

The EU-India FTA in Services and Possible Gender Impact in India: Concern Areas

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December, 2009

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Acknowledgements:

This paper has been encouraged and funded by the Heinrich Böll Foundation, Berlin, Germany as part of the background research output of the 'Trade and Gender Sub-programme', under the 'Human Development Programme' of Centad.

The authors also acknowledge the contribution of Dr. Partha Pratim Pal for his background paper on the IT and ITES Sector.

Disclaimer:

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Published by:

Consortium for Trade and Development (Centad)
A1/304 Safdarjung Enclave
New Delhi - 110 029
Tel: +91-11-41459226, Fax : +91-11-41459227
E-mail: centad@centad.org
URL: <http://www.centad.org>

Design and Printing By :

Dynamic Printo-Graphics
2086, Street No. 4, Shanti Niwas, Chuna Mandi
Pahar Ganj, New Delhi – 110055

Foreword

Achieving gender equality worldwide has been a part of the international development policy agenda for some time now. Gender mainstreaming or including the gender dimension in all economic and social evaluations has been an objective of many international initiatives.

The role of trade in creating long lasting impact on development in general and on human development in particular has already been established. Therefore, it is pertinent to ask how trade impacts the already present gender bias in developing countries. The link between trade and gender is complex and multidimensional. While it is increasingly clear that trade policy is not 'gender-neutral', the nature and extent of linkages is yet to be studied in detail. The issue is made more complicated by the fact that evaluation of what is absolutely good or bad is impossible in the context of complicated socio-economic structures. Therefore any study of gender and trade must be more nuanced than simply a fact based or data based study using conventional indicators. This is more imperative since current data in most developing and even some developed countries do not include a gender dimension. In addition, it is next to impossible to estimate inequalities within households by the current data estimation methods. In addition, the trade policy spectrum is itself changing continuously, with the WTO model being supplemented and even partially replaced by Free or Regional Trade Agreements, which are often more ambitious than the WTO system.

Keeping these issues in view, the Trade and Human Development Programme of Centad, in partnership with the Heinrich Boll Foundation, has undertaken a sub-programme on 'Trade and Gender', which looks at the linkages between trade liberalization and gender, from India's perspective. The special focus is the impact of the EU-India FTA, which is being currently negotiated, on women in India. The programme intends to come out with four reports as part of its initial research output. While the first is a literature overview, the following three study the gender impact of the EU-India FTA on agriculture, services and health. These research outputs are to be followed by advocacy at various levels.

This report, on the gender impact of the EU-India FTA in the services sector, is the fourth of the publications under the 'Trade and Gender Series' brought out by the programme. The services sector represents the Indian success story, and is expected to be the major gainer under this FTA. But there are critical questions that must be raised. Is India ready to trade services sector gains against losses in large sectors like agriculture? Even within the services sector, there are vulnerable groups who may be affected. Women work as unskilled low paid workers in large informal segments of the services sector. These jobs may be threatened by the FTA. Gains in jobs, on the other hand, mainly in skill biased sectors, may have a clear gender dimension. Access to critical services is also an issue that needs to be explored. Liberalisation of banking, health, tourism may affect women's access to basic services and resources. All these issues need to be taken into account while evaluating the FTA's impact. This study is an endeavor to provide such an analysis in simple terms.

I also take this opportunity to thank our partner, the Heinrich Boll Foundation for supporting our activities and for sharing our vision. Without their continuous encouragement and wholehearted participation, this would not have been possible.

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Abstract

This paper studies the impact of services trade liberalization under the currently negotiated EU-India FTA on women's lives in India and tries to delineate the concern areas. Services sector liberalization can affect women in two major ways; by creating or destroying employment and incomes; and by, affecting the access to critical basic services like credit, health, education, water, energy. It is undeniable that many chapters of services trade liberalization involve a clear and differentiated impact on women. As women's access to services is already limited and this is an important need that must be met to address all gender disparities; be it in jobs, incomes, social relationships, trade relationships, how trade impacts such access is an important question. On the other hand, the nature of trade in India and in the EU, and the nature of FDI will actually determine which type of jobs (skilled or unskilled), in which sectors and at what salaries/wages will be created or taken away. For example, the liberalization of Mode 4 has a special relevance for women care workers in India. Relevant sectors of interest are studied with these two indicators; employment and access, in view. Some gender sensitive policy options are discussed at the end.

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Abbreviations

| | |
|----------|--|
| BPO | Business Process Outsourcing |
| DSB | Dispute Settlement Body |
| DSU | Dispute Settlement Understanding |
| EC | European Community/ European Commission |
| EEA | European Economic Area |
| EU | European Union |
| FDI | Foreign Direct Investment |
| FICCI | Federation of Indian Chambers of Commerce & Industry |
| FTA | Free Trade Agreement |
| GATS | General Agreement on Trade in Services |
| IT | Information Technology |
| ITES | IT Enabled Services |
| KPO | Knowledge Process Outsourcing |
| MA | Market Access |
| MFN | Most Favoured Nation |
| MSME | Micro, Small and Medium Enterprises |
| NCEUS | National Commission on Enterprises in the Unorganised Sector |
| NSSO/NSS | National Sample Survey Organisation/ National Sample Survey |
| NT | National Treatment |
| NTB | Non Tariff Barriers |
| RTA | Regional Trade Agreement |
| TRIMS | Trade Related Investment Measures |
| TRIPS | Trade Related Intellectual Property Rights |
| WTO | World Trade Organisation |

Introduction

India has been a well known name in the field of global services trade. India has clearly benefitted from export of its services, mainly from the IT related services. This has been advanced as a positive example of a developing country basing its economic growth on the services sector. The proposed Free Trade Agreement (FTA) contains ambitious provisions in its services chapter, covering all the four modes of service trade liberalization. Both the EU and India are clearly interested in liberalizing this sector. Both have a thriving services economy. India is expected to make gains in terms of receiving FDI, and getting access to services market in EU. The EU on the other hand, expects to make inroads into India's financial, retail, transport and many other services.

While India has benefitted from the high growth of its services sector, it is evident that most of it comes from the IT and IT enabled services. While other service sectors have also shown some promise, India is still far from being a completely service based economy. India is also not yet in a position where it can completely depend on services exports to sustain the entire economy. The reasons for this are several; exports are still concentrated in computer and other business services all linked to IT services; India has a large population still dependent on agriculture; the service sector has a low elasticity of employment compared to the other sectors; the services which have grown more are skill intensive and most of India's population has very low skill levels; the services sector liberalization has also seen increasing FDI, a lot of which has been labour saving, for example in construction. In addition, trade has benefitted urban based services as opposed to rural services.

What is the likely impact on India's population is the question that arises naturally in this context. There

are two processes that can be impacted by services sector trade liberalization which has a direct impact on people's lives. The first question is of creating employment and incomes, while the second is of providing access to critical basic services like credit, health, education, water, energy. We refer to these two indicators throughout the study and this study draws upon a few specific service sectors to illustrate critical issues. Our study of the IT sector under Mode 1; Mode 3 and studies of retail, construction and waste disposal services; study of Mode 4 and health, care workers refer to an employment perspective. Studies of medical tourism under Mode 2, health and banking services under Mode 3, and of health workers under mode 4 refer to the issue of access to basic services.

When we talk of employment, there are several questions that we must ask. First, is there significant employment gain in the services sector which can make up for losses in other sectors? This is even more relevant given the labour saving nature of foreign direct investment (FDI), which, combined with the already low elasticity of employment, raises concerns about employment generation. Second, does everyone gain even within the service sector? Do all services gain and do all workers gain? The question relevant for this study here is, whether women gain proportionately in terms of both job creation and income generation as much as men. Third, given India's current social development, especially the inequality in education, skills and training facilities, can everyone be shifted out of low skilled loss making sectors to high skilled services? As discussed above, it is the relatively high skilled segments within services that have done well under trade liberalization in India, which makes this labour shift an even more difficult process.

Gender impacts have received relatively little attention in the services trade discussions so far. However, it is undeniable that many chapters of services trade liberalization involve a clear and differential impact on women. *The impact on both employment and access to services can be more critical for women.* If the services sector expands as a result of liberalization and if the FDI received is not labour saving, women may be able to gain *employment*. On the other hand, women in informal services, where foreign inroads may replace labour, may suffer as they may be the first to lose jobs. Informalisation of work, especially among women is a major concern in India. The National Commission on Enterprises in the Unorganised Sector (NCEUS) (2007) estimates 29.5 million unorganized female non-agricultural workers in 2004-05, an increase of 7 million compared to 1999-2000. Poverty among non-agricultural unorganized workers (both men and women) is estimated at 20.6 per cent (NCEUS 2007). Liberalisation under Mode 4 services, which provides for movement of professionals, has also significant impact on female health and care workers. This is an important issue given the significant rise in international movement of women workers. Issues of protection, job and social security, and of ensuring basic rights in destination countries are issues that our trade policy must address.

Women's *access to services* poses another interesting question. Women's access to services is already limited and this is an important need that must be met to address all gender disparities; be it in jobs, incomes, social relationships, trade relationships. Therefore how trade determines access to services is a critical question. For example, studies point out (Hochuli 2005) how FTAs that liberalise banking may limit access to credit for vulnerable groups like agriculture and women. Access to health services may also be affected by increasing foreign investment and

encouragement of medical tourism (Sengupta and Gopinath 2009).

The critical problem faced by researchers in trying to analyse the impact of the EU-India FTA is the lack of information. The draft texts are secret documents and are not circulated publicly. Therefore this analysis is also based on possible areas of interest from the point of view of the EU and India. The paper tries to understand the possible consequences on Indian women and in specific, the areas of concern, if full trade and investment liberalization takes place across the services sector or in key areas of interest, *after and if* the FTA gets signed.

This paper is divided into five sections. Section I provides a gender profile of employment in the services sector. Section II analyses the current trade and investment patterns in services of EU and India which is relevant from the point of view of the FTA. Section III then looks at possible provisions in services trade liberalization in the EU-India FTA though very little is formally known. This section also summarises what some of the impact assessment studies predict about the outcome. Next, Section IV looks at some relevant sectors of interest from an employment point of view covering Mode 1 to Mode 4; IT, retail, construction, waste management. Section V looks at some services from an access point of view: banking, health and medical tourism. Section VI looks at Mode 4 separately as it represents for women both an employment and an access issue. A summary and conclusion are provided at the end.

I. Gender Contour of the Services Sector in India

The services sector in India remains male dominated with women being engaged in specific services. This sector employs only 12.68 per cent of total female workers of the country, though this is not surprising given that this sector accounts for about 23 per cent of overall employment (male and female).

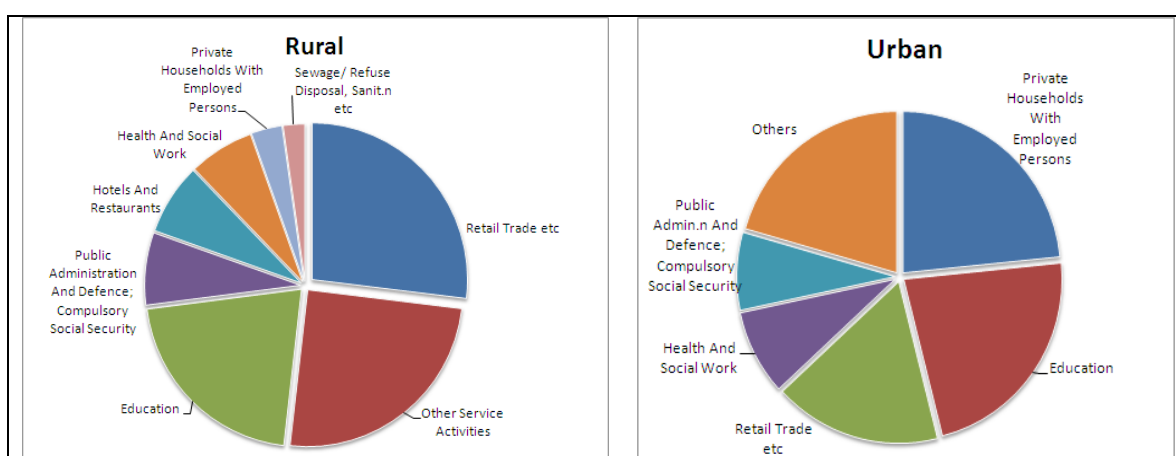
Figure 1 shows the dominant services in generating female employment in rural and urban areas. Education, retail and other services contribute largest chunks of employment in rural areas while work as domestic maid, retail, education and health contribute the highest shares in urban areas. Employment in public services is also an important source of work for women in both rural and urban areas.

Table 1 lists the major services, ranked according to shares in total female services employment along with corresponding shares of women in total employment. There are certain services which have a very high share of women workers, but the size of

the very share of women workers, these sectors do remain important in terms of their potential to generate employment for women. Financial services and computer related services have a moderate but significant share of women workers (18.26 and 17.84 per cent) but their contributions to women's total services employment are very low at 3.02 and 1.31 per cent. On the other hand, there are certain sectors which may not have a high share of female workers, but are large sectors and therefore still account for sizeable chunks of female employment. Retail remains a prime example of this, both in rural and urban India. Work as domestic maids (in private households) has both a high share of women workers as well as a large share in total female services employment in urban areas. Education, and health & social work, are other areas where women have both high shares in employment in that sector, as well as significant sectoral contributions in their total employment.

There are many areas of concern regarding women's role vis-à-vis employment in the services sector. One of the areas of concern is that despite its high growth,

Fig.1: Share of Various Services in Female Services Employment 2004-05



Source: NSSO, 61st Round

that sector may be small, implying a small share in total female employment in services. Waste Disposal is such an example (see Table 1). However, given

the growth has been unequally divided across service sectors. This is truer in case of employment, both in volume and in the nature. Many sectors which

have done pretty well, for example IT services, is more skill biased and is still pretty small in size in terms of employment generation. Therefore, these contribute a relatively low share of female employment (See Table 1).

Women's access to resources and property has always been limited in India. This is reflected in low female

ownership of enterprises. Share of female owned enterprises varies from 0.61 per cent (mechanized road transport) to 32.02 per cent (education). Along with education, non banking financial intermediation is the only activity where female ownership has crossed 20 per cent. The limited ownership therefore limits women's ability to earn profits and dictate their own terms of work. In addition, female owned enterprises

Table 1: Contribution of Top Services Sub-Sectors in Female Services Employment and Share of Women in Sub-Sector Specific Employment, 2004-05

| Rural | | | Urban | | |
|---|--|--|--|--|--|
| Name of Activity/ Sub Sector | % Share of Sub-Sector in Total Services Employment | Share of Women in Sub-Sector Specific Employment (%) | Name of Activity/ Sub sector | % Share of Sub-Sector in Total Services Employment | Share of Women in Sector Specific Employment (%) |
| Retail Trade, Except Motor Vehicles And Motorcycles; Repair Of Personal And Household Goods | 25.82 | 11.98 | Private Households With Employed Persons | 22.8 | 79.67 |
| Other Service Activities | 23.89 | 28.78 | Education | 22.09 | 47.66 |
| Education | 20.29 | 27.25 | Retail Trade, Except Of Motor Vehicles And Motorcycles; Repair Of Personal And Household Goods | 16.63 | 9.47 |
| Public Administration And Defence; Compulsory Social Security | 7.14 | 10.56 | Health And Social Work | 8.32 | 43.56 |
| Hotels And Restaurants | 7.04 | 21.44 | Public Administration And Defence; Compulsory Social Security | 7.58 | 13 |
| Health And Social Work | 6.5 | 32.59 | Other Service Activities | 5.15 | 30.64 |
| Private Households With Employed Persons | 3.08 | 60.91 | Hotels And Restaurants | 4.31 | 13.31 |
| Sewage And Refuse Disposal, Sanitation And Similar Activities | 2.16 | 59.07 | Financial Intermediation, Except Insurance And Pension Funding | 3.02 | 18.26 |
| Total | 95.92 | | Wholesale Trade And Commission Trade, Except Of Motor Vehicles And Motorcycles | 1.79 | 5.2 |
| | | | Other Business Activities | 1.7 | 8.77 |
| | | | Computer And Related Activities | 1.31 | 17.84 |
| | | | Post and telecommunications | 1.25 | 11.4 |
| | | | Land Transport and Transport via Pipelines | 1.51 | 1.1 |
| | | | Total | 97.46 | |

Source: NSSO, 61st Round

show a lower value of fixed assets compared to male owner ones. This is true in both rural and urban areas and especially for own account enterprises (NCEUS 2007). It makes them vulnerable to the employment conditions imposed by their employers. Women also end up as unpaid family workers in family owned enterprises (own account enterprises) but without any clear rights to property.

(NCEUS 2007). This is even more prevalent in case of female workers who are used as flexible labour to be used as a wedge to provide a buffer to demand related volatilities. In fact the rise of the informal economy, and of female workers thereof, has often been linked to increased pressure of trade liberalization¹. Figure 2 below shows that about half of unorganized non-agricultural sector female workers

Table 2: Share of Female Owned Proprietary Enterprises in Total Proprietary Enterprises

| Activity Group | Own Account Enterprises | Establishments | All Enterprises |
|---|-------------------------|----------------|-----------------|
| Hotels | 7.73 | 11.16 | 10.72 |
| Restaurants | 11.55 | 5.15 | 10.21 |
| Hotels & Restaurants | 11.56 | 5.75 | 10.21 |
| Storage and Warehousing | 8.92 | 8.85 | 8.88 |
| Mechanized Road Transport | 0.30 | 1.78 | 0.61 |
| Water Transport and Other Related Activities | 0.80 | 2.88 | 0.81 |
| Communications | 9.26 | 8.45 | 9.19 |
| Transport, Storage and Communication | 3.22 | 3.61 | 3.24 |
| Non-banking Financial Intermediation | 23.73 | 6.91 | 20.29 |
| Insurance, Pension Funding and Auxiliary Activities | 11.19 | 8.83 | 10.92 |
| Financial Intermediation | 14.21 | 7.82 | 13.79 |
| Real Estate, Renting and Business Activities | 4.93 | 3.35 | 4.51 |
| Education | 35.97 | 19.64 | 32.02 |
| Health & Social Work | 13.38 | 12.33 | 13.18 |
| Other Community, Social and Personal Services | 12.17 | 10.24 | 11.95 |

Source: NSS Report No. 528: Service Sector in India, 2006-07

As in the case of manufacturing, a large informal sector has been thriving within the services sector. The unorganised sector, and unorganized workers within the organized sector, both form part of this economy. At 92 per cent of the workforce in unorganized work, the vulnerability is high. There is no job security, work is contractual, and there is no guarantee that wages will be protected. There is also inadequate leave-benefits, maternity benefits, health coverage

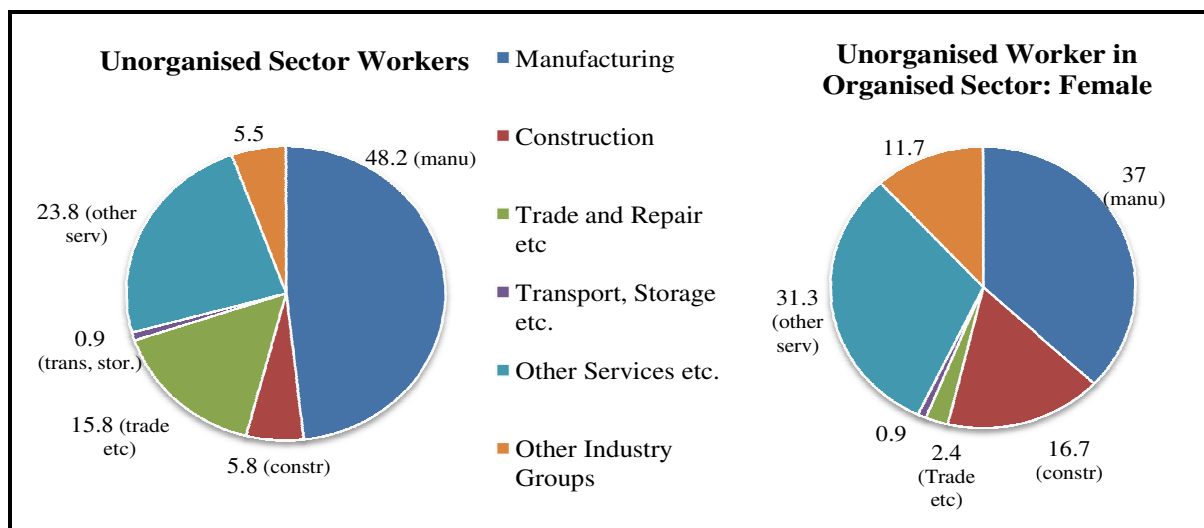
belong to services, with trade and repair (retail etc) and a combined 'other services' accounting for major shares (NCEUS 2007). There are also unorganized female workers within the organized sector itself. Construction is a major contributor to this kind of employment (Fig. 2, right hand figure). Within India's large informal economy, female workers are used more extensively, leading to what has been called the 'feminisation' of labour. While this represents an

¹ For a survey of issues see Sengupta and Gopinath (2009).

increase in employment, achieving gender equality in work still remains a challenge.

However in many of these segments, casual work pre-dominates, and the wage disparity in casual work

Fig.2: Sectoral Break-up (%) of Non-Agricultural Unorganised Female Workers in India (2004-05)



Source: Based on data from NCEUS (2007)

Another cause for concern is the persistence of significant wage inequality on gender lines (Table 3). Female wages range between 50 per cent (employment in private households) of male wages to 232.5 per cent in construction (rural) for regular employees. Only in electricity, gas and water (urban), construction (rural), and transport and storage (rural) women seem to earn more than men.

is always consistently high (Table 3). Women casual workers do not earn more than men in any activity whatsoever. In addition NCEUS (2007) points out that a higher percentage of women workers earn less than the minimum wages compared to men. The disparity is higher in urban areas.

Therefore, while the services sector has provided an

Table 3: Average Wage/ Salary Earnings of Females as % of Males in Service Sector

| Industry Division | Regular Wage/Salaried Employment | | Casual Wage Employment | |
|---|----------------------------------|--------|------------------------|-------|
| | Rural | Urban | Rural | Urban |
| Electricity, gas and water (40-41) | 74.59 | 135.32 | 0 | 65.31 |
| Construction (45) | 232.50 | 74.38 | 72.86 | 58.14 |
| Trade, Hotel & Restaurant (50-55) | 70.26 | 73.27 | 58.27 | 44.76 |
| Transport & Storage etc. (60-64) | 116.48 | 86.19 | 57.49 | 75.58 |
| Services (65-74) | 60.32 | 85.64 | 78.59 | 50.65 |
| Services (75-93) | 52.95 | 76.00 | 55.51 | 50.61 |
| Private Households with Employment Persons (95) | 50.46 | 50.28 | 62.36 | 0 |
| Non-agriculture (10-99) | 63.70 | 76.95 | -- | -- |
| All | 63.22 | 76.88 | -- | -- |

Source: NSS 62nd Round

increasing number of jobs to female labour force in the country, the terms on which these are offered are far from satisfactory. Women's work status, in terms of return to their labour, work environment, job security etc lag significantly behind. This gender inequality is partly historical and is entrenched in complicated socio-economic relations. But it is of course compounded by women's unequal access to physical, financial and human resources. We already discussed the lack of female ownership and entrepreneurship. But the inequality in education and technical skills is the other significant handicap. While literacy rate for men was 75.96 per cent, it

is only 54.28 per cent for women (2001 census). This is lower in rural areas. In some of the services sectors where exports are doing well, education levels are still low. For example, 49.49 and 7.29 per cent of female workers are still illiterate in hotels & restaurants and urban post, courier and telecommunications (Nag, 2009). Gender based wage inequality also has significant correlation with education inequality, and is usually the highest for illiterate workers. The educational attainments of both male and female workers are also consistently lower in the unorganized sector compared to the organized sector² (NCEUS 2007).

² Mean years of schooling for males and females, for example, are 7 and 4.7 in urban unorganized sector compared to 10.1 for both males and females in urban organized sector (NCEUS 2007, Table Appendix A.2.3). For rural areas, the equivalents are 5.1 and 2.9 (unorganized) years compared to 7.6 and 5.7 years (organized).

II. Trade and Investment Pattern in Services: India and the EU

a) India's Trade in Services

India's services trade has been experiencing high growth, with export of services in 2006 increasing to nearly 4.5 times of 2001 levels (see Table 4).

Imports also increased significantly by nearly three times, but by a lower extent compared to exports, therefore turning the deficit of 2001 to a surplus of 11817.2 million USD in 2006.

Among the various categories the growth of the IT, computer related sectors is by now well known as a

Table 4: Export and Import of India's Services

| Category | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | % Share in Total Services (2006) |
|---|----------|----------|----------|----------|----------|----------|----------------------------------|
| US Dollars at current prices in millions | | | | | | | |
| Exports | | | | | | | |
| Total services | 17337 | 19478.2 | 23901.7 | 38280.9 | 55830.9 | 75354.2 | 100.00 |
| Transport | 2050.05 | 2473.34 | 3021.63 | 4372.78 | 5719.68 | 7628.81 | 10.12 |
| Travel | 3198.07 | 3102.18 | 4462.63 | 6169.69 | 7492.85 | 8933.99 | 11.86 |
| Other services | 12088.9 | 13902.6 | 16417.4 | 27738.4 | 42618.4 | 58791.4 | 78.02 |
| Communications | 1104.12 | 779.38 | 968.92 | 1093.76 | 1972.86 | 2191.1 | 2.91 |
| Construction | 65.05 | 231.4 | 275.88 | 516.17 | 1008.77 | 402.88 | 0.53 |
| Insurance | 281.99 | 331.94 | 407.83 | 841.83 | 928.91 | 1115.93 | 1.48 |
| Financial services | 306.1 | 598.24 | 366.6 | 341.18 | 1468.93 | 2071 | 2.75 |
| Computer and information services | 7407.17 | 8889.33 | 11875.7 | 16344.3 | 22005.1 | 29186.3 | 38.73 |
| Royalties and licence fees | 37.16 | 20.16 | 24.09 | 52.8 | 131.16 | 111.6 | 0.15 |
| Other business services | 2349.41 | 2699.35 | 2229.37 | 8152.62 | 14633.7 | 23197.6 | 30.78 |
| Personal, cultural and recreational services | .. | .. | .. | 45.75 | 145.82 | 217.78 | 0.29 |
| Government services n.i.e. | 537.92 | 352.85 | 269.01 | 350.04 | 323.1 | 297.2 | 0.39 |
| Memo item: Commercial services | 16799.08 | 19125.35 | 23632.69 | 37930.86 | 55507.8 | 75057 | 99.61 |
| Imports | | | | | | | |
| Total services | 20098.9 | 21039.2 | 24877.9 | 35640.8 | 47988.8 | 63537 | 100 |
| Transport | 8496.98 | 8523.01 | 9311.95 | 13233.1 | 20139.6 | 25197.8 | 39.66 |
| Travel | 3005.9 | 2988.26 | 3584.76 | 4815.79 | 6012.77 | 7351.76 | 11.57 |
| Other services | 8596.01 | 9527.94 | 11981.2 | 17591.9 | 21836.4 | 30987.4 | 48.77 |
| Communications | 266.78 | 1002.58 | 610.92 | 578.78 | 667.22 | 899.13 | 1.42 |
| Construction | 470.25 | 601.01 | 1208.95 | 828.7 | 665.27 | 905.73 | 1.43 |
| Insurance | 810.72 | 892.38 | 1164.33 | 1747.7 | 2237.25 | 2664.19 | 4.19 |
| Financial services | 1780.06 | 1434.26 | 487.81 | 790.57 | 1143.9 | 1315.83 | 2.07 |
| Computer and information services | 910.9 | 905.29 | 685.57 | 932.19 | 1565.97 | 2198.72 | 3.46 |
| Royalties and licence fees | 317.04 | 345.23 | 549.89 | 611.48 | 766.96 | 949.02 | 1.49 |
| Other business services | 3733.34 | 4084.24 | 7074.6 | 11693.3 | 14231 | 21453.3 | 33.77 |
| Personal, cultural and recreational services | .. | .. | .. | 61.04 | 114.87 | 117.6 | 0.19 |
| Government services n.i.e. | 306.93 | 262.94 | 199.17 | 348.11 | 443.98 | 483.82 | 0.76 |
| Memo item: Commercial services | 19791.97 | 20776.26 | 24678.73 | 35292.69 | 47544.82 | 63053.18 | 99.24 |

Source: UNCTAD Handbook of Statistics 2008

global success story. The computer and information services accounts for the trade surplus in services trade, and generated a net surplus of 26987.58 million US dollars in 2006. Export of this segment increased by nearly four times between 2001 and 2006. In terms of sector sizes, expectedly the computer and IT sector accounts for 38.73 per cent of services exports.

The other sectors which show a surplus are travel, communications, other business services and financial services. Travel and communications have been consistently surplus segments. Other business services accounts for another large 30.78 per cent of exports (2006) which increased by nearly ten times between 2001 and 2006. However imports are also high with a share of 33.77 per cent in total. Therefore its net contribution to the overall trade surplus has been modest. In financial services, India used to register a deficit till 2004, but for 2005 and 2006, it seems to have recorded a modest surplus. Though its exports has increased by nearly 7 times between 2001 and 2006, India is still far from being globally competitive and also has significant restrictions on foreign entry into this sector in its domestic economy. It accounted for only 2.75 per cent India's exports in 2006.

An area where India has its major deficit in services trade is in transport services, with the trade deficit amounting to 17569 million USD in 2006. This deficit itself is much larger than the overall services trade surplus. This sector accounts for nearly 40 per cent of imports. Insurance and construction are the other sectors where there is a net trade deficit. Both these sectors are, however, much smaller. While Insurance accounts for 4.19 per cent of imports, the construction sector accounts for only 0.53 per cent of exports and 1.43 per cent of imports in 2006 (Table 4).

India, therefore, has advantages in its computer and IT sectors, and to a certain extent in other business services, but has inadequacies in transport, insurance and construction. All these are of relevance from the perspective of EU's services trade.

b) EU's Trade in Services

From Table 5, it is evident that financial services, merchanting and computer & information services constitute EU's major service interests, as these sectors account for 46, 35 and 22.94 per cent of EU's net services export to the world. Within the latter, computer services dominate, and account for 19.35 per cent of EU's net exports to world. These three sectors account for 9.97, 4.20 and 5.57 per cent of EU's exports. Transport is another very important sector accounting for 21 and 23 per cent of EU's export and imports respectively though its contribution to net exports is relatively more modest (8.76 per cent). Travel services occupy a similar important position with 23/25 per cent contribution to exports and imports. The size of the construction sector is smaller, but still it contributes 6.28 of EU's net exports. Insurance services contribute another 4.34 per cent.

If we look at EU services trade with India, EU enjoys a net trade surplus of 2535 Mio Euro (2007) which has been growing since 2005. Transport and merchanting are the largest exports, accounting for 28.71 and 26.71 per cent of EU's total services export to India. The net exports are very high in these two segments. Computer and information services are also significant exports but are larger imports (15.16 per cent of total imports and nearly double of exports) implying a net trade deficit. Financial services are an area which shows higher exports though the size still remains pretty small. Insurance services trade, heavily protected in India, remains

Table 5: EU-27 Trade in Services with World and India, Item Breakdown (2007) (Mio EUR)

| | WORLD | | | INDIA | | | India as % of EU's World Trade | | World (Sectors as % of Total Services) | | India (Sectors as % of Total Services) | |
|--|---------|---------|--------|--------|--------|-------|--------------------------------|--------|--|--------|--|--------|
| | Export | Import | Net | Export | Import | Net | Export | Import | Export | Import | Export | Import |
| | | | | | | | | | | | | |
| SERVICES | 1178112 | 1036986 | 141126 | 9555 | 7020 | 2535 | 0.81 | 0.68 | 100.00 | 100.00 | 100.00 | 100.00 |
| Transportation | 252312 | 239947 | 12365 | 2743 | 1544 | 1198 | 1.09 | 0.64 | 21.42 | 23.14 | 28.71 | 21.99 |
| Air transport | 77606 | 67642 | 9963 | 1365 | 683 | 682 | 1.76 | 1.01 | 6.59 | 6.52 | 14.29 | 9.73 |
| Travel | 266792 | 260703 | 6089 | 924 | 2026 | -1102 | 0.35 | 0.78 | 22.65 | 25.14 | 9.67 | 28.86 |
| Other services | 656221 | 533203 | 123018 | 5884 | 3448 | 2435 | 0.90 | 0.65 | 55.70 | 51.42 | 61.58 | 49.12 |
| Communication services | 30746 | 30743 | 3 | 152 | 215 | -63 | 0.49 | 0.70 | 2.61 | 2.96 | 1.59 | 3.06 |
| Postal and courier services | 5782 | 5745 | 37 | 30 | 11 | 19 | 0.52 | 0.19 | 0.49 | 0.55 | 0.31 | 0.16 |
| Telecommunication services | 24960 | 24999 | -39 | 122 | 205 | -83 | 0.49 | 0.82 | 2.12 | 2.41 | 1.28 | 2.92 |
| <i>Construction services</i> | 28190 | 19322 | 8868 | 353 | 149 | 204 | 1.25 | 0.77 | 2.39 | 1.86 | 3.69 | 2.12 |
| Construction abroad | 25716 | 12974 | 12742 | 343 | 135 | 208 | 1.33 | 1.04 | 2.18 | 1.25 | 3.59 | 1.92 |
| Constr. in the compiling economy | 2474 | 6348 | -3874 | 11 | 14 | -4 | 0.44 | 0.22 | 0.21 | 0.61 | 0.12 | 0.20 |
| Insurance services | 29480 | 23358 | 6122 | 56 | 47 | 10 | 0.19 | 0.20 | 2.50 | 2.25 | 0.59 | 0.67 |
| Financial services | 117505 | 52724 | 64781 | 349 | 97 | 252 | 0.30 | 0.18 | 9.97 | 5.08 | 3.65 | 1.38 |
| <i>Computer and information services</i> | 65630 | 33254 | 32377 | 544 | 1064 | -520 | 0.83 | 3.20 | 5.57 | 3.21 | 5.69 | 15.16 |
| Computer services | 57633 | 30320 | 27313 | 512 | 1039 | -528 | 0.89 | 3.43 | 4.89 | 2.92 | 5.36 | 14.80 |
| Information services | 7995 | 2935 | 5061 | 32 | 25 | 8 | 0.40 | 0.85 | 0.68 | 0.28 | 0.33 | 0.36 |
| <i>Merc. & other trade-related serv.</i> | 75396 | 43892 | 31504 | 2607 | 273 | 2333 | 3.46 | 0.62 | 6.40 | 4.23 | 27.28 | 3.89 |
| Merchandising | 49435 | 0 | 49435 | 2552 | 0 | 2552 | 5.16 | -- | 4.20 | 0.00 | 26.71 | 0.00 |
| Other trade-related services | 25967 | 43892 | -17925 | 54 | 273 | -220 | 0.21 | 0.62 | 2.20 | 4.23 | 0.57 | 3.89 |
| Legal, acc., man., cons. & pub. rel. | 44188 | 40111 | 4077 | 158 | 288 | -129 | 0.36 | 0.72 | 3.75 | 3.87 | 1.65 | 4.10 |

Source: Based on data from Eurostat Statistical Book, EU Trade in International Services, 2009

Table 6: Extra- EU Outward and Inward FDI Stock by Economic Activity (Value and Share in Total)

| Economic Activity | Value (Euro Mln) | | | | | |
|------------------------------|-----------------------------|-----------|-----------|--------------|--------------|--------------|
| | 2003 | | 2004 | | 2005 | |
| | Outward | Inward | Outward | Inward | Outward | Inward |
| Total | 2,097,496 | 1,498,593 | 2,048,346 | 1,580,532.00 | 2,435,244.00 | 1,823,203.00 |
| Electricity, gas and water | 48,581 | 9,091 | 45,943 | 10,264.00 | 47,463.00 | 13,901.00 |
| Construction | 13,873 | 7,500 | 15,391 | 4,151.00 | 25,906.00 | 6,053.00 |
| Services | 1,452,678 | 1,139,663 | 1,411,463 | 1,198,344.00 | 1,662,892.00 | 1,359,059.00 |
| -Trade and repairs | 104,843 | 79,576 | 81,433 | 77,064.00 | 102,691.00 | 86,245.00 |
| -Hotels & restaurants | 13,777 | 11,873 | 9,841 | 9,132.00 | 15,929.00 | 14,189.00 |
| -Transport and communication | 115,961 | 29,666 | 117,173 | 30,557.00 | 126,792.00 | 46,449.00 |
| -Financial intermediation | 906,899 | 675,746 | 909,625 | 723,999.00 | 1,049,069.00 | 766,030.00 |
| -Business services | 257,811 | 302,216 | 235,582 | 309,201.00 | 284,900.00 | 410,661.00 |
| -Other services | 53,384 | 40,586 | 57,804 | 48,382.00 | 83,506.00 | 35,472.00 |
| Other sectors | 48,937 | 27,410 | 80,488 | 47,780.00 | 105,544.00 | 83,554.00 |
| | % Share out of Total | | | | | |
| | 2003 | | 2004 | | 2005 | |
| | Outward | Inward | Outward | Inward | Outward | Inward |
| Total | 100 | 100 | 100 | 100 | 100 | 100 |
| Electricity, gas and water | 2.32 | 0.61 | 2.24 | 0.65 | 1.95 | 0.76 |
| Construction | 0.66 | 0.50 | 0.75 | 0.26 | 1.06 | 0.33 |
| Services | 69.26 | 76.05 | 68.91 | 75.82 | 68.28 | 74.54 |
| -Trade and repairs | 5.00 | 5.31 | 3.98 | 4.88 | 4.22 | 4.73 |
| -Hotels & restaurants | 0.66 | 0.79 | 0.48 | 0.58 | 0.65 | 0.78 |
| -Transport and communication | 5.53 | 1.98 | 5.72 | 1.93 | 5.21 | 2.55 |
| -Financial intermediation | 43.24 | 45.09 | 44.41 | 45.81 | 43.08 | 42.02 |
| -Business services | 12.29 | 20.17 | 11.50 | 19.56 | 11.70 | 22.52 |
| -Other services | 2.55 | 2.71 | 2.82 | 3.06 | 3.43 | 1.95 |
| Other sectors | 2.33 | 1.83 | 3.93 | 3.02 | 4.33 | 4.58 |

Source: EU FDI Yearbook, 2005-08

low. Travel (tourism) is another area of interest from the point of view of India-EU trade. While EU is a net exporter to the world and has a large global presence, it is a net importer from India. Travel accounts for 28.86 per cent of EU's imports from India and its net deficit is 43.47 per cent of the trade surplus between the two countries.

Therefore, if we look at EU-India trade patterns, our earlier observations are borne out. India has an advantage in computer & IT services and travel. But EU has clear offensive interests in transport, merchanting, financial, and insurance services. While it is already doing well in the first two and can look forward to further expansion, it has much to gain from the FTA in terms of the latter two areas.

c) Foreign Direct Investment in Services

India's services sector attracts a large share of its total FDI inflows. It accounted for 58 per cent of cumulative FDI inflows between April 2000 and July 2009 (Government of India 2009). The financial and non financial services accounted for 23 per cent, computer software and hardware 10 per cent, telecommunications another 8 per cent, housing and real estate 7 per cent and construction activities 6 per cent. UK (5.58 per cent), Netherlands (4.09 per cent), Germany (2.60 percent), and France (1.45 per cent) are among the top ten investor countries in India (cumulative FDI inflows from April 2000 to July 2009)(*ibid.*). The EU countries like Germany, UK, and Italy also account for a large share of technological collaborations with India (*ibid.*).

³ European Commission, India-EU Trade, tradoc_113390

India is expecting to gain significantly in terms of foreign direct investment from the EU after the FTA. EU is also interested in accessing Indian markets for its investments. From Table 6, EU's interest areas are clear. Financial intermediation accounts for 42/43 per cent of both inward and outward stock of EU. Business services account for about 11.70 per cent, transport and communication a 5.21 per cent and trade and repairs another 4.22 per cent.

But while India is looking forward to EU's investment in India (outward), Indian investors have also been investing in the EU market. According to Eurostat data, EU's FDI outward stock was 13.4 billion Euros in India in 2006 (all sectors including services), and inward stock was 3.2 billion Euros in return (all sectors including services). In fact Indian FDI flows to EU, which reached a low -34 million Euros in 2004, have been rising since then. However EU's FDI net outflow to India has also risen steadily. Most of this took place in the services sector.

d) Trade Barriers in Services in EU and India

International trade in services is still much more restricted by different kinds of barriers. GATS liberalization has seen limited offers and requests. Table 7 shows the tariff equivalents of trade restriction in services trade in India and EU in 2007⁴. It

is obvious that India's services trade is still more restricted compared to EU's. Therefore, Indian service sector will also lose much more protection compared to EU. Indian FDI norms, for one are much stricter than EU. In India, the construction sector is comparatively more open, followed by transport. Financial services and insurance are the most restricted; recreational services, communication and trade are also significantly protected. EU has significant interest in the protected sectors and will have considerable gain if protection in India is effectively reduced. Financial, insurance services and retail trade are major interest areas.

In comparison, EU has the lowest level of protection in communication services. Transport, recreational services are also significantly open. In business services, EU is much less protected than India though it is not insignificant in absolute terms. If barriers are indeed removed in this sector, India can gain considerably. However, in EU there is a problem of harmonization across the member countries. It has been seen in other EU FTAs, for example in the EU-Chile Agreement in Services, that member countries offer different levels of access, in addition to certain basic conditions (WTO 2007).

More descriptions of specific sectors are given in the relevant sections.

Table 7: Estimated Trade Restrictions (Tariff Equivalents) in Services

| | EU-27 | India |
|---------------------------------|--------------|--------------|
| Construction | 17.2 | 24.9 |
| Trade | 22.1 | 45.4 |
| Transport | 14.2 | 28.5 |
| Communication | 8.6 | 45.4 |
| Financial Services nec | 27.9 | 57.7 |
| Insurance | 26.3 | 57.7 |
| Business Services nec | 21.3 | 38.6 |
| Recreational and Other Services | 17 | 47.7 |
| Other Services | 18 | 41.9 |

Source: Francois et al (2007)

⁴ Restrictions in both countries are lower now but this gives an indication of restriction levels.

III. The EU-India FTA: Provisions and Projections

Services trade liberalization under GATS (General Agreement on Trade in Services) under the WTO framework lays down the structure of trade under the four modes which are described in Table 8.

contain MFN or an extension of benefits to other parties except for specific sectors. Horn et al (2009), in an analysis of EU and US FTAs with WTO members, pointed out that EU is not very interested in deeper liberalization in WTO areas like Trade Related Investment Measures (TRIMS) and GATS. It has deeper GATS liberalization in only four of its agreements; Chile, Cariforum, Mexico and EEA

Table 8: The Four Modes under Services Trade

| Name | Coverage | Explanation | Examples of Sectors/Segments Affected |
|--------|-----------------------------|--|---------------------------------------|
| Mode 1 | Cross Border Supply | Service can be supplied from within the supplier country | IT Sector |
| Mode 2 | Consumption Abroad | Consumers come to the supplier country to consume the service | Tourism |
| Mode 3 | Commercial Presence | The supplier must establish physical presence in foreign country where he will provide the service | All |
| Mode 4 | Movement of Natural Persons | Movement of workers from supplier country to consumer country to work and earn in the consumer country | Workers, employers |

Source: Authors' Description

Possible Provisions

The EU is interested in significant liberalization of the services sector in India. EU's position in the WTO (Annex 2) indicates that EU is interested in; a) better than MFN conditions; b) "reasonable, objective and impartial" through "formally identical treatment or formally different treatment" in Services and Investment DSB; c) leak-proof Dispute Settlement Understanding with minimal ESMs (Wearne 2009). Since the negotiation document is secret, one can try and estimate what the FTA may contain based on other EU Agreements. An analysis of past EU services agreements shows that EU is likely to go beyond these expectations. EU usually includes significant Market Access (MA), National Treatment (NT) and liberalisation of investment requests for its service sector liberalisation. Agreements do not

Instead, EU goes beyond the WTO and includes many WTO extra (WTO X) provisions in its trade agreements, especially in investment.

Two issues are very important in terms of services trade liberalization in an FTA; that of Mode 3 covering investment and Mode 4 covering movement of natural persons. EU seeks significant liberalization of Mode 3 into India. These prove to be rather thorny issues in FTA negotiations as commitments under these is still pretty limited under the WTO/ GATS framework. EU FTAs include a separate chapter on investment (separate from TRIMS) that includes provisions like information exchange; development of legal frameworks; harmonisation and simplification of procedures; and establishment of mechanisms for the settlement of disputes (Sengupta and Gopinath 2009). In fact dispute settlement mechanisms

are often pretty strict under developed country FTAs, and investment provisions are often accompanied by the 'standstill clause', a provision whereby the current laws, including tax laws, must be held fixed and cannot be changed later. A future change is read as infringing on the rights of the foreign investor.

The provisions on Mode 4 are often pretty restrictive. The EU-Chile services Agreement, for example makes a special mention of both Mode 3 and Mode 4. While there are no specific provisions for Mode 3, Mode 4 is more conservative and is limited to Article 101, 'which calls on the Parties to review the rules applicable to the movement of natural persons with a view to achieving further liberalization' (WTO 2007:p.9).

Another interesting feature of EU FTAs in services on WTO X areas is that they include provisions in the areas of education, health and energy, crucial service sectors which are not generally included under GATS. In the analysis provided by Horn et al (2009), education is covered in 10, health is covered in 3, and energy is covered in 13 EC FTAs. 'The types of provision are non trade related. For example, provisions under education covers "measures to improve the general level of education", health covers "monitoring of diseases; development of health information systems; exchange of information", and energy covers "exchange of information; technology transfer; joint studies". These are also often non enforceable; only 1 FTA under each category seems to include actually legally enforceable conditions. However the fact that the EU is keen to include these in its FTAs, thus bringing it under a legal and structured framework as well as intrinsically link them to trade issues, can be read as a pointer to its eagerness to exert control over these service sectors' (Sengupta and Gopinath 2009;Pp. 36-37).

EU can significantly benefit from service trade liberalisation in India that goes beyond India's commitments under GATS. As section II above indicates, India has considerably higher barriers in services trade, a lot of these covering FDI. EU's major interest is in Mode 3 in many service areas including in financial services and retail.

India is interested in liberalizing Mode 1 (Cross border Supply) in IT services in both EU and India, and in receiving and making FDI under Mode 3 in this segment. The other area of interest for India is Mode 4 or the movement of persons. EU has strict entry norms and India seeks more flexible terms of entry for its workers. However, current Mode 4 liberalisation under GATS is effectively restricted to movement of professionals on a temporary basis and it remains to be seen whether anything more is on the agenda under this FTA.

Projections

The expected results from the FTA are mixed. While many development experts and policy analysts criticize the FTA on development concerns, socio-economic impact assessments made by the European Commission (ECORYS et al 2009, CEPPII-CIREM 2007), and the Report of the High Level Trade Group (2006) shows GDP and employment gain, at higher rates for India than for the EU. The most important result is that these projections show a higher gain for India with deeper and more extensive liberalization including services and investments. In case of the extended FTA, ECORYS et al projects India to gain €4.9bn in the short run and €17.7bn in the long run, and the EU is expected to gain €4.4bn in the short run and €1.6bn in the long run. The report also suggests that FDI restrictions have a very significant negative impact on services trade and that impact of investment in the services sectors is very

considerable, especially for the Indian economy. A report by CUTS-CARIS (2007), covering a study of several complicated areas such as public procurement, services, SPS and TBT, FDI and trade facilitation, finds positive results in FDI and indicates areas for negotiations. The positive outcomes, generated by a deep liberalization of services sector, has been used as a justification to trade gains in service sector with market access to the EU in other sectors like agriculture and a large number of manufacturing activities excepting textiles and garments.

However, there are also several studies that offer a critical perspective. Sharma (2009) argues against liberalization of retail and banking, and cautions

against services liberalization combined with widespread liberalization of investment. She also discusses the impact of loss of policy space that will result from deep services trade liberalization in critical services. Wichterich (2007) has raised specific gender concerns as a likely result of the FTA. Kavaljit Singh (2009) has drawn attention to the possible adverse impacts of liberalization of banking services on the argument that this may hamper credit access to vulnerable and needy sections of the Indian population. This is also likely to have an impact on credit supply to women borrowers in agriculture and MSMEs. A study on FDI (FDI Watch, 2009) highlights the adverse impact on the livelihoods of large section of workers in retail, including women

IV. Impact on Women's Employment and Incomes

Based on Sections I and II above, we discuss some areas which are important from a gender perspective in this section. These cover different sectors which are important from an employment point of view for women⁵.

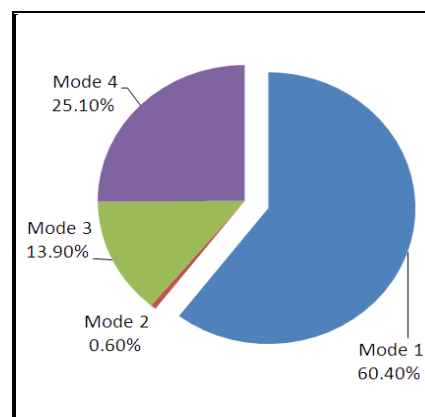
a) Mode 1 and the IT sector

This sector is expected to be a major beneficiary of the EU-India FTA. India is a major player in the export of IT and IT enabled services (ITES). In the BPO segment, India remains the largest player with a consistent market share of 35 per cent between 2005 and 2008. The largest part of trade in the IT and ITES sector is trade through Mode 1 (See Fig.4). More than 60 per cent of total exports of Indian firms is through Mode 1 (Pal 2009).

Cross border trade has also emerged as the most important form of services trade from India. Among Cross-border trade or Mode 1 services exports, India has become a leading country in the global outsourcing business since the Y2k crisis. Increase in services exports from India has led a significant increase in jobs in the IT and ITES sector in India. According to estimates by NASSCOM direct employment of IT and ITES is expected to reach nearly 2.23 million, while indirect job creation is estimated to touch 8 million during 2009-10⁶. This sector has emerged as the largest private sector employer in the country. Recent estimates suggest that about 40 to 55 percent of workers in the Indian BPO sector are women. Therefore, from India's point of view it is important that cross border supply gets a boost. To a certain extent, gains in this sector are the driving

force behind the FTA while concessions are to be given in agriculture (CEPII-CERM). Apart from FDI, entry barriers to EU markets are expected to be reduced.

Fig.3: Trade under Different Modes in the IT and ITES Sector



Source: Pal 2009

Indian IT companies currently face significant NTBs in the EU market. A FICCI Survey points out that “the main impediment in the expansion of services to the EU were visa and consular issues, non-clarity of taxation and cross border transaction laws as applicable to Indian service providers” (FICCI 2009). Entry for IT professionals and getting work permits is another major problem. Getting work permit is not only time consuming but is often limited to use in a single city, and are for a very short time period. Since Mode 4 accounts for about 25 per cent of services trade in this sector, the movement of professionals has importance for trade. Non-recognition of Indian qualifications in many EU countries is another problem in trade, points out the FICCI report (2009). Movement of personnel between branches within Europe, which is required for efficient execution of projects, is often restricted.

⁵ We do not cover, for example, areas like transport, though EU has an interest in this area, as women have limited presence except in air transport.

⁶ ‘Strategic Review 2009’ NASSCOM

In addition, a Eurostat Report points out that at least 40 per cent of the internationally sourced functions in EU countries remain 'intra-EU', with the exception of Slovenia (Eurostat, 2009a). The Report also points out that 'International sourcing to India, traditionally linked with ICT services, is not as widespread as one might expect. With the exception of the Netherlands, UK and Denmark, most countries show a bigger interest in China (*ibid.*).

However, Pal (2009) shows that in industry experts' opinion, the FTA is not expected to cause any major boost in their business. They are not hopeful that it would reduce the real impediments like the data protection and privacy requirements. What is also notable is that domestic regulations regarding these issues are very different among the EU countries. In principle though EU is supposed to be a common market, in practice the services market is extremely heterogeneous and non-harmonized. Indian negotia-

tors will have to deal with 27 different regulations. Hence it is even more unlikely that some of the key impediments to cross border trade will be addressed in this FTA.

In addition, Mode 1 sometimes requires on-site work. For both these types of business, obtaining visa becomes an important issue. It is not clear whether the Indo-EU FTA can address this issue. In fact recent trends suggest that visa rules in some of the key EU countries are becoming even more stringent. This sector is also expected to receive considerable FDI. EU is interested in accessing the IT sector in India, but FDI norms are already pretty flexible with 74 per cent foreign equity allowed in most segments. Some segments like E-commerce, internet service providers without gateways, and Email providers are all allowed 100% investment (Wearne 2009). Therefore how much growth the FTA in particular will bring to EU investments in India and to the

Box.1: Some Important Issues Regarding the EU Market

- ▶▶ *Lack of single market within EU for immigration laws, tax regimes, investment policies, and labour laws seen as constraint*
- ▶▶ *Cultural and linguistic barriers, data protection regulations viewed as severe or moderate barriers to doing business with the EU, across all companies*
- ▶▶ *Sometimes Mode 1 services export is tied to Mode 4. In that case, labour laws and visa restriction become a common problems. But Indian companies have learned to take these in stride.*
- ▶▶ *Stringency of EU's data protection clauses and need for greater awareness among EU authorities of state of India's data security protocols and systems*
- ▶▶ *Certain areas where lack of internal procedures or lack of domestic regulation in India seen as constraints: a) data protection legislation and enforcement of data security, b) internal documentation and certification systems to certify workers*

Source: Pal (2009) Study commissioned by Centad

creation of jobs is unknown. In any case this sector is already receiving significant FDI with computer software and hardware receiving 10 per cent of total inward FDI cumulative inflows (2000-2009, see Section II).

Gender Dimension

Significant increase in growth in this sector has led to an increase in women's employment (UNCTAD). This has also increased incentives among women to get further education and skill training (GET ILO 2008). However, the services sector based growth model has been criticized for generating relatively low number of jobs compared to its growth and contribution to GDP. Given the skill bias, the IT sector has generated relatively high salaries but for a few. Among women, the employment gain has been confined to a narrow group, that of educated urban women, until now. According to NSS 2004-05, this sector caters to only 1.31 per cent of even urban women's services employment. There is also evidence of skill disparity on gender lines and job segregation (NPC 2009). A Report by National Productivity Council (2009) finds that women are confined to call centre jobs, and have limited access to managerial, maintenance and software segments. Skill disparity is the main determinant of these inequalities. As ITES becomes more skill intensive, decline in women's participation is noticed (esp. data processing). However significant job segregation also exists.

For this study a survey was carried out among the workers of BPO, software development and KPO segments in Salt Lake sector V of Kolkata (Pal 2009). This area is the IT and ITES hub of Eastern India. Results of this survey of 45 respondents, of whom 40 are women workers in this sector, indicate that there is clear market segmentation in Mode 1 services. The

BPO services are at the bottom of the value chain. These include services like the call centres and medical transcription services. At the upper end there are software development services. Over the last few years, India has also become a significant player in the knowledge process outsourcing business. The survey shows that the problems faced by women workers of these different sub-sectors of Mode 1 services are somewhat different. Source: Pal (2009) Study commissioned by Centad

The survey also reveals that women's participation is higher in the low end segments. The percentage share of women in BPO segment is 40-50 per cent while it goes down significantly in KPO and software. Here there is a possibility of gender stereotyping and latent gender discrimination as employees may prefer women call centre workers because of their social and cognitive skills, but at higher end of the job, one tends to find much higher percentage of male workers. However, most respondents of our survey did not report any major concern about overt gender discrimination.

However, while there is no feeling of acute gender discrimination, the odd work hours makes it difficult for more women to enter this stream, and retain a normal family life. While some respondents from the BPO segment reported problems regarding job satisfaction, uncertainty regarding jobs, and a perception of gender discrimination, such problems were far less acute among the respondents from the software development and the KPO segment (See Box.2 below).

Call centre and transcription workers also face other types of hazards. Taylor and Bain, (2004) point out that calls in the BPO segment in India are mostly low-level transactional enquiries, which are fairly repetitive, with short cycle times (between 30 and

Box.2: Case Study of Women Employees in IT Sector

- ▶▶ *There is clear segmentation in the different business segments (higher skill segments, low women's share)*
- *BPO workers report that 40 to 50 percent of the workforce is female, reported average ratio is 45 percent*
- *For KPO workers the reported average ratio is less than 30 percent*
- *For the 'Software' segment, the average ratio is about 25 percent*
- *More than half of the respondents feel that women are not represented adequately in this business segment (all KPO, software)*

- ▶▶ *No feeling of strong gender discrimination, gender discrimination is low in this sector. Our interviews with mid and senior level executives also confirm this view*

- ▶▶ *However, 70% feel work hours unfavourable for women (esp EU, US clients), late working hours are a problem for women workers. It is true that companies arrange for transport. Most respondents report that it affects various spheres of their personal and family life. Increased business with EU might exacerbate this because working hours for serving EU clients are generally noon to late evening*

- ▶▶ *94% of married women feel negative effect on children's education*

Source: Pal (2009) Study commissioned by Centad

180 seconds). This intense activity of call handling for overseas customers occurs at night, often during shifts of between 8-10 hours duration, six days a week. Such activities do create psychological pressure on the workers. In a few cases there are also reports of racial problems faced by these workers. In fact, our survey also indicates similar problems being faced by some of the respondents. Also, serving European clients essentially mean late working hours which sometimes is more inconvenient for women workers because it affects their personal and family life more than their male counterparts.

Overall it can be said that if growth of this sector is boosted by the FTA, it may lead to higher employment for urban skilled women, but discrimination still persists. In addition, given the current 1.31 per cent share of this sector even in urban women's

services employment, there is a long way to go before this sector can act as a channel of much larger employment and incomes for women in India.

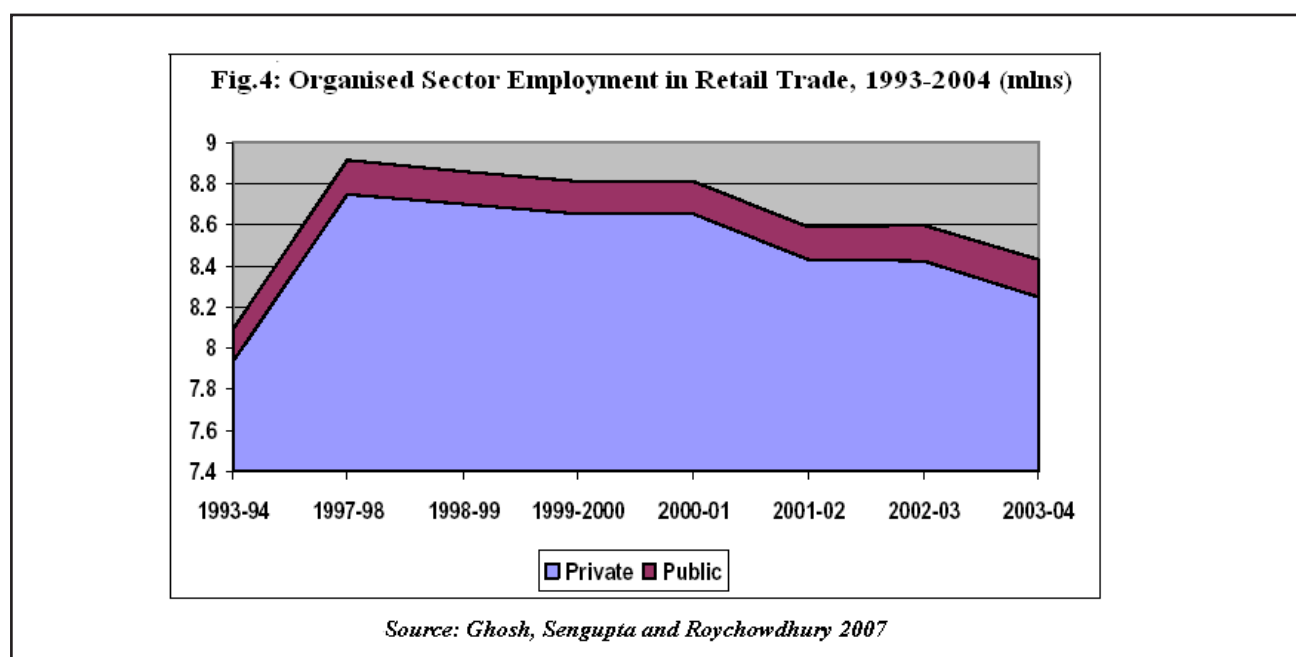
b) Mode 3 and Informal Women Workers

i) Retail

Retail is an area of significant interest from EU's side. From the analysis of trade patterns in Section II, it is obvious that this sector forms one of EU's major interests in trade and accounts for about 4-5 per cent of its services export to world as well as its outward FDI in services sector. In fact, merchanting accounts for a pretty high, 26.71 per cent, of EU's services export to India (Table 5). However, India's trading services are still relatively closed. While

wholesale trade and export services permit 100 per cent FDI, and single brand retail allows 51 per cent foreign equity, multi-brand retail is technically closed to foreign investments, according to government's latest FDI policy. Though open FDI and ownership in multi-brand retail remains prohibited in India, critics have alleged that the wholesale and single brand route has been accessed by foreign investors to reach retail markets through joint ventures etc. However, given the complications, EU has signifi-

work from the street as vendors or run family owned small shops. The sector comprises both 'organized' and 'unorganized' segments. Organized retail constituted only four per cent of retail sector in 2006-07 but was expected to grow strongly (ICRIER 2008). This segment represents Indian and foreign corporate houses. The residual 96-97 per cent is unorganized and represents 12 million small scale businesses (ibid.). Figure 4 below shows how the share of the organized sector has been steadily falling in this seg-



cant interest in lowering barriers and accessing this segment under Mode 3.

There is still significant opposition to full liberalization of the retail sector by small retailers and activists who fear that the livelihood of small and unorganised retailers will be at stake, once large foreign retailers establish their presence. The retail sector in India represents \$350 billion worth of business in 2007, projected to grow to \$635 billion by 2015 (Sharma 2009). The sector is the second largest provider of jobs (after agriculture) and employs a large number of informal workers, with low level of skills, who

ment, especially in private retail.

A survey of street vendors in seven Indian cities⁷ shows the adverse conditions of work (Bhowmik undated, NASVI, quoted in NCEUS 2007). 25 (Mumbai) to 37 (Bangalore) per cent of street vendors surveyed were illiterate, while 22 (Mumbai) to 40 (Patna) had only primary education. A large number comes from socially under-privileged groups like scheduled castes (SC) and other backward classes (OBC). Their credit sources, from moneylenders and wholesalers, are non-institutional and often exploitative. Except in Bhubaneswar, illegal payment

⁷ The seven cities are Patna, Bhubaneswar, Bangalore, Imphal, Ahmedabad, Mumbai and Kolkata. The study is available at <http://www.streetnet.org.za> English/ page10.htm

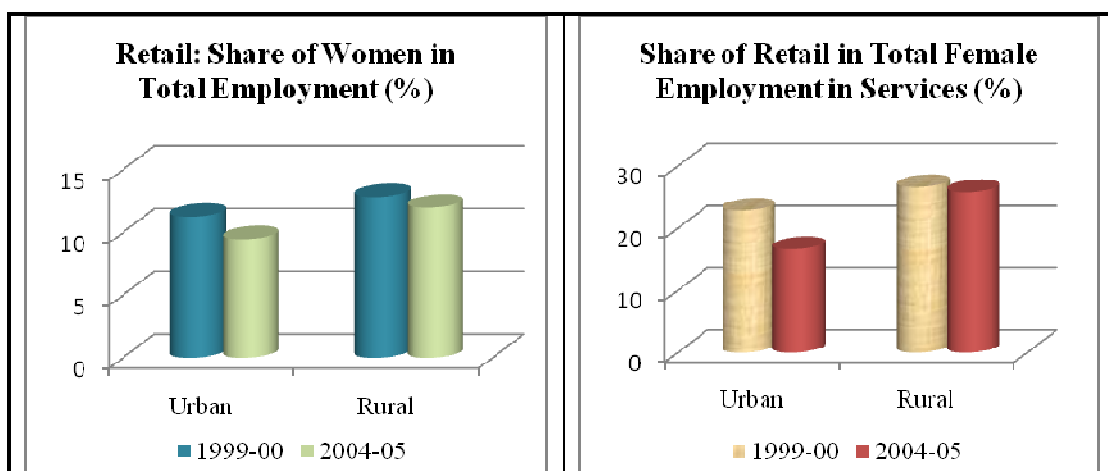
to appease policemen and local musclemen varies between Rs. 2 -20 per day. Ancient Municipal laws guide street vending in these cities and a large sections of vendors do not seem to be organized under a Labour Union (*ibid.*). In spite of several court cases to delineate a place for hawkers, and give the hawkers the legal right to continue their trade from those places⁸, little has actually changed (NCEUS 2007). Part of the problem stems from low educations levels of hawkers who cannot understand or demand their legal rights, and corruption by office officers.

The retail sector has a large female presence. As described in section I, this sector accounts for 25.82 per cent of female employment in rural services in 2004-05 and 16.63 per cent of female employment in urban services. Women can sometimes tie up with work at home (e.g. family shops) and the relatively lower skill requirement makes it easier for women to enter this sector. Women's shares in employment in this activity are 11.98 per cent in rural areas and 9.47 per cent in urban areas (2004-05, see Table 1). However, taking all sectors together, retail contributes much less in rural areas given the huge

presence of agriculture. According to weekly status/daily status, 9.3/9.4 per cent of urban women are employed in retail, compared to 2.3/2.5 per cent of rural women. Rural jobs have however been growing fast at 8.36 per cent per year compared to 1.57 per cent for urban women (current daily status) between 1999-00 and 2004-05 (Ghosh, Sengupta and Roychowdhury 2007). Current weekly status data in fact shows an absolute decline in urban women's employment in this sector. Annual growth rate was -6.6 per cent for urban women, compared to 9.54 per cent for rural women (*ibid.*). Rural jobs however remain low in size, but have been growing partly due to the stagnation in agriculture.

In spite of relatively high growth in rural areas, both women's share in retail employment and retail's contribution as a provider of female employment in the service sector fell between 1999-00 and 2004-05. And this is true for both rural and urban areas (see Fig. 5 below). Retail contributed 22.85 per cent of urban female services employment 1999-00 (urban) but this fell to 16.63 per cent in 2004-05. The fall was, however, smaller in rural areas. Women's share

Fig.5: Share of Women in Total Employment in Retail and Retail's Contribution to Total Female Employment in Services (1999-00 and 2004-05)



Source: Based on Data from NSSO 61st Round

⁸ For example, Sodam Singh and others Vs. New Delhi Municipal Corporation, 1989.

in total retail employment also fell from 11.25 per cent to 9.47 per cent (urban) with again, a smaller fall in rural areas (see Fig.5).

Obviously, retail is losing its ability to support women workers, especially in urban areas, due to a variety of reasons. Some of these are described above and harassment, illegal payments, harsh competition affect women more than women. Restrictions on street vending, increasing traffic also add to the severity of work conditions. The study quoted above (Bhowmik, quoted in NCEUS 2007), shows that women, who formed 15 (Kolkata) to 93 (Imphal) per cent of the work force, earn only about 50-70 per cent of men. Table 3 (in section I) above reported female-to-male wage disparities in services. Women earn only 44.76 (casual work, urban) to 73.27 (regular work, urban) per cent of men in trade related services. The other problems faced by women are lack of protection, an insecure environment, lack of toilet, harassment by police and municipal officers (Bhowmik, op.cit.).

A large number of women workers are again in the informal sector, and are totally unorganised. In fact, retail accounts for over 30 per cent of completely unorganised female workers in the services sector, but a much smaller proportion of unorganized female workers within the organized segment in services (see Fig. 2, Section I).

The government has been following a policy of corporatisation of this sector with some clear impacts on the employment pattern in this sector. An ICRIER Study (2008), found some important changes. The study suggests that a) 50 per cent of small retailers surveyed reported lower sales; b) stores located within a 2-5 km radius of supermarkets witnessed a 16 per cent decline in sales, whereas; c) stores not near the supermarkets showed an increase in sales

by 2 per cent. The study found, however, that the decline in sales and profits due to corporate stores weakens over time. But the point is, given the fact that the majority of small Indian retailers will find it difficult to survive in the short run, it is doubtful how and when they will be able to experience this reversal in trend. Increasing uncertainty, harsh work conditions and increasing competition from organized corporate retailers is making livelihoods vulnerable for workers in this sector. The steady decline in organized workers shows that increasing corporate retail is not increasing secure formal sector jobs. In addition, government's unilateral liberalization and other laws, often to meet trade liberalization goals, create adverse conditions for the small retailers. For example, The Food Safety Bill, which lays down food quality norms and ensures strict punishment for those who cannot meet these standards, work against small food vendors.

If the FTA allows full liberalization of foreign investment in retail, it can threaten a large number of jobs, of people who are already struggling with domestic competition and harsh conditions of work. Woman workers will be even more vulnerable to the increased pressure. While new retail outlets will provide jobs, these are likely to be much smaller than the proportion currently employed in this sector. The fact that most of these people are uneducated and have a very low resource base inhibits their ability to move to other profitable sectors very easily. As we see from this paper, at least within the services sector, the segments which are doing well under the current trade liberalization package have a skill bias. The government first needs to address the problems faced by small retailers, ensure fair and inclusive work conditions, increase competitiveness, before opening them up to foreign competition. A study by FDI Watch (2009) also opposes the full liberalization of FDI in retail on the argument that it will threaten livelihoods of

large chunks of small retailers. EU investors in retail will have much more access to capital compared to Indian counterparts. The government needs to upgrade not only their access to resources but their access to skills and technology as well. As the ICRIER study points out (2008) the government needs to increase the competitiveness of unorganized retailers.

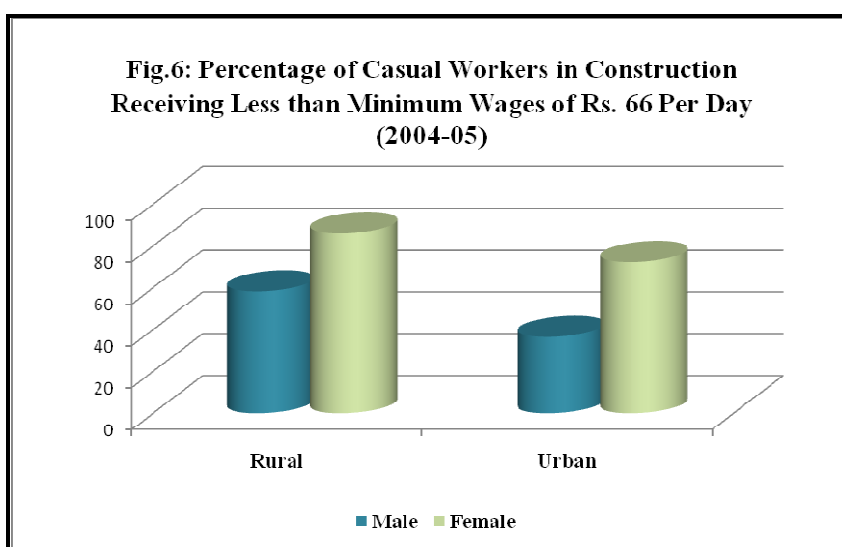
ii) Construction

The construction sector is an important source of work for women labourers in India. 13.6 per cent of workers in this sector are women, and it accounts for 4.4% of urban female employment (all sectors together). However a large section of workers are in the informal economy, again without job security, without rights or benefits. As much as 75.6 per cent of construction sector workers are estimated to be in the unorganized sector (NCEUS 2007). Interestingly, while this sector accounts for only 5.8 per cent of unorganized female non-agricultural workers, it accounts for a much larger share, of 16.7 per cent, of unorganized workers within the organized sector. Therefore even when the company or establishment is registered, the female workers are not. This represents the newer forms of vulnerable employment in India. For unorganized/

informal workers, physical conditions at work place, occupational hazards, health conditions and safety measures are seen to be much worse. Hours of work, duration of work day and weekly holidays are not guaranteed either (NCEUS 2007).

Employment contracts are another source of insecurity. Construction has a large number of casual workers and accounts for 38.9 per cent of unorganised female *casual* non-agricultural workers. However casual work among men is also high in this sector. The increasing casualisation and informalisation of the labour force, and of the female labour force, has been seen to be a key instrument of coping with the pressures of shifting demand, often significantly shaped by the forces of globalization. For example in the wake of the global economic crisis, demand for real estate fell worldwide, and India was no exception. Casual, informal workers are used as a tool to adjust to this variation.

Women workers also get unequal wages, and are limited to jobs lower down the value chain. While regular female workers earn about 74 per cent of men's wages in urban India, casual workers do much worse. Women labourers earn only about 58.14 per cent of men's wages. Part of this disparity is of course



Source: Based on NCEUS Data (Appendix Table A3.1)

explained by the fact that women can do less physically demanding jobs. But significant exploitation and gender discrimination is also clear. According to the NCEUS Report (2007), 72 per cent of casual women workers earn less than the national minimum wages of Rs. 66 per day in urban India. For men this is much lower at around 36 per cent. In rural areas, as high as 86 per cent of women earn less than the minimum wages compared to 58 per cent of men (see Fig. 6). So while both men and women casual workers do not receive minimum pay, discrimination against women is sharper. The workers in this sector, and especially the women, are less skilled, making it more difficult to shift to other service sector jobs.

The increasingly harsh conditions have also amalgamated with increasing mechanization in this sector and created adverse impact on women's employment. Women's employment growth has been falling and is much lower than that of men. For example, employment growth between 1993-94 and 1999-00 was 4.87 per cent for men, compared to only 1.35 per cent for women. Increasing mechanization has resulted from increased FDI in this sector, and labour saving investment has tended to target women's jobs first. Jhabvala (2003) cites the example of the construction sector where increased mechanization, of both foreign companies and domestic companies, have been replacing women's labour and leading to a decline in employment. Women are most often evicted first.

Given the insecurity of work, exploitation of women workers coupled with the preponderance of low skilled women workers, job protection as well as guarantee of minimum benefits here is a key issue for women workers. Skill improvement is also necessary if these workers have to shift out of this sector.

The increasing mechanization has taken place because FDI norms are pretty open in this sector.

According to latest notification by the government, 100 per cent FDI is allowed in the construction of transport and water infrastructure, industrial, power and hydroelectric projects. FDI is open for smaller investments like township development, residential and commercial complexes. However business in real estate dealings still prohibited. In addition, tax barriers, customs and property transfer legislations are complicated and bureaucratic red tape and other obstacles remain.

There are also minimum norms that inward FDI must meet. Under the current notification, construction projects in townships, housing, built-up infrastructure and construction-development must have a minimum area of 10 hectares in the case of serviced housing plots, and 50000 square metres of built up area for construction-developments (Wearne 2009). Second, wholly foreign-owned subsidiaries must meet minimum investment standards to the tune of US\$10 million in capital, while for joint ventures with Indian partners, the minimum stipulated investment is US\$5 million. Third, investment cannot be repatriated until three years after the minimum capitalisation, unless previously approved. In addition, there are other limitations such as a time limit of five years for 50 per cent project completion, infrastructure requirements, sale prohibitions and all the applicable provisions from State and municipal bodies (*ibid.*).

Given these restrictions on an otherwise open environment of investment, EU is naturally interested in removing these through the FTA. 'Construction abroad' represents 2.39 per cent of EU's services export to the world, and 3.69 per cent of EU's services export to India. EU currently enjoys a net trade surplus with India. But at the moment India accounts for only 1.33 per cent of EU's export to world, so there is a large scope for increasing trade

(see Table 5). Though the size of EU's outward investment in construction is much smaller compared to say financial intermediation and business services, its share in EU's total FDI stock has been increasing (Table 6).

India is also keen to receive investment in this sector. 6.18 per cent of cumulative FDI inflows (2000-2009) received by India is in the construction sector. And India may be interested in giving up remaining restrictions in this FTA. However it is the impact on its women workers, informal workers that must be taken into account. Without providing job protection or making it easy to shift jobs, FDI may generate business in India but this may be at the cost of its vulnerable workers.

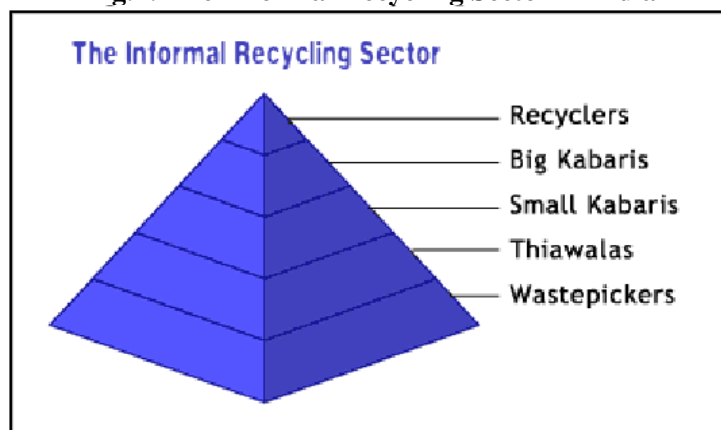
iii) Waste Disposal

This sector, has received less attention in trade related discussions mainly because trade has not affected as yet the livelihoods in this sector. Though the size is small, this area has much relevance for women. The high share of women workers and the low degree of skill involved makes it a relevant area of discussion from a gender perspective. For example, in rural India, though sewage and refuse disposal accounts for only 2.16 per cent of female workers, the share

of women workers is high at 59 per cent. In urban areas this sector contributes 0.54 per cent of female services employment but share of women workers is 20.71 per cent (NSS 2004-05). In fact, according to some studies, women's participation goes as high as 80 per cent in some cities like Pune (Krishnan 2009). The workers are often from lower castes and practice the profession hereditarily. Poverty rates are also believed to be high though accurate estimates are not available.

The sector is labour intensive with use of very limited technology until now. It is largely informal with a pyramid like structure of work (Chintan 2004). Rag pickers form the base of this structure. Apparently self employed, they represent vulnerable employment as classified by the ILO. Figure 6 gives the structure of informal workers in this sector. The Municipal Corporations undertake a large chunk of the waste management work in India, but this service is being increasingly privatized. Even the Municipal Corporations hire three categories of workers; permanent workers employed directly by the corporation, daily wage workers and contract workers employed through contractors. The second category represents casual workers while the third represents workers directly under the private sector. Increasing privatisation in this sector has already been apparent.

Fig.7: The Informal Recycling Sector in India



Source: Chintan (2004)

There are significant differences between work conditions of permanent workers and contractual workers. A study of waste workers in Pune (Krishnan 2009) reveals that compared to permanent workers, contractual workers receive lower wages, have no security of tenure, do not receive wage slips, employment cards or overtime benefits (like double wages). In terms of holidays, while the permanent workers get one weekly holiday, national holidays, festival holidays, casual leave and sick leave, the contractual workers get only two half days in a week. Maternity benefits are not available to contractual women workers. The work condition in India's waste management sector is already abysmal, with adverse health impacts on workers, a large share of which are women. In addition to insecurity of jobs which adds to exploitation, health problems, hard conditions of work are major problems. However, health hazards notwithstanding, this sector still represent lifesaving job opportunities for completely unskilled unorganized women workers. Often, entire families of women workers are dependent on their earnings.

Due to the small size, low awareness and education levels of workers, suitable policy intervention

has been missing in this sector. An effective policy towards providing healthy work conditions, job security, and formalize terms of work is required at the minimum. Efforts have remained sporadic, due mainly to initiatives of local NGOs⁹.

Increasing privatization has already been seen to be labour saving and has replaced large chunks of women workers. EU has an interest in waste management services, though the size of its trade remains small. Until now, this sector does not represent a major trade interest from the Indian perspective. European companies are known to have advanced technology essentially labour saving in nature. If the FTA involves a full liberalization of this sector, without first addressing workers' job security and work condition issues, there may be a severe impact on jobs. Interestingly, while advanced technology will most likely be more beneficial in terms of health hazards, its employment impacts may be more adverse than its benefits in terms of health risks. The government needs to evaluate the full impact of foreign investment in this sector and what it will mean in terms of livelihoods, before opening it up to trade liberalization.

⁹ For example Chintan, New Delhi, Kagad Kach Patra Kashtakari Panchayat (Trade Union of Waste-pickers) Pune have taken initiatives in this area

V. Women's Access to Basic Services and Social Impacts

Based on Sections I and II above, we discuss some areas which are important from a gender perspective in this section. These cover different sectors which are important in terms of ensuring access to critical services for women.

a) Mode 3 and Banking:

In the field of banking and finance, India has mostly 74% cap on foreign equity and has limitations on foreign ownership (in terms of constitution of boards). There are also some licensing restrictions. It is evident from the analysis of India and EU's trade and investment pattern in services, that EU is clearly interested in the financial sector in India. Financial intermediation represents 42.02 per cent of EU's global FDI, and 9.97 per cent of EU's global services exports. Commercial presence under Mode 3 forms an essential part of liberalisation of this service. EU banks already account for 5 of India's banking assets and lending (Singh 2009). EU's requests in terms of liberalization of this sector is likely to contain several features; Standstill or stabilization clause that prevents the implementation of any new regulation which is not already in existence; the attempt to eliminate any existing monopoly rights; liberalisation of financial services covered by public entities; and, inclusion of insurance subsectors that were exempted earlier (Wearne 2009). Trade liberalization coupled with investment liberalization, will mean virtually no restriction on entry into this sector. The implications of this are several, some gender neutral while others can have a clear gender impact.

In terms of employment, foreign banks have the largest share of female employees, 25.3 per cent compared to nationalized or private Indian banks, though the absolute numbers are still very low, com-

pounded also by their presence being limited only to urban areas. Therefore, while women do have a scope of increased jobs from the increased entry of European banks, it is likely to create a significant impact on *access to credit*. While this may add to the credit creation in the economy, a much needed resource for a developing country like India, the nature of this credit creation or banking activities have several issues that need to be looked at.

Nature of Banking Activities

If we look at banking activities of foreign banks operation in India, it is evident that they engage in risky activities much more than the disbursement of credit. Only 7.6 per cent of foreign banks' services relate to credit while 28.5 per cent, the single largest component, goes to activities like derivatives, stock securities, foreign exchange trading services (see Table 9). In comparison, Indian banks abroad limit a large part of their activities (43.8 per cent) to credit related services.

This situation provides two counterpoints to India's current needs. First, it does not really cater to India's *credit needs*, which is crucial for its development goals, and private speculative profits cannot serve that purpose. In fact, a large part of liberalizing financial services in India is based on the rationale of credit creation which the activities of foreign banks seem to belie. Second, it makes India much more vulnerable to financial risks and resultant crisis like the developed world just experienced. The recent financial crisis has shown what an unregulated financial system can do to the economy of a country. It also has severe adverse implications for development and hits the poor and vulnerable groups like women much harder. However protection and regulation may not be that easily available under the EU India FTA. The EU India FTA is likely to contain extensive

protection of investor's rights and the policy space available to Indian government for future regulation will be significantly squeezed.

ment specifies a 5 per cent priority sector lending to women for Indian banks. But this is waived for foreign banks (Singh 2009). Foreign banks are also

Table 9: Composition of Trade in Banking Services (In %)

| Name of Banking Services | Indian Banks Operating Abroad | | Foreign Banks Operating In India | |
|--|-------------------------------|---------|----------------------------------|---------|
| | 2005-06 | 2006-07 | 2005-06 | 2006-07 |
| Deposit Account Management Services | 4.5 | 2.8 | 4.1 | 3 |
| Credit Related Services | 31.9 | 43.8 | 9.9 | 7.6 |
| Financial Leasing Services | 0 | 0 | 0 | 0 |
| Trade Finance Related Services | 31.7 | 21.7 | 13.6 | 10.2 |
| Payment and Money Transmission Services | 10.7 | 17.6 | 13 | 23.3 |
| Fund Management Services | 6.5 | 3.5 | 4.3 | 3.4 |
| Financial Consultancy and Advisory Services | 0 | 1.3 | 8.9 | 12.5 |
| Underwriting Services | 0 | 0.3 | 0.5 | 1 |
| Clearing and Settlement Services | — | — | 4.5 | 5.4 |
| Derivative, Stock, Securities, Foreign Exchange trading Services | 13.3 | 8.4 | 35.8 | 28.5 |
| Other Financial Services | 1.3 | 0.7 | 5.4 | 5.2 |
| All activities | 100 | 100 | 100 | 100 |

Source: RBI, Monthly Bulletin, January 2009

Another point of concern with over dependence on foreign capital is that in times of shock and crises, it is seen to move out much more easily. This is truer in case of portfolio investment, and less for FDI, but FDI in the banking sector may be more vulnerable. In addition, the fear of contagion from foreign banks' activities abroad is also pertinent in the current context.

A Gender Perspective

There are specific gender related concerns as well. While in intent, all bank lending is supposed to be gender neutral, there is clear evidence that women are discriminated against as they have lower access to capital like land and other property and are therefore less able to offer collaterals. They are also taken as higher risk groups. Currently, the Indian govern-

ment specifies a 5 per cent priority sector lending to women for Indian banks. But this is waived for foreign banks (Singh 2009). Foreign banks are also not required to lend to the agriculture sector which houses a large number of India's women workers. After the FTA, 'National Treatment' is to be given to EU investors but it is not clear whether they have to meet current priority sector lending norms at par with Indian banks. If we try to discern the gender dimension of foreign banking in India, several interesting points emerge.

Foreign banks have a higher proportion of female account holders (23.8 per cent of all account holders) compared to State Banks (14.9 per cent) or Nationalized Banks (19.4 per cent) (See Table 10). However, the rate of actual disbursement to women at 7.9 per cent by foreign banks is much lower compared to disbursement by all other categories of banks, which ranges from 8 per cent to 19.6 per cent. Therefore, women really do not gain from foreign banks' presence.

Table 10: Bank Group Wise Deposits of Scheduled Commercial Banks to Individuals by Sex (March 2008)

(No. of Accounts in Thousands, Amount in Rupees Lakh)

| Bank Group | Individuals | | | |
|---|---------------------------------|------------------------------------|---------------------------------|-----------------------------------|
| | Male | | Female | |
| | No. of | Amount | No. of | Amount |
| | Accounts | | Accounts | |
| | 1 | 2 | 3 | 4 |
| State Bank of India and its Associates | 1006,13 (76.2) | 331549,38 (44.0) | 197,08 (14.9) | 60381,00 (8.0) |
| Nationalised Banks | 2152,03 (70.5) | 744086,39 (47.6) | 683,20 (22.4) | 182239,84 (11.7) |
| Foreign Banks | 38,72 (61.0) | 38021,84 (21.2) | 15,11 (23.8) | 14235,19 (7.9) |
| Regional Rural Banks | 536,88 (72.5) | 69343,90 (71.1) | 189,14 (25.5) | 19145,12 (19.6) |
| Other Scheduled Commercial Banks | 440,34 (68.9) | 169714,45 (25.8) | 140,37 (22.0) | 59644,97 (9.1) |
| All Scheduled Commercial Banks | 4174,11 (71.8) | 1352715,96 (41.6) | 1224,89 (21.1) | 335646,12 (10.3) |

Source: RBI Statistical Supplement 2009

The lending by foreign banks is also limited to women of upper income groups. This is evident from the fact that foreign banks in India are limited to urban areas. In fact, even within the urban areas, they are limited largely to the metropolises. 81.4 per cent of foreign banks were limited to metropolitan areas in 2006 (Singh 2009, see Table 11 below). However, if we look at the rural-urban dimension of all commercial bank lending to women customers in India, urban lending represents only 24.4 per cent of all lending to women and 21.1 per cent of female account holders in India (RBI, 2009a). In fact this is also an understatement as it leaves out the non

institutional female borrowers in rural India. Since the foreign banks do not have a presence in rural areas, the vast majority of rural women borrowers are thus left out by foreign banks. In fact, Regional Rural Banks do the best when it comes to lending to women, and disburse 19.6 per cent of their total lending to women. This is not surprising given foreign banks do not have to meet priority lending norms to agriculture.

Foreign banks also have fared badly when it comes to 'no-frills accounts', which were initiated by the government of India to provide credit to poor bor-

rowers at rational rates. Data from Singh (2009) shows that share of foreign banks in all no frill accounts was only 0.24 per cent in 2006 (Table 11). In fact latest data from RBI shows that this is even

lending (which is important given our development goals and conditions of poverty, inequality), their ability to offer higher interest rates to depositors and lower rate to borrowers gets limited. So they

Table 11: Share of Domestic and Foreign Banks in No-Frills Accounts, Banking Assets and Locational Distribution of Bank Branches

| No Frills Account | End December 2006 | | | |
|--|-------------------|------------|-------|-------------|
| | Number | % Share | | |
| State Owned Banks | 11026619 | 87.39 | | |
| Private Sector Banks | 1560518 | 12.37 | | |
| Foreign Banks | 30260 | 0.24 | | |
| Total | 12617397 | 100 | | |
| Banking Assets | % Share | | | |
| Domestic Banks (Public plus Private) | 92 | | | |
| Foreign Banks | 8 | | | |
| Distribution of Bank Branches in India (%) | | | | |
| | Rural | Semi Urban | Urban | Metroplitan |
| State Owned Banks | 35 | 25.9 | 20.5 | 18.9 |
| Old Private Banks | 18.2 | 33.5 | 28.6 | 19.4 |
| New Private Banks | 6.3 | 25.4 | 32.3 | 36 |
| Regional Rural Banks | 77.9 | 17.6 | 4 | 0.4 |
| Foreign Banks | 0 | 0.7 | 17.9 | 81.4 |

Source: Data from Kavaljit Singh (2009)

lower, and foreign banks contributed only 0.13 per cent of these accounts in March 2009.

It can be argued that if foreign banks cater to urban areas and nationalized or other banks in rural areas then the problem of credit is solved. However, the problem is that foreign banks put a pressure on the survival of other banks in urban areas. Given the pressure on subsidies, nationalized or commercial banks who are to do priority sector lending, will have to subsidise rural lending, where profit rate may be zero or negative, from their lending in urban areas where profit rates are higher. Now if foreign banks take away their business in urban areas then they will find it difficult to subsidise rural lending. Second, given the fact that these banks have to do priority

will not be able to even compete freely with foreign banks. Therefore, their ability to both make profits and compete gets restricted by the entry of foreign banks. This is how finally priority sector lending will get adversely affected by the entry of foreign banks. All this can have serious adverse consequences to vulnerable and needy groups, and women in particular who seem to be at the bottom of the priority list.

b) Mode 3 and Health Services¹⁰

Health services trade can potentially take place under all 4 modes. There are a number of activities which takes place under different services which relate to health. Table 12 provides a classification. Some of these are not included under health services in

¹⁰ This section is drawn from the health study, of a series of three research studies that Centad prepared on the 'The Gender Impact of the EU India FTA on the Indian Economy: Agriculture, Services and Women's Health', of which the present study is also a part

GATS, but are included under other services. For example professional services are included under Mode 4, medical education under education services etc. Currently services trade is open under all 4 modes in the health sector. In terms of investment, 100 per cent FDI is allowed through the automatic route, or through approval of Foreign Investment Promotion Board. Under GATS, India has made offers on Mode 3 in medical and dental services which allow local incorporation with a foreign equity of up to 74 per cent subject to certain conditions. In hospital services, similar provisions apply to Mode 3 but without any conditions imposed. This sector has received FDI of Rs. 29687 million (April 2000-July 2009) which represents 0.715 per cent of total FDI received by India. The EU does not seem to have a major interest in health services currently, but the FTA does give EU investors the ability to freely invest in India and this must be kept in mind while planning for healthcare services in the future. In fact India is looking forward to increased FDI in this sector.

may work through some of the following processes; inequalising nature of FDI and increases in inequity in healthcare access; private –public trade off in health services and impact on equitable access; the availability of health care professionals and facilities for addressing needs of women and other vulnerable groups. The following sub sections deal with these issues. Apart from these, the freedom of domestic regulation to ensure access and the impact of technological advancement on women may also create their own impacts.

FDI, Public-Private Tradeoff and Equality

A significant problem with liberalization of health services is that the role of foreign investments in addressing domestic equity concerns is yet unclear. Currently there is severe inequity in access in India and this also has a clear gender outline (Sengupta and Jena 2009). Increases in inequity in income, infrastructure, and other indicators in turn increases inequity for women patients and others, like pregnant and infertile women, who may be in need of care.

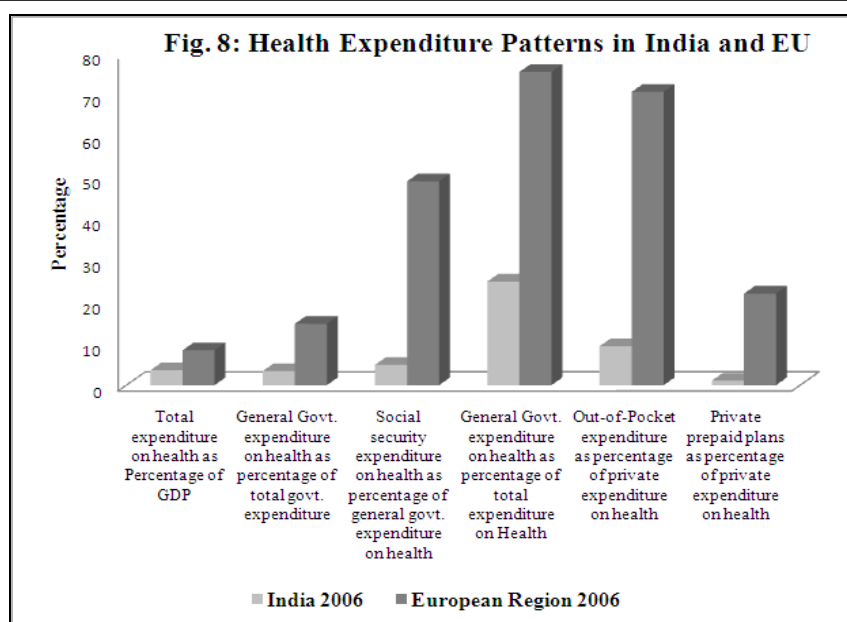
Table 12: Services Covered under Different Modes of GATS

| Mode of delivery of the service | Kind of service delivered |
|--------------------------------------|--|
| Cross-border service (mode 1) | Shipment of samples, diagnosis, clinical consultation via traditional mail channels. Electronic delivery of health services like telemedicine, telesurgery, telediagnostic services; medical back office services, medical transcription services and online medical education services. |
| Consumption abroad (mode 2) | Medical tourism for super specialty medical services and alternative systems of healthcare. |
| Commercial presence (mode 3) | Establishment of super specialty hospitals and clinics, diagnostic and treatment centres in collaboration between domestic and foreign health services providers, health insurance services and hospital management services. |
| Movement of natural persons (mode 4) | Services of doctors, surgeons, nurses and midwives in foreign countries. |

Source: Rupa Chanda, 'Liberalising Trade in Health Services: Issues and Concerns for India', presentation made at the National Workshop on Health Services Liberalisation under WTO/GATS - Whither and How?, organised by the Ministry of Health and Family Welfare and the WHO India Office, 15 Feb 2006.

The impact of trade liberalization in this services sector through an FTA is expected to add to current capacity. However, there may be adverse impacts on vulnerable groups including on women. Impacts

First of all, foreign investments in India, like in many other sectors like banking, have been seen to be inequalizing as they have been further accentuating the urban orientation of private services. FDI has



Source: Based on Table A. 1(see Annex), Data Source: WHO statistics 2009

traditionally chosen ‘safe’ areas as its destination and it is no surprise that out of the 62 cases of foreign investment in hospitals or diagnostic centres approved between 1991 and May 2001, most have been concentrated in cities. Even within cities, these are concentrated in large metropolises like Delhi, Kolkata and Chennai (Gopakumar 2009) where medical services are already well developed.

In spite of the fact that additional hospitals and facilities in the health sector may increase overall facilities and therefore access, the equity question remains a crucial one. For example, even the positive outcome envisaged under the India EU FTA, for example additional investment in health sector (Mode 3), may not be of use to the poor as they come with high user fees. At the primary level this adds to the public vs. private debate in meeting health needs. For health services to reach the poor we need extension of public health facilities, not private healthcare. In the developed countries, the share of public expenditure in total health expenditure is pretty high whereas in India this is a mere 25 per cent in 2006 (See Table A.1, Annex). The primary responsibility of the government is to provide healthcare for all and this

cannot be replaced by private facilities.

Interestingly, the share of public expenditure on health is much higher in the EU at 75.6 per cent in 2006 (Fig.8, column set 4), therefore, avoiding dependence on the private sector for basic health security of citizens. Private pre-paid plans’ coverage is also much better in the EU. The government’s total expenditure on health as a percentage of total government expenditure in India remains an abysmal 3.4 per cent compared to EU’s 14.8 per cent in 2006 (see Fig. 8, column set 2).

The services provided by private agents are always costlier and cannot be afforded by much of India’s poorer population. Table 13 shows that expenditure in private hospitals per case, is more than double that in government hospitals. This in fact seems to have increased between 1995-06 and 2004, with the proportion reaching nearly 3 times in urban areas in 2004.

This also has an interesting gender and urban-rural dimension. The ratio of expenses in private to government hospitals is higher for women in rural areas, compared to their male counterparts (See fig. 9).

Table 13: Average Medical Expenditure (Rs.) Per Hospitalisation Case in India

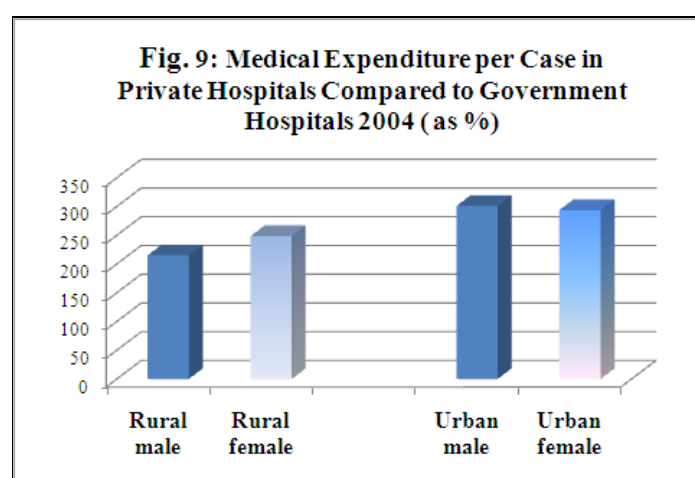
1995-96 and 2004

| Type of Hospital | Rural | | Urban | |
|--|---------------|---------------|---------------|---------------|
| | 2004 | 1995-96 | 2004 | 1995-96 |
| Government Hospitals | 3238 | 2080 | 3877 | 2195 |
| Private Hospitals | 7408 | 4300 | 11553 | 5344 |
| Any Hospital | 5695 | 3202 | 8851 | 3921 |
| Expenditure in Private Hospital as a % of that in Government Hospital | 228.78 | 206.73 | 297.99 | 243.46 |

Source: NSS (2004)

This may have a significant impact on deterring rural females from getting treatment in private hospitals. In urban areas, the ratios are higher compared to rural rates, for both males and females, implying that private facilities are comparatively more expensive in urban areas for both males and females. But males seem to incur marginally higher comparative expenditure in private hospitals compared to females in urban areas.

largest chunk of health service resources in terms of infrastructure, technology and personnel, has a much smaller presence in rural areas as opposed to urban which accounts for 2/3 rd of the total health professionals and 88 per cent of overall resources. These facts were pointed out by the National Commission on Macroeconomics and Health constituted by the government of India (GOI 2006).



Source: Based on data from NSS (2004)

75 per cent of specialists and 85 per cent of technology lies with the private sector. But simultaneously, despite its very high share of resources used, the private sector covers a much smaller population. It still provides only 49 per cent of total beds and has a much lower bed occupancy ratio of 44 per cent compared to the public sector's 62 per cent. Further, the private sector which accounts for the

To sum up, there are increasing gaps which need to be filled in by the Indian government to meet the health needs of the vulnerable and women. At the same time, the government's ability to address such health disparities may get severely limited by the FTA if full services trade liberalization, with uninhibited FDI entry and the consequent increase of private foreign investment into the health sector,

goes through. Though the EU currently invests very little in health services abroad, this can change if the FTA represents enough opportunities, given the fact that India has a thriving health service with a large supply of qualified health professionals and a large domestic demand. While increased investment in health services may be beneficial for India in terms of providing services and employment, it is likely to put pressure on public services in two ways. First, it will directly replace public services as is already happening. Second, it will put an upward pressure on user fees, even of public services. All of this skews access against women who already have unequal access to healthcare, with even lower access to private services. In addition, new jobs may not be created if additional investment *replaces* existing public investment. Employment and access will also not increase in rural areas where FDI is unlikely to go unless rural incomes grow significantly. Finally, as we see evidence of already, increased private access will not come without costs. It can benefit the urban upper income groups but it cannot, per say, solve the problem of cheap universal healthcare in our country. The government must also be able to effectively regulate this sector in order to ensure basic, equitable and cost friendly access to all.

c) Mode 2 and Medical Tourism¹¹

Mode 2 of services trade involves services like tourism, which can be consumed by foreigners in India or vice versa. Women have a relatively large presence in tourism worldwide and India is no exception. The sector is expected to receive a boost in the wake of the proposed FTA, resulting in job gains for women. Encouraging tourism has often been criticized on the grounds that it also encourages sex-tourism if

not regulated properly. This has been a problem in several Asian countries. This may encourage human trafficking and exploitation of economically vulnerable women. While these are important issues, this section is concerned with another particular kind of tourism, that is, tourism in the field of medical care. India is currently encouraging this form of tourism but there may be some access and ethical issues involved.

Medical Tourism

India has been trying to encourage medical tourism and is by now well known for acting as a major destination for patients, providing high quality medical services at cheaper rates compared to the developed countries. Trade under this mode is currently free but as a result of this FTA, there may be increased flow of this service. In addition, foreign investors may set up facilities in India with the key purpose of attracting foreign patients/ service seekers, by using India's domestic facilities and rich supply of healthcare professionals.

There are several issues linked to medical tourism that one must consider. The first is that it takes critical facilities away from domestic needs. Second, it exerts an upward pressure on costs of healthcare and therefore on government budgets if government hospitals have to stay competitive. Otherwise, user fees in government facilities must go up. This has been pointed out by the National Commission on Macro Economics and Health (NCMH) (GOI 2006). While medical tourism may generate significant revenues for private players who naturally promote it, the rationale of using India's limited resources for promoting cheaper medical facilities for others may

¹¹ This section is largely taken from the relevant section of 'The Current Trade Paradigm and Women's Health Concerns in India: A Special Reference to the Proposed EU-India Free Trade Agreement', by Ranja Sengupta and Narendra Jena, Report No. II, 'Trade and Gender Series', Centad and HBF. The present paper is also a part of the same series.

imply a trade off that India cannot afford, especially as its own costs will likely rise. Women, especially poor women, are likely to be a disproportionate sufferer because of shrinkage in access.

Medical tourism also involves significant ethical issues. For example, surrogate motherhood, much touted as a front runner in India's medical tourism boom, has serious ethical questions which must be resolved by Indian policymakers, in India's socio economic context. The Indian Assisted Reproductive Technology (Regulation) Bill, 2008, has been passed recently though it still leaves most questions unanswered. It clearly protects the rights of the private service provider by allowing medical surrogacy for commercial purposes. While this may remove legal barriers to surrogacy, and therefore encourage it, the Bill faces widespread criticism on the argument that it provides inadequate protection of the rights and health of the surrogate mother. The bill attempts to ensure commercial gains for the surrogate mother,

but the provisions on regulating this sector are highly inadequate. However, later attempts to interfere with such practices may be taken as a violation of the FTA and may be severely disputed by EU. Many FTAs now have a stability/standstill clause by which policy regulations at the time of signing of the FTA must be held unchanged for an unknown period, and new regulations to protect vulnerable groups cannot be enacted if it infringes upon the provisions of the FTA.

The liberalisation under Mode 2 of medical tourism, on the one hand, coupled with uninhibited foreign investment in health sector under Mode 3 on the other, pose the critical problem of crowding out of public hospitals and services from the health sector. In the era of declining public expenditure, public services represent a crucial policy instrument to address critical health needs. The public health system can survive and operate in rural areas and provide care to the poor, women and patients of critical diseases if they make enough profit in other areas.

VI. Mode 4, Access and Employment

Mode 4 of trade in services covers the movement of people or workers across borders from source countries to destination countries. This has been seen to be an important source of jobs for women workers. Women health and care workers, in the form of doctors, nurses, and domestic care workers can benefit significantly in terms of not only getting work, but work conditions, terms of employment and wages. Women in other services like entertainment can also potentially benefit. Indian women workers face significant discrimination in destination countries with marginal protection of labour rights, entry barriers, wage discrimination etc. Since India has a significant number of nurses and domestic workers, securing their rights in foreign countries is of key interest to it from an employment perspective. Women workers in health and care services are seen to be keen to access markets outside India, especially developed country markets, which offer higher incomes, status and empowerment (Nair and Percot, 2007). For India, this can arguably generate valuable foreign reserves and increase domestic incomes and consumption in households that can offer such migrant workers.

However, liberalisation under Mode 4 has made little progress even under GATS in the WTO. It is limited to *temporary* movement of workers, and is often linked with 'commercial presence' of companies. It is also mostly limited to 'professional' or skilled workers, and women domestic workers are at best semi skilled. Therefore, Mode 4 prescribed movement of natural persons involves a stricter definition than that of migration. Strict entry barriers exist in most countries, especially in developed countries, in the form of entry tests, language test, pre employment, confinement to sectors and locations, and no wage parity (See Sengupta and Gopinath 2009). Both developed and developing countries have significant

barriers, though developed country, for example the US and EU, are seen to have stricter entry norms.

Given limited movement under GATS in the WTO framework, India is keen to gain entry into EU markets for its workers. While this can, in theory, provide a boost for employment of women workers trying to access the EU market, there are significant problems associated with it. The first criticism has been to do with the drainage of health professionals in the country. The second has to do with moderate scope of Mode 4 liberalisation offered by EU in the FTA and the natural restrictions in working in the EU.

Mode 4 liberalisation, in the case of Indian health workers, have been criticized by policymakers and health analysts as it encourages the outflow of doctors and nurses from India's already constrained health related human resources. Under the WTO Framework, the level of commitment in health related professional services is low. But FTAs can potentially create a drain of skilled and semi-skilled professionals, in nursing and care services, for example, and it has tended to cause significant supply shortage in source economies, resulting in a so-called 'care drain' (WIDE, 2007). If EU's significant barriers to entry are removed as part of this FTA, while it will give benefits to the trained health professionals, it will further adversely affect the health condition of the public sector which has witnessed the highest outflow due to low wages, adverse working conditions etc. It must be acknowledged that unless domestic pay and work conditions in public services is improved, this outflow is inevitable. But in the absence of such prior improvements to domestic conditions, whether India is in a position to further encourage outflows of health professionals is a question that must be answered. Signing an FTA at this juncture, where the possibility of outflow is very real

given the much more attractive working conditions in EU, seals the possibility of addressing this issue later on. Movement of health workers to the UK is already high.

India also has a high number of care workers who work as domestic maids or as semi skilled workers providing health related assistance to the old and patients, often at home of the latter. The Asian region has seen a significant increase in the number of such workers. Asia or the Middle East has been the major destinations with entry barriers to developed countries being much stricter. However, both developed and developing countries show high barriers, with even India putting up high barriers on entry of workers from neighbouring countries. As evident from Section I, domestic maids occupy the single largest occupation for urban women working within the services sector. They contribute 22.8 per cent of women's work in urban services. This is a highly gender sensitive segment with females constituting 79.67 per cent of the work force. Workers are semi skilled, have relatively low education and work remains largely informal.

However, the EU currently has very high barriers which are unlikely to be significantly removed even after the FTA. There are entry barriers in terms of border measures related to immigration regulations, and domestic regulation in the form of accreditation and licensing requirements. EU FTAs are seen to also keep the restriction to professionals intact. From documents of the European parliament, it seems evident that the EU is cautious on promising too much in this chapter (EU Parliament document, March 2009). As discussed before, Mode 4 liberalisation under the EU-Chile Services Agreement, for example, is limited to a review and '*Article 135:3 allows the Parties to apply their own laws, regulations and requirements regarding entry and stay, work, la-*

bour conditions and establishment of natural persons, in particular requiring the necessary qualifications in the territory where the service is supplied, as long as these are not applied in a manner that impairs or nullifies the benefits of the Agreement' (WTO 2007: P.9).

Currently gains for India are expected to be limited to employees of BPO services located in EU under Mode 3.

The prospect is limited for natural reasons as well. The European Union is able to source its workers from the European region itself. Only 4.5 per cent of EU workers are from a country outside the European region. In addition, remittance patterns in EU clearly indicate the pattern of source countries of migrant workers. Language, culture, and geographical proximity seem to be important determinants of entry into EU (Eurostat 2007). This makes it easier for workers to access EU markets/. Therefore, Spain sources workers from Latin America while Germany has a large number of workers/ residents from neighbouring Turkey (*ibid.*). Spain is the largest remitting country and most of it is outside EU, but this goes to Latin American countries. Spain to Bolivia, Spain to Ecuador and Germany to Turkey are the biggest corridors of remittances from EU countries. Indian workers have neither the geographical advantage nor the language or cultural affinity. Demand has therefore remained limited to specific segments (e.g. doctors in UK). In fact the UK is the only country which has seen substantial remittances to India.

Though this means that there will be minimum gain to health service providers seeking employment through Mode 4 liberalisation under the FTA, it may mean that further drain of health professionals will not be a major concern in the immediate future.

VII. Summary and Conclusion

The trade impact assessment studies on the EU-India FTA (ECORYS et al 2009, CEPII-CERM 2007) harp on service sector gains following the EU-India FTA and suggest deep liberalization of the service sector. However, these clearly come at the cost of commodity trade, especially agriculture where a large population is situated. The CEPII-CERM Report (2007), for example, suggests there will be a clear loss in agriculture where India will not improve market share while the EU will significantly increase its share leading to a long term trade deficit. In manufacturing, only textiles and garments is projected to gain. ECORYS et al (2009) suggests a long term decline in agricultural employment with imports increasing significantly while exports increase marginally in the long run. Services sector liberalization, therefore, clearly represents a divide where gains in services are traded for losses in other sectors led by agriculture. This paper has looked at some of the concerns raised even within the service sector, from a development and gender perspective.

From a gendered analysis, the disparity is even clearer. The natural bias towards skill in services automatically results in a bias against women, as Indian women historically possess lower skills, a phenomenon not yet corrected by policy interventions. While women have surely made significant gains in many segments in services, especially in the IT sector, gains still remain low in absolute terms. The sectors which have done well with trade liberalization and are expected to do better after the FTA, computer and business services, for example, together occupy only 3 per cent of Indian urban female services employment. Banking, another segment expected to gain under FTA, contributes only another 3 per cent of urban female services employment. This is inadequate, as the services sector as a whole contributes only

about 12 per cent of total female employment in India. Skill differences and other reasons, also lead to significant job segregation, for example in the IT and ITES services. In addition, the study points out, that women may face natural barriers to entry into these segments, given odd working hours.

On the other hand, labour saving FDI and domestic large investment has particularly hit large segments of female employment which are largely informal in nature. These are also low skilled jobs on which women and the poor depend. The most glaring example is retail, which accounts for a significant portion of female employment in services in both urban and rural India. Increased move towards corporatisation has already resulted in job losses for women and this is evident in the declining shares of retail in female employment in both rural and urban India, with an absolute decline in urban areas. Some of the other informal services studied here, where women workers proliferate, are construction and waste disposal. These sectors are also already feeling the impact of increased privatization and FDI (in case of construction), and galloping trade liberalization will make this pressure more intense.

India's booming informal economy, which uses women's labour on flexible terms, should be an area of serious concern for policymakers and development specialists. It may be premature to allow free foreign competition of certain services with large informal segments, without protecting jobs, providing social security, skill upgradation services, ensuring healthcare, maternity benefits and decent conditions of work. The Social Security Bill 2008, an attempt to secure such rights for informal workers, is still inadequate in coverage and implementation. *The very important issue is that low skills and resources, coupled with the absence of state support, makes shifting between sectors a very difficult process*

in India. For women it is also difficult to shift physically, say from rural services to urban based services.

Investment liberalization, which is clearly a significant part of the EU-India FTA services trade liberalization package, has already targeted female labour in labour intensive processes. The construction sector is a well known example. Small entrepreneurs, especially female entrepreneurs, may also find it difficult to meet the technological standards set by foreign investment in India. Foreign investment and technology may be beneficial in high technology sectors where Indian entrepreneurs can also compete, but in areas where labour intensive processes are used with low grade technology, it may cause negative impacts on employment and incomes. Without enabling our entrepreneurs with the capital and technology to compete with foreign capital and associated technology, it is immature to expect them to stay competitive. We also need to find technological solutions in keeping with our employment needs. Increased control of knowledge in general and technology in particular, in a paradigm of high IPR standards set by TRIPS and further raised by the EU (if TRIPS plus provisions go through), small and women entrepreneurs are likely to become even more uncompetitive.

While India may gain employment benefits in some sectors where a large women's presence is noticed e.g. education, health¹², and to a much more limited extent, in banking, these have to be balanced against the question of *access to critical services*. While the situation of education after the FTA is not clear, the current tendencies in the banking and health services raise serious concerns, especially with regard to access for women who represent a vulnerable group, in dire

need of these services but who already face severe disparity in access. This paper shows that foreign banks in India are not only vulnerable to speculative risks given their nature of activities, they also lend less to women and do not lend to rural areas where critical and gender sensitive sectors like agriculture are based. Apart from the direct impact on lending to women, the latter process means; on the one hand that Indian women, a large section of who depend on agriculture for their livelihoods, are directly hurt. On the other hand, rural areas itself represent currently as much as three fourth of women credit disbursement in India¹³, and this need is untouched and is likely to remain untouched by foreign banks.

In the field of health, increased privatisation of health services has already skewed access against the poor, especially in rural areas. Increased FDI, as expected in the wake of the FTA will exacerbate this impact. The Indian health sector is growing and the availability of skilled health professionals makes this an attractive business opportunity for foreign investors. This also offers opportunities for linked services like medical tourism. Therefore, though the EU currently invests very little in health services abroad, this can change if the FTA represents enough opportunities. While this may be beneficial for India, it is likely to put pressure on public services in two ways. First, it will directly replace public services as is already happening. Second, it will put an upward pressure on user fees even in public services. All of this skews access against women who clearly have unequal access and with lower access to private services. What India needs is public services at low cost, not private services at high cost which *replaces* public services. However, the onus remains with the Indian government to not replace public investment with private

¹² Job creation in these sectors will also depend on net addition to capacity, taking into account the replacement of public and domestic private services.

¹³ This is an underestimation, as this is based on total commercial bank credit disbursement and therefore refers only to institutional credit mechanism and not to actual need.

investment, and guarantee public health facilities at low rates. The regulation of health services, especially of medical tourism, and of critical trade linked services like surrogate motherhood, is a policy tool for just and effective use of health services, but the space for regulation may also be constrained under the FTA.

The question is 'how real are the gains?' For example, India may not be able to make much progress in liberalization of Mode 4, a significant area of interest from an Indian perspective. Women workers, looking to the EU for job opportunities, may not really gain. Also, will India be able to make gains even if it liberalises at its own pace? It is already making substantial advances in IT and telecommunications and unless the FTA confers significant additional

advantages, there may be costs that are too heavy to bear.

Finally, from the framework of the FTA, an obvious question arises. Is India planning to become a skill-based, service sector oriented economy? If that is the case, its development indicators have a long way to go before it can meet its target. Inclusiveness remains a major challenge. The policy needs to target broad based human development first and move to suitable policy solutions. We must achieve certain minimum indicators before we can use it to maximise gains from trade and investment liberalization. Only with this achieved, can India fully gain from an ambitious FTA in a people friendly way. It may be prudent to go slow until this is achieved.

Appendix

Table A.1: Health Expenditure Indicators, India and EU

| | India | | European Region | |
|--|-------|------|-----------------|------|
| | 2000 | 2006 | 2000 | 2006 |
| Total expenditure on health as Percentage of GDP | 4.3 | 3.6 | 8 | 8.4 |
| General Govt. expenditure on health as percentage of total govt. expenditure | 3.3 | 3.4 | 13.7 | 14.8 |
| Social security expenditure on health as percentage of general govt. expenditure on health | 5.8 | 4.9 | 50 | 49.2 |
| General Govt. expenditure on health as percentage of total expenditure on health | 21.8 | 25 | 73.6 | 75.6 |
| Private expenditure on health as percentage of total expenditure on health | 78.2 | 75 | 258 | 24.4 |
| External resources for health as percentage of total expenditure on health | 0.6 | 1 | 0.2 | 0.1 |
| Out-of-Pocket expenditure as percentage of private expenditure on health | 92.1 | 9.4 | 68.6 | 70.8 |
| Private prepaid plans as percentage of private expenditure on health | 1 | 1.1 | 22.4 | 22.1 |
| Per capita total expenditure on health (US\$) | 19 | 29 | 936 | 1756 |
| Per capita Govt. expenditure on health at average exchange rate (US\$) | 4 | 7 | 704 | 1350 |

Source: WHO Statistics, 2009

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