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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.

INDIA'S TRADE AGREEMENTS

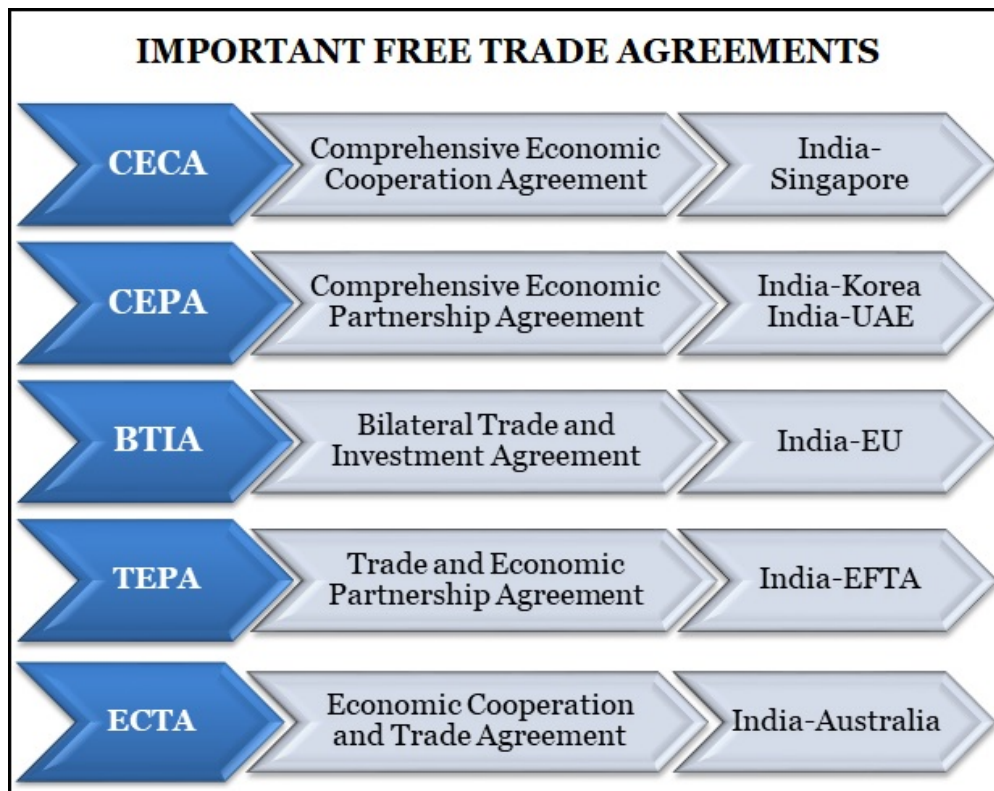
Bilateral Agreements		Regional Agreements	
1. India-Sri Lanka FTA (2000)	6. India-Thailand EHS (2004)	1. India-ASEAN (2010) Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Thailand, Singapore, Vietnam	
2. India-Japan CEPA (2011)	7. India-Chile PTA (2007)		
3. India-Korea CEPA (2010)	8. India-Afghanistan (2013)		
4. India-Malaysia CECA (2011)	9. India-Singapore CECA (2005)		
5. India-Nepal Trade Treaty (1950)	10. India-Bhutan Agreement on Trade & Transit (2016)		
Unilateral DFTP Scheme (34 LDCs) (2008)		2. Asia Pacific Trade Agreement (APTA) (1975)	Thailand, Bangladesh, China, Republic of Korea, Sri Lanka
Afghanistan, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Eritrea, Ethiopia, Gambia, Guinea, Guinea Bissau, Haiti, Lao PDR,		3. Agreement of South Asian Free Trade Area (SAFTA) (2006)	Bangladesh, Bhutan, Maldives, Nepal, Pakistan, Sri Lanka, Afghanistan
Lesotho, Liberia, Madagascar, Malawi, Mali, Mozambique, Myanmar, Niger, Rwanda, Senegal, Somalia, Sudan, Timor Leste, Togo, Uganda, Tanzania, Yemen, Zambia		4. India-MERCOSUR (2009)	Argentina, Brazil, Paraguay, Uruguay
		5. Global System of Trade Preference (1989)	47 Developing Countries

(As on Sept 2020)

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.
- **Agriculture 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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