India, EFTA ink key trade pact

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NEW DELHI: India and the European Free Trade Association (EFTA), comprising Iceland, Liechtenstein, Norway and Switzerland, on Sunday signed a trade deal securing duty-free access for Indian rice to the bloc, easy services exports and a "binding commitment" on investments of $100 billion and creation of a million jobs over 15 years.

The Trade and Economic Partnership Agreement (TEPA) will also ease imports of high-value wine, chocolates and watches from the four countries. Swiss chocolates and watches of famous brands such as Rolex, Omega and Cartier are set to become cheaper for Indian consumers.

India will give duty concessions on chocolates, watches and wine, but wine costing below $5 won't enjoy concessions to protect local manufacturers, a commerce ministry official said requesting anonymity. Basmati and non-basmati rice from India will get duty concession in EFTA countries without any reciprocity, he said.

In a statement, Prime Minister Narendra Modi called the signing of the deal "a watershed moment" and said that "the global leadership of EFTA countries in innovation and R&D across diverse spheres" will open new doors of collaboration.

He pointed to foreign direct investment (FDI) opportunities for the European bloc in India's growing sectors such as digital trade, banking, financial services, transport, logistics, industrial machinery, biotechnology, pharmaceuticals, chemicals, food processing and clean energy.

Commerce minister Piyush Goyal said, "For the first time in history of FTAs [free trade agreements], a binding commitment of $100 billion investment and one million direct jobs in the next 15 years has been given." The commerce ministry said in a statement: "For the first ever time in the history of FTAs, a legal commitment is being made about promoting target-oriented investment and creation of jobs."

Norway's trade minister Jan Christian Vestre told a media briefing the four states aren't deciding where private companies should invest, and investments "won't be guaranteed by the TEPA" because the private sector decides on FDI.

"It's up to the private sector, private companies and private businesses. We can't make any guarantees on their behalf but the goal is $100 billion," he said.

If this figure isn't reached in 15 to 20 years, both sides will sit down and "look at different mechanisms to make sure it happens", Vestre said. Both sides have a concrete action plan to follow up on this issue by creating the right framework conditions and matchmaking, including establishing an office in India to promote investments.

Two officials with direct knowledge of the matter said the figure of $100 billion for FDI from the bloc – $50 billion in the first 10 years and another $50 billion in the next five years – was arrived at after thoroughly considering all economic factors, and India can proportionately withdraw tariff concessions in case EFTA fails to meet the commitment.

"Hence, it is a legally binding commitment and part of the deal," one of them said. The FDI commitment is based on India's rapid economic development in the past two decades, when the country's annual nominal GDP growth rate was around 9.5% in US dollar terms. There is a 13% annual increase in FDI flow from the EFTA countries into India during this period, totalling $10.7 billion in 2022.

"The agreement, however, excludes sovereign wealth funds from FDI promotion obligations, but investments of an EFTA entity routed through other countries will also be counted in the $100 billion obligation," the second official said. Both officials requested anonymity as they are not authorised to talk to the press.

The agreement envisages that India will also create an environment conducive to increased investment flows and technology collaboration, which excludes technology transfer. Both parties have agreed to establish a sub-committee on investment promotion and cooperation for this purpose, the officials said.

Switzerland alone accounts for almost 80% of the investments of $10.7 billion by the private sector from EFTA. The four countries have also created about 150,000 jobs in India so far. Norway's sovereign fund alone has invested $17 billion in India and its climate fund is eyeing large investments in the country.

Speaking about the TEPA, Goyal said it will boost "Make in India" and "provide a window to Indian exporters" to access large European and global markets. The pact comprises 14 chapters focused on subjects such as market access for goods and services, rules of origin, trade facilitation, trade remedies, investment promotion, intellectual property rights and trade and sustainable development. The agreement will come into force after formal ratification in all the countries.

Goyal and EFTA ministers said both sides acknowledged and respected each other's sensitives, particularly on agriculture. Hence, sectors such as dairy, soya, coal and sensitive agricultural products were kept in the exclusion list. India's interests in generic medicines and concerns related to evergreening of patents have been fully addressed, he said.

According to the deal, EFTA is offering 92.2% of its tariff lines that cover 99.6% of India's exports, which includes 100% of non-agri products, and tariff concession on processed agricultural products (PAP). India is offering 82.7% of its tariff lines that cover 95.3% of EFTA exports, of which more than 80% is gold.

"The effective duty on gold remains untouched," a commerce ministry official said, adding that sectors covered under production linked incentive (PLI) scheme such as pharma, medical devices and processed food have also been protected.

"The deal is particularly beneficial for Indian services sector as easy mobility is secured for professionals providing IT services, business services, education services and audio-visual services. India will be treated at part with MFNs (most favoured nations) barring EU for easier visa," he said, adding India's services exports are larger than merchandise exports to EFTA. India's annual services exports to EFTA is around $4 billion, he added.

According to government data, India's exports to EFTA in January-December 2023 was $1.87 billion, but its import from the group was in excess of $20.45 billion, where Switzerland's share was $19.65 billion due to purchase of gold.

The FTA also has provisions for mutual recognition agreements (MRAs) in professional services such as nursing, chartered accountants and architects, which will enable these professionals to work in EFTA countries, the commerce ministry official said.

TEPA was signed by Goyal, Swiss federal councillor and head of the federal department of economic affairs Guy Parmelin, Iceland's foreign minister Bjarni Benediktsson, Liechtenstein's foreign minister Dominique Hasler and Norway's trade minister Jan Christian Vestre.

Union minister of commerce & industry Piyush Goyal addresses the media on the signing of the India-EFTA deal along with my counterparts in New Delhi on Sunday. X

Helene Budliger Artieda

MUTUAL RESPECT MADE TRADE DEAL POSSIBLE, SAYS TOP SWISS OFFICIAL

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NEW DELHI: India and the European Free Trade Association (EFTA) bloc were able to stitch together a trade deal after negotiations spread over just a year because both sides respected each other's sensitivities and aimed for a balanced agreement, a top Swiss official said on Sunday.

The Trade and Economic Partnership Agreement (TEPA) signed by India and the bloc comprising Iceland, Liechtenstein, Norway and Switzerland is set to facilitate easy services exports and allow scaling up of cutting-edge technologies in the large Indian market. It includes a commitment by the four countries on investments of $100 billion and creating a million jobs in India over 15 years.

The Swiss state secretary for economic affairs, Helene Budliger Artieda, who met commerce minister Piyush Goyal 10 times in less than a year, said in an interview that the clear definition of ground rules and principles after the two sides resumed discussions on the trade deal last year helped drive the negotiations.

Both sides "wanted to have a balanced deal" and to "respect each other's sensitivities", and India's evolution in the handling of intellectual property rights (IPR) in recent years also facilitated discussions, she said.

Artieda referred to the commitment on investments and job creation in the TEPA and said this was part of efforts to create a balance between the market of 1.4 billion people in India and the market of about 15 million in EFTA states. "The four of us are large FDI net exporters...we just never did the pledge in a free trade agreement," she said.