India-EFTA Trade and Economic Partnership Agreement

Why in news?

India-European Free Trade Association has signed a Trade and Economic Partnership Agreement (TEPA).

What are trade agreements?

- Trade agreement is any contractual arrangement between states concerning their trade relationships.
- They may be bilateral or multilateral.
- It includes Free Trade Agreement (FTA), Preferential Trade Agreement (PTA), Regional Trade Agreement (RTA), etc.



What is an FTA?

- A free trade agreement is an arrangement between two or more countries where they agree either to ***end or reduce customs duties*** on maximum number of goods traded between them, besides cutting down non-trade barriers on a significant value of imports.
- **Goal-** To facilitate cross-border transactions, increase investment prospects, promote mutual trade, and improve the ease of business.
- The ***World Trade Organisation (WTO)*** is the global watchdog for exports and imports-related issues. India has been a member since 1995.
- **Benefits of FTAs**
    - Zero-duty entry into partner country markets helps in the diversification and expansion of export markets.
    - Level playing field vis-a-vis competitors who may have already entered FTAs with partner countries.
    - FTAs enable preferential treatment in the partner country market over non-FTA member country competitors.
    - Attracting foreign investment to stimulate domestic manufacturing.
    - Access to raw materials, intermediate products and capital goods for value-added manufacturing.
    - Long-term efficiency and consumer welfare goals.



What is Trade and Economic Partnership Agreement (TEPA)?

- TEPA is a modern and ambitious Trade Agreement.

- The agreement has ***14 chapters***, including trade in goods, rules of origin, intellectual property rights (IPRs), trade in services, investment promotion and cooperation, government procurement, technical barriers to trade and trade facilitation.

India runs a trade deficit with most of its top trade partners, except for the US. India also runs a trade deficit with EFTA at USD 14.8 billion in the last fiscal.

Highlights of TEPA

- EFTA has committed to promote investments to
  - increase the stock of foreign direct investments ***by USD 100 billion*** in India in the next 15 years
  - facilitate the generation of ***1 million direct employment*** in India, through such investments (except foreign portfolio investment)
- EFTA covers ***99.6%*** of India's exports. The EFTA's market access offer covers ***100%*** of non-agri products and tariff concession on Processed Agricultural Products (PAP).
- India covers ***95.3%*** of EFTA exports of which more than 80% import is Gold.
- Sectors such as dairy, soya, coal and sensitive agricultural products are kept in exclusion list which means there won't be any tariff cuts by India on these sectors.
- TEPA has provisions for ***Mutual Recognition Agreements in Professional Services*** like nursing, chartered accountants, architects etc.
- Commitments related to Intellectual Property Rights in TEPA are at ***TRIPS level.*** India's interests in generic medicines and concerns related to evergreening of patents have been fully addressed.

The European Free Trade Association (EFTA)
• **Origin** - It is the intergovernmental organisation founded by the Stockholm Convention in 1960. • **Members** - Iceland, Liechtenstein, Norway and Switzerland. • **Aim** - Promotion of free trade and economic integration between the members. • **Committees** - EFTA has 3 committees with an advisory role whose mandate is to provide advice to its member states on all issues of relevance to the organisation. - The EFTA Parliamentary Committee - The EFTA Consultative Committee - The EEA EFTA Forum • EFTA is one important economic block out of the 3 (other two - EU & UK) in Europe. • Among EFTA countries, Switzerland is the largest trading partner of India followed by Norway.

What is the significance of the deal?

For EFTA Countries

- **Market access** - EFTA countries gain market access to a major growth market (India).
- **Diversify the supply chain** - India will strive to diversify the EFTA's supply chains while rendering them more resilient.

For India

- **Attract FDI** - India will attract more foreign investment from EFTA, which will ultimately translate into an increase in good jobs.
- **Boost the service sector** - It is expected to stimulate India's services exports in sectors such as IT services, business services, sporting and recreational services, education services and audio-visual services.
- **Promote exports** - It will empower exporters access to specialized inputs and create conducive trade and investment environment thereby providing opportunities for services sector to access more markets.
- **Opportunity to integrate with EU** - TEPA paves way for Indian companies to look into Switzerland as a base for extending its market reach to EU.
- **Encourage domestic manufacturing** - TEPA will give impetus to "Make in India" and Atmanirbhar Bharat in sectors such as infrastructure, manufacturing, pharmaceuticals, chemicals, food processing, transport, financial services and insurance.
- **Creates employment** - TEPA would accelerate creation of direct jobs for India's young aspirational workforce, including better facilities for vocational and technical training.
- **Facilitates technology collaboration** - TEPA facilitates tech collaboration and access to world leading technologies in precision engineering, health sciences, renewable energy, Innovation and R&D.

What are the issues?

- **Abolition of tariffs by Switzerland** - Switzerland, which is India's biggest trade partner among EFTA countries, decided to eliminate import duties on all industrial goods for all countries from January 1, 2024.
- This is a concern for India as industrial goods accounts for 98% of India's merchandise exports to Switzerland in FY2023 and Indian goods will face stiffer competition.
- **Agricuture tariffs** - 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.

References

1. EFTA | About EFTA
2. PIB | India-EFTA Trade and Economic Partnership Agreement

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