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ANALYSIS**

TOPIC

**India-EFTA Trade Deal: A
New Beginning**

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INDIA-EFTA TRADE DEAL: A NEW BEGINNING

In Context

- Recently, it has been observed that the India-EFTA trade deal is a major step forward for India in its approach to bilateral trade agreements.
 - ♦ It creates a template worth emulating in the ongoing negotiations with the U.K, the EU, and other countries.

India-EFTA Trade Deal

About:

- In March 2024, India signed a landmark free trade deal with the **European Free Trade Association (EFTA)**, which represents Iceland, Liechtenstein, Norway and Switzerland.
 - ♦ The EFTA was set up in 1960 to promote closer economic cooperation and free trade in Europe.

Features:

- The agreement comprises of 14 chapters with **main focus on market access related to goods**, rules of origin, trade facilitation, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, investment promotion, market access on services, intellectual property rights, trade and sustainable development and other legal and horizontal provisions.
- For the first time, India has allowed **coverage of non-trade aspects** in a trade agreement, including **labour standards, social development, and environmental protection**.
- A unique component in the agreement is the **chapter on investment**, where the EFTA bloc has made a binding commitment to invest US\$100 billion in India over 15 years.
 - ♦ The investments, mostly from the private sector, will be aimed at manufacturing and industries such as chemicals, pharmaceuticals, machinery, food processing, infrastructure and transport.
 - ♦ The EFTA countries are legally obligated to make an honest effort to invest \$100 billion and generate one million jobs in India.

Importance

- It is a modern and ambitious Trade Agreement and It marks a significant incremental step in the long-standing relationship between India and the EFTA states
- It will give impetus to **“Make in India” and Atmanirbhar Bharat** by encouraging domestic manufacturing in sectors such as Infrastructure and Connectivity, Manufacturing, Machinery, Pharmaceuticals, Chemicals, Food Processing, Transport and Logistics, Banking and Financial Services and Insurance.
- It would **accelerate the creation of a large number of direct jobs** for India’s young aspirational workforce in the next 15 years in India, including better facilities for vocational and technical training.
- It also facilitates **technology collaboration** and access to world leading technologies in precision engineering, health sciences, renewable energy, Innovation and R&D.
- The FTA will provide a window to **Indian exporters to access large European and global markets.**”
- The India-EFTA FTA, which contains an investment chapter within the trade agreement, assumes pivotal significance.

Do you know ?

- India’s FTAs signed in the first decade of this century with countries such as **Japan, Korea, Malaysia and Singapore** are based on this economic logic.
 - ♦ In addition to binding trade rules, they all contain an investment chapter with provisions for protecting investment.

- However, **India departed from this model as part of its FTA 2.0 approach.**
 - ◆ India decoupled international trade law from international investment law. This is evident in its FTAs with Australia, Mauritius, and the UAE which contain **binding trade but not investment rules.**
 - ◆ India's approach seems to be to have separate agreements on trade and investment with the same country. This is most markedly seen in the case of the UAE. After signing the FTA with the UAE in 2022, New Delhi and Abu Dhabi entered into a bilateral investment treaty earlier this year.

Issues

- The biggest hurdle for the FTA to come into force is pending ratifications by the four EFTA countries, especially Switzerland.
- Despite the deal being touted as a win-win for all countries involved, for India, the benefits are limited in terms of trade in goods, given pre-existing low tariff rates in the EFTA bloc and most imports already receiving tariff-free treatment.
- The deal would more positively impact EFTA's exports to India rather than Indian exports, given the reduction of Indian tariffs and enhanced market access.
- The agricultural products remain outside the pact's scope, besides the exclusion of several sensitive Indian products such as dairy, coal, and soya.
- India is likely to keep facing difficulties in exporting farm produce to Switzerland due to a complex web of tariffs, quality standards, and approval requirement

Suggestions and Way Forward

- India is increasingly integrating itself into the global economy, as evident in the recent trade agreements signed with Australia and the United Arab Emirates (UAE).
 - ◆ This momentum has been accompanied by wide-ranging internal reforms, and improved ease of doing business .
- India's ties with European countries have strengthened in recent years, with cooperation spanning a wide range of areas.
 - ◆ A deepening of economic engagement is a natural progression.
- India should consider expanding the scope of investment issues from mere facilitation to effective protection, with an efficacious dispute settlement mechanism under international law.
- India needs a clear FTA policy, especially in dealing with international trade and foreign investment laws.
- A clear and comprehensive FTA policy is imperative for launching India to a higher economic growth trajectory.

Mains Practice Question

- Q.** What are significant features of the India-EFTA Trade and Economic Partnership Agreement? Will the India-EFTA trade deal bring substantial benefits to India? Give reason to support your answer.

