

# 'India must tread carefully while negotiating labour provisions in FTAs'

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New Delhi

India needs to follow a cautious approach while negotiating labour provisions in free trade agreements (FTAs) as those could have potential repercussions on domestic manufacturing and overall trade competitiveness, experts say.

International trade experts claimed that in a significant shift from its longstanding stance, India has begun to engage on labour issues in its trade negotiations with the UK, European Union, and the US-led Indo Pacific Economic Framework for Prosperity (IPEF).

Inclusion of these issues in trade pacts could have negative impacts, they said, adding that the recent US presidential memorandum of Joe

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Biden on worker rights indicates a deepening focus on labour standards in trade deals.

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Negotiations are on fast track with a comprehensive trade agreement with the UK, which seeks to promote trade in goods, services and two-way investments.

Ajay Srivastava of Global Trade Research Initiative

(GTRI), a think tank, said that such provisions could erode the competitive advantage of developing countries by inflating manufacturing costs.

Citing an example, he said that the US-Mexico-Canada free trade agreement, which mandates a minimum wage in Mexico's auto sector, potentially diminishes its competitiveness.

International trade expert Abhijit Das said that labour provisions in trade agreements often seek enforcement of domestic laws and can lead to punitive actions for non-compliance. He noted that the labour clauses in the recent supply chain resilience agreement under IPEF as a potential gateway for increased scrutiny and a pressure point for the imposition of import restrictions in future based on alleged labour law violations.