processing industries function as a catalyst in providing employment but on contrary big processing industries do not rely on skilled and semi-skilled labour, which is provided by women labourers.

**Strong IPRs**, for example, pressures to join UPOV 1991 represents another threat to Indian agriculture, its bio diversity and the survival of small farmers. UPOV 1991 prevents the farmers from saving, using and freely exchanging seeds, which is traditionally practiced by Indian farmers, especially smaller ones. In addition, provisions under the present law, such as the registration of extant and farmers' varieties and benefit sharing provisions to compensate farmers' for their innovations will also be threatened. In addition, the IPR text also includes patent term extension by five years which also refers to plant protection products (Correa 2009). Women's roles as 'seed keepers' can get undermined by such provisions.

### **In a Nutshell**

The EU India FTA is expected to lead to a loss in terms of India's trade balance and while EU's market share in India's agricultural trade will increase, India's market share will not change (CEPII-CERM 2007). ECORYS et al (2009) also predict a worsening of trade balance and a long run decline in employment. India will also have to lower its barriers considerably more than the EU and reducing applied tariffs (as opposed to bound tariffs) means a loss of actual protection and flexibilities in protection options. It is evident that the products in which EU has an advantage (especially in higher value added ones) are the products in which India currently has high barriers. Removal of tariffs after the FTA will give unfettered access to these product markets. As our study pointed out many of these are gender sensitive products. Therefore, India's trade with EU after the FTA is expected to have a significant impact on women farmers in agriculture and also on women workers in agro processing. In addition, EU's substantial domestic subsidies and high NTBS in the form of sanitary and phyto sanitary standards and other technical barriers pose more problems for smaller and women farmers. The WTO and TRIPS, Agreement on agriculture and the Sanitary and Phyto Sanitary agreement have already affected women's livelihoods in India. The FTA moves further in this direction. Liberalisation of investment can further skew access to critical resources like land and natural resources, in addition to replacing women from labour intensive process through increased mechanisation. Strong IPRs also intrinsically work against women by increasing control over knowledge and technology to which they already have unequal access. It also limits their ability to freely use traditional plants and cultivation methods and help sustain their families. The EU-India FTA provides stronger provisions in all these areas and is likely to further in-equalise women's access to livelihood, food and basic resources.

The study also indicates that women are more vulnerable because they have lower skills and a significant adversity in access to productive resources. Therefore either they are easily displaced or in many cases, underpaid. Shifts necessitated by trade liberalisation, are costly to women as because of lack of resources and skills, as well as family duties, they find it difficult to shift both between locations (rural to urban) as well as between sectors (agriculture to services).

In the light of the above discussion, India needs to seriously consider its options in liberalizing agricultural trade. Protecting livelihoods and food security of large sections of the poor and vulnerable sections like women, needs a well thought out and long term strategy. In a country where rural poverty is already very high,<sup>1</sup> rural-urban inequality is rising, and there is relative agricultural stagnation, any trade policy must be developed in conformity with a strong and pre-planned development policy. In the field of agriculture, the policy efforts still remain sporadic and investments remain inadequate, resulting in inadequate preparedness for such an ambitious FTA with EU.

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<sup>1</sup> 28.3% (Official Estimates based on NSS 61<sup>st</sup> Round), 29.18% (Dev and Ravi 2007), 87% (Patnaik 2007)