



## INDIA AND EFTA FTA - GS II MAINS

**Q.** The India-EFTA deal offers a promising opportunity for a stronger economic partnership. Examine its relevance in the present economic context for India. (15 marks, 250 words)

**News:** *India-EFTA trade pact indicates potential for larger agreements with Europe*

### What's in the news?

- India-EFTA TEPA (Trade and Economic Partnership Agreement) is the latest trade agreement in the series of free trade agreements being signed by the Narendra Modi Government.

### Key takeaways:

- PM Narendra Modi has termed the signing of the trade pact as a **“watershed moment”** in India-EFTA relations.
- Recently, the Narendra Modi Govt is on a spree to conclude comprehensive trade pacts with major nations and groups in line with the FTA 2.0 approach.
  - Under its new FTA 2.0 approach, India has recently signed three comprehensive trade pacts with Mauritius, UAE and Australia. Comprehensive Trade Talks are also on with the UK and the EU.

### EFTA:

- The EFTA is an intergovernmental body comprising **Switzerland, Norway, Iceland and Liechtenstein.**
- These countries are all in Europe but not a part of the EU.



### Economic Significance of EFTA:

- EFTA countries have a combined GDP of over \$1 trillion.
- EFTA nations are the world's ninth-largest merchandise trader and its fifth largest in commercial services.
- India is the EFTA's fifth-largest trading partner after the EU, the United States, Britain and China.

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- EFTA is among the most important trading partners in goods and services for the EU.

## India-EFTA TEPA:

- It is a trade deal signed between-India & four European countries (Members of EFTA) - Iceland, Liechtenstein, Norway and Switzerland.

## Features of India-EFTA TEPA:

### 1. Investment and Employment:

- EFTA nations have committed to invest \$100 billion in India in 15 years. (\$50 bn in the first 10 years and \$10 bn in the next 5 years).
- It also aims to create 1 million direct jobs within 15 years.

### 2. Tariff Reduction:

- India has offered 83% of its tariff lines, which covers 95.3% of the EFTA grouping's exports.
- This eliminates duties on most industrial goods like Swiss watches, pharmaceutical products, chocolates etc.

### 3. Vitality of Service Sector:

- Different provisions in the agreement provide improved market access to different services like financial, telecommunication, maritime personnel

### 4. Technology Transfer:

- Investments and key technology transfers in the agricultural sector, renewable sectors, pharmaceuticals, garments, and medical instruments

### 5. Collaboration in Infrastructure Sector:

- Swiss transport companies to collaborate in the development and advancement of the Railways.
- Collaboration with Flughafen Zürich AG, the operator of the Zürich airport for improved air-transport connectivity.

## Significance of India-EFTA TEPA:

### 1. Comprehensive Trade Pact:

- India-EFTA TEPA is a wide-ranging agreement which delves into a multitude of issues that would be crucial to economic ties in the coming decade.
- It covers labour issues, human rights, apart from the trade in goods and services, strong rules of origin clause and strong intellectual property rights (IPR).
- It is India's second most comprehensive trade pact after its pact with the UAE.



## 2. Template for Other Trade Agreements:

- “Behind-the-border” requirement included in the India-EFTA TEPA is a condition that lowering of tariffs must be complemented with mobilization of large-scale investment by the EFTA countries.
- This could serve as a template when India negotiates trade agreements with other developed countries like the EU and UK.

## 3. Better Prices for Indian Middle-Class Customers:

- The reduced tariff rates would lower the prices on seafood such as tuna and salmon, Swiss chocolate, biscuits, watches, medical equipment, and energy drinks.
- Indian incomes are set to rise by 70% by 2030 to breach a per-capita level of \$4,000 (Standard Chartered Report).

## 4. Enhanced Cooperation in the Service Sector:

- The agreement would help to stimulate services exports in areas such as information technology, audio-visual capabilities and facilitate the movement of key skilled personnel.

## 5. Facilitate Technology Transfer:

- The technology transfer as part of the India-EFTA deal will increase India’s productivity and export competitiveness in the agricultural sector, renewable sector, pharmaceutical, garments, and medical instruments.

## 6. Employment Generation:

- The increased trade and investment opportunities due to TEPA will help to generate 1 million jobs in direct employment, particularly in the manufacturing and services sectors.

## 7. Increased Investment Opportunities:

- The trade deal aims to spur financial investment in India through Switzerland’s banking sector, Norway’s sovereign wealth fund and Liechtenstein’s ESG (environment, social, governance) investing sector.

## 8. Diversification of India’s Trade:

- It would help in diversifying India’s trade channels, and reduce India’s heavy import dependence on China. (India had a negative trade balance of over \$100 bn with China in 2022-23)

## Challenges Associated with the Deal:

### 1. No Reduction on Gold Tariffs:

- Gold Trade is the biggest component of trade between India-EFTA (Out of the \$19 billion India-EFTA trade, \$13 billion was just gold imports from Switzerland).
- Since no real tariff benefits are being offered on gold, the impact of the deal is limited to the remaining \$6-7 billion bilateral trade.



## 2. Switzerland's Policy of Tariff-free Entry:

- Switzerland's policy of tariff-free entry for all industrial goods from any country would affect benefits to Indian companies.

## 3. Non-tariff Barriers:

- The presence of non-tariff barriers in Switzerland, like quality standards and approval requirements, would affect India's agricultural exports to Switzerland.

## 4. Exclusion of Agricultural Products:

- Sensitive agricultural items like dairy, soya have been kept in the exclusion list.

## 5. Possibility of Trade Distortions:

- Iceland, Liechtenstein, Norway are part of the European Economic Area (EEA) which allow the free movement of goods, capital, services, and persons within the EU single market.
- Switzerland has also achieved these linkages through bilateral deals with the EU. They are all also part of the Schengen area. Hence, the India-EFTA deal in the absence of India-EU FTA may create trade distortions.

## WAY FORWARD:

### 1. Early conclusion of India-EU FTA:

- India-EU FTA must be concluded at the earliest to prevent any trade distortions in the India-EFTA TEPA.

### 2. Proactive Measures:

- Proactive measures such as Establishment of Dispute Resolution Mechanisms, establishment of EFTA offices to fully reap the benefits of India-EFTA TEPA.

### 3. Strong Political Involvement and Guidance:

- Strong political involvement and guidance must be provided for fructification of the TEPA agreement between the two parties.

The India-EFTA deal offers a promising opportunity for a stronger economic partnership. Collaborative efforts and shared vision are essential for its success and for setting a positive precedent for future trade agreements.