

# India Signs Trade Agreement With EFTA

## Why In News

- India has signed a **\$100bn free trade agreement** with a four-member European bloc and will lift most import tariffs on industrial products from these countries in return for the investment over 15 years.
- The deal signed with the **European Free Trade Association (EFTA)** – after several rounds of negotiations spanning 16 years – will see investments across a range of Indian sectors, including pharmaceuticals, machinery and manufacturing.



## All You Need To Know

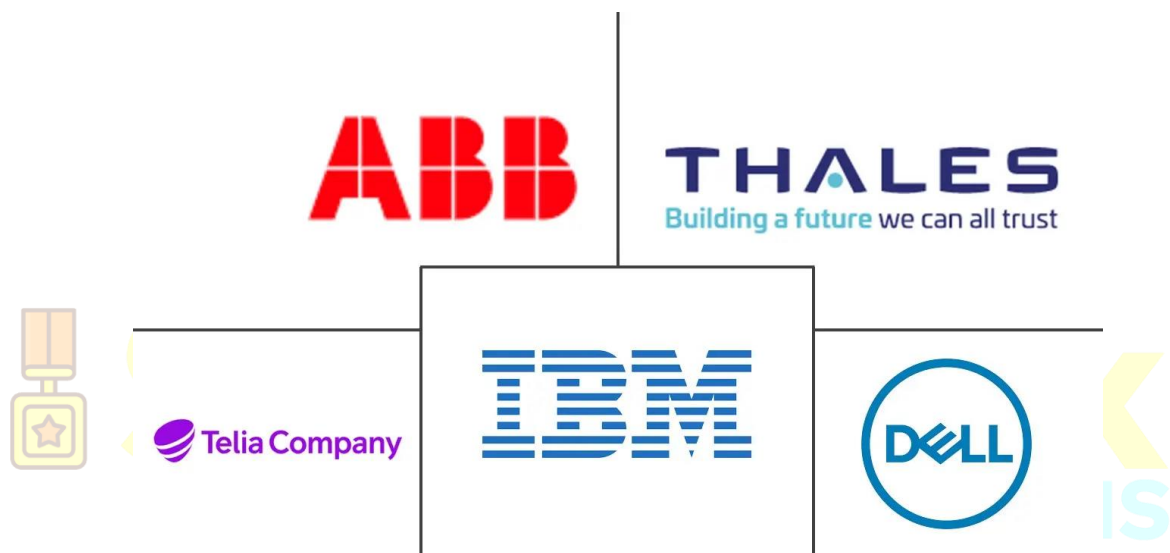
- This is **India's fourth such agreement since 2014**. The previous agreements were signed with Mauritius, the UAE, and Australia.
- **EFTA, though not part** of the European Union (EU), is an organization that promotes free trade among its member countries.
- The **EFTA comprises Switzerland, Norway, Iceland, and Liechtenstein**, all non-European Union nations, that will get access to a fast-growing market of 1.4 billion people, said India's Minister for Commerce and Industry Piyush Goyal.
- "The **India-EFTA Trade and Economic Partnership Agreement [TEPA]** marks a historic milestone in our growing partnership," Goyal said after the signing in New Delhi.



- It “will pave the **path for mutual growth and prosperity**” by boosting exports, promoting investment and creating employment, he added.
- EFTA, though not part of the European Union (EU), is an organization that promotes free trade among its member countries.
- The deal involves EFTA countries committing to **invest \$100 billion in India** over the next 15 years.
- The agreement, officially dubbed **Trade and Economic Partnership Agreement (TEPA)**, covers various aspects such as trade in goods, rules of origin, intellectual property rights, services, investment promotion, government procurement, technical trade barriers, and trade facilitation.



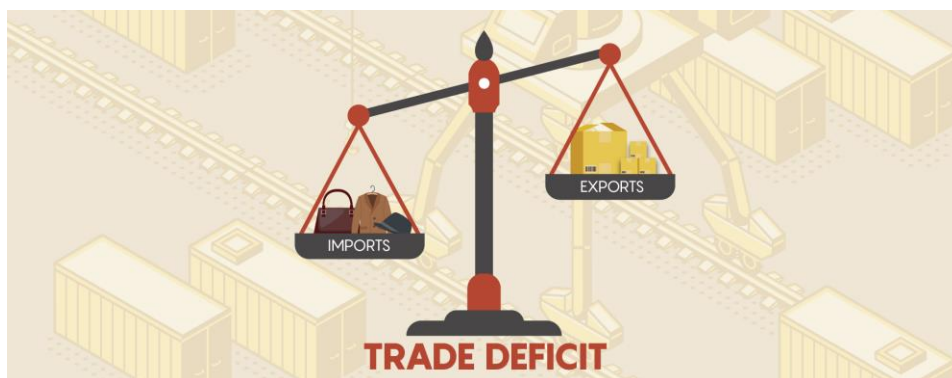
- India will lift, or partially remove, very high customs duties on **95.3 percent of industrial imports** from Switzerland, excluding gold, either immediately or over time, the Swiss government said in a statement.
- **“Norwegian companies** exporting to India today meet high import taxes of up to **40% on certain goods,**” Industry Minister Jan Christian Vestre said in a separate statement. Under the agreement, Indian agricultural exporters will enjoy liberalised trade rules in the form of tariff concessions in the European bloc. Professionals will also be able to take up jobs in the EFTA zone, officials said.



- The pact covers some new elements such as intellectual rights and gender equity, Goyal said, telling a news conference, “It is a modern trade agreement, fair, equitable and win-win for all five countries.”
- The **five must ratify** the deal before it can take effect, with Switzerland planning to do so by 2025.
- The signing comes ahead of **India’s general elections**, due by May, in which Modi will seek a third term. **India is EFTA’s fifth-largest trading partner** after the EU, the United States, the UK and China, with total two-way trade of \$25bn in 2023, its Ministry of Trade estimates.
- **Formed in 1960** as a counterweight to the EU, the EFTA has signed about 30 trade agreements with some 40 countries and territories outside the EU.

## Why Did India Push For Investment Commitment

- India runs a **trade deficit** with most of its top trade partners, except for the US. This is also true in the case of FTAs that India has signed in the past, especially with ASEAN nations.



- While the **ASEAN FTA did help India secure** intermediate products, India's increasing average tariffs (18 per cent) have meant that India's FTA partners have better access to the Indian market after tariff elimination. Average tariffs in developed nations hover around 5 per cent.
- The India-EFTA deal is also expected to widen the trade gap. Even as the legality of the \$100 billion investment commitment by EFTA remains unclear, such investment could help India generate economic activity and jobs in exchange for giving market access to EFTA.

## Difficult For India To Access The EFTA Market

- **Switzerland, which is India's biggest trade partner** among EFTA countries, decided to eliminate import duties on all industrial goods for all countries starting from January 1, 2024.



- The **abolition of tariffs** on all industrial products, including chemicals, consumer goods, vehicles and clothing is a concern for India as industrial goods accounts for 98 per cent of India's \$1.3 billion merchandise exports to Switzerland in FY2023. India's goods will face stiffer competition despite any tariff elimination that would be part of the deal.



- **Think tank Global Trade Research Initiative (GTRI)** said that exporting agricultural produce to Switzerland remains challenging due to the complex web of tariffs, quality standards, and approval requirements. EFTA has not shown any inclination to make agriculture tariffs zero on most basic agricultural produce.