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**DAILY EDITORIAL
ANALYSIS**

TOPIC

India-EFTA Pact

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INDIA-EFTA PACT

Context

- India signed a **free trade agreement (FTA) with four European countries** — Iceland, Liechtenstein, Norway, and Switzerland, recently, with a goal of reaching **\$100 billion in investments in India and one million jobs within 15 years.**

About

- The Trade and Economic Partnership Agreement (TEPA) marks the **second such full-fledged FTA signed after India's agreement with the United Arab Emirates.**
- These FTAs are expected to see considerable **tariff reduction, increase in market access, and simplification of customs procedures.**

India-EFTA pact: Trade and Economic Partnership Agreement (TEPA)

- Signed on:** March 10, 2024
- Involves:** India and EFTA member states: Iceland, Liechtenstein, Norway, and Switzerland.
- Goal:** Promote investments and exports, particularly in India's IT, audio-visual sectors, and skilled professional movement.
- Investment target:** The EFTA states shall aim to increase FDI into India by \$50 billion within 10 years, and another \$50 billion in the five years thereafter.
- Additional provisions:** For the first time, the FTA also included a chapter on commitments to human rights and sustainable development.
- The agreement will **come into force after ratification by the EFTA states**, expected possibly by the end of the year.

Potential benefits for India

- Tariff reduction:** After the treaty comes into effect, the EFTA nations will see a reduction in tariffs on most industrial goods exported to India, such as pharmaceutical products, machinery, watches, fertilisers, medicine, chemical products and others.
- Increased trade and investment:** EFTA investment already stood at \$10.7 billion in 2022 and Switzerland is India's largest trading partner in this bloc of nations, followed by Norway.
- Job creation:** As per the newly signed agreement, the EFTA states shall aim to increase FDI into India by \$100 billion within 15 years. This could facilitate the **generation of one million direct jobs in the country.**
- Access to the EFTA markets:** Markets of these four countries will be opened for Indian products, thereby enhancing the export avenues for Indian products.
- Services sector:** The services sector also forms a vital part of this trade agreement. The agreement would help stimulate services exports in areas such as information technology and facilitate the movement of key skilled personnel.

Challenges for India

- Trade with Swiss:** Switzerland accounted for \$1.38 billion of the total \$1.87 billion of Indian exports to the EFTA in CY2023.
- But, 98% of India's exports to Switzerland are industrial goods already entering at zero tariffs and won't benefit from the FTA
- Agri products are out of the deal:** India is offering "82.7 percent of its tariff lines which cover 95.3 per cent" of the grouping's exports. However, most agricultural items have reportedly been kept outside the purview of this deal.
- Low scope for access:** The low scope for increasing market access for goods in EFTA could be of concern as India had a **trade deficit of \$18.58 billion with the bloc** in CY23, with its imports at \$20.45 billion.

- ♦ Of this, gold and other precious metals, stones and coins, all imported from Switzerland, accounted for \$16.7 billion. Gold, making up 80% of India's imports from Switzerland, is a critical factor.
- **Little competition:** The Joint Venture areas that the countries have short-listed, where investments are to be made, mostly do not have competition from India.

Way Ahead

- The Indian government had set an ambitious target of **\$2 trillion in exports of goods and services by 2030**. Achieving this will require **policy action on a range of issues** — from lowering tariffs to entering into deeper, more expansive free trade agreements while safeguarding the country's interests.
- It also calls for **ensuring that measures are taken so that the benefits from these trade agreements are fully reaped**.

Daily Mains Practice Question

India-EFTA Pact is a Watershed moment for India. In this context, discuss the benefits that India can avail from the deal and challenges thereof.

