



## India and EFTA states

This editorial is based on [Economic pact between India and EFTA states will further boost trade, investment](#) which was published in The Indian Express on 01/05/2023. It talks about potential benefits of concluding the Trade and Economic Partnership Agreement with European Free Trade Association states.

**For Prelims:** Trade and Economic Partnership Agreement (TEPA), [EFTA](#) states, [free trade agreements](#), [sustainable development](#), [gender equality](#)

**For Mains:** Significance of TEPA, Benefits of TEPA, Challenges in concluding TEPA

The Secretary General of the [European Free Trade Association](#) (EFTA) emphasizes the potential benefits of a [Trade and Economic Partnership Agreement](#) (TEPA) between **India and Iceland, Liechtenstein, Norway, Switzerland (EFTA states)**.

The high-level delegates from Iceland, Liechtenstein, Norway, Switzerland, and India met in April 2023, in New Delhi to **discuss the prospects of resuming their negotiations towards a TEPA. A joint statement issued** at the end of the talks reflects the parties' common decision to "continue their efforts to resolve all outstanding issues and work towards deepening and strengthening the economic partnership".

They **aim to deepen and strengthen** their **economic partnership** and contribute to a more inclusive global trading system.

### What is EFTA?

- EFTA is an intergovernmental organization that was established in 1960 as an alternative trade bloc for those European states that were unable or unwilling to join the European Union (EU).
- EFTA comprises Iceland, Liechtenstein, Norway, and Switzerland, which are not part of the EU but have access to its single market through various agreements.

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## What is the Economic Significance of EFTA States for India?

- **Human Resource:**
  - Although the EFTA states have a small population of **just over 14 million**, their economies are among the **world's highest in innovation, competitiveness**, wealth creation per inhabitant, **life expectancy**, and quality of life.
- **Trade:**
  - They are the **10<sup>th</sup> largest merchandise traders** and **8<sup>th</sup> largest services traders** worldwide, with **imports and exports** of goods and services close to **USD 1.3 trillion in 2021**.
- **World Leaders:**
  - EFTA companies are **world leaders in pharmaceuticals, biotechnology, machinery manufacturing**, R&D-driven technology products, **geothermal-related technologies**, **marine technology**, energy-related services, **financial services, banking**, and **insurance**.
- **Success History of EFTA's Trade Agreements:**
  - EFTA has a **track record of negotiating mutually beneficial trade agreements** with 40 partner countries, covering 29 **free trade agreements** (FTAs).
    - Nearly 22% of EFTA states' imports come from these FTA partners.
  - Agreements are in place with Hong Kong, Indonesia, the Philippines, South Korea, and Singapore, and negotiations are ongoing with Malaysia, Thailand, and Vietnam.

## What is TEPA?

- It is a **type of economic partnership agreement**.
- **Comprehensive Scope:**
  - TEPA agreements cover a broad range of economic activities, including trade in goods, services, and investment, as well as other areas such as intellectual property, competition policy, and government procurement.

- **Flexibility:**
  - TEPA agreements offer flexibility in terms of negotiating terms and conditions, as the parties involved can tailor the agreement to their specific needs and interests.
- **Mutual Benefits:**
  - TEPA agreements are designed to promote mutual benefits for both parties, rather than being one-sided.
  - This means that both parties should gain from the agreement, with increased trade and investment leading to increased economic growth and job creation.
- **Stronger Provisions:**
  - TEPA agreements often include stronger provisions on labor and environmental standards, as well as provisions for dispute settlement and enforcement mechanisms.

## What are the Potential Benefits of a TEPA?

- **Increased Trade:**
  - A TEPA between India and EFTA states would **foster a strong partnership and increase trade** between trusted democratic partners that **share values such as promoting [sustainable development](#) and [gender equality](#)**.
  - India's impressive economic growth and leadership in green technologies would benefit from EFTA states' complementary support by strengthening trade and investment ties.
- **Market Access:**
  - Improved market access for goods would **boost India's export potential to EFTA markets**, where the EFTA's export products frequently serve as inputs in Indian export industries.
- **Increased Investment:**
  - EFTA states have **contributed significant investments of over USD 35 billion** in India, spanning sectors such as machinery, electrical engineering and metals, pharmaceuticals, banking, financial services and insurance, construction, and fast-moving consumer goods (FMCG).
  - The TEPA is estimated to increase investments in India significantly.
- **Mutual Benefits:**
  - EFTA states **benefit from the highly skilled Indian workforce**, notably in the services sector.
  - India benefits from **over 400 companies established by EFTA states**, generating **more than 1,50,000 jobs**.
  - A trade agreement would increase predictability in the services sector, creating more business opportunities for skilled Indian service providers.
- **Renewable Technologies:**
  - India aims to meet 50% of its energy needs with renewables by 2030, with potential for scaling up projects and cooperation in **[solar, wind, hydro, and geothermal power](#)**.
  - EFTA states can contribute to India's green growth aspirations with their **cutting-edge technologies**.

## What are the Challenges?

- **Addressing Differences in Economic Structures:**
  - The EFTA states are highly developed economies with a focus on high-tech industries and services, while India is a developing economy with a more diverse economic structure.
  - Bridging the gap between these different economic structures may be a challenge in negotiating a TEPA.
- **Market Access Challenges:**
  - The agreement must address market access issues and address concerns regarding tariffs, quotas, and non-tariff barriers, to ensure free and fair trade between the parties.
- **Regulatory Challenges:**
  - Differences in regulations, standards, and legal frameworks can pose a challenge for establishing a smooth trading relationship.

- Addressing regulatory barriers and streamlining procedures can be time-consuming and require extensive cooperation between the parties.
- **Competitive Challenges:**
  - EFTA states are small, but their economies are highly competitive, particularly in sectors such as pharmaceuticals, biotechnology, and machinery manufacturing.
  - Addressing competitive challenges to ensure a level playing field and fair competition is essential.
- **Environmental and Social Challenges:**
  - Addressing environmental and social challenges, such as promoting sustainable development and gender equality, is crucial in establishing a long-term, successful partnership between the parties.
- **Negotiation Challenges:**
  - Negotiating a mutually beneficial agreement that meets the interests of all parties involved can be challenging.
  - This includes addressing outstanding issues and achieving a balanced agreement with strong political involvement and guidance.

## What Should be the Way Forward?

- **Address Outstanding Issues:**
  - The high-level delegates from EFTA and India should work towards resolving any outstanding issues that may hinder the conclusion of a mutually beneficial TEPA.
- **Identify Areas of Mutual Benefit:**
  - The parties should identify areas of mutual benefit, such as technology transfer, R&D and innovation, business collaboration, and market access for goods, to increase trade and investment ties.
- **Collaborate on Skilled Labour:**
  - The TEPA should also focus on increasing predictability in the services sector, creating more business opportunities for skilled Indian service providers and contributing to the economic growth and welfare of both countries.
- **Strong Political Involvement and Guidance:**
  - India and EFTA should prioritize the TEPA negotiations and provide strong political involvement and guidance to ensure a swift process towards a balanced agreement.

### **Drishti Mains Question**

Discuss the potential benefits of a Trade and Economic Partnership Agreement (TEPA) between India and EFTA states and explain how it could contribute to the economic growth and welfare of both the parties.

## UPSC Civil Services Examination Previous Year's Question (PYQs)

### **Prelims**

**Consider the following countries: (2018)**

1. Australia
2. Canada
3. China
4. India
5. Japan
6. USA

**Which of the above are among the 'free-trade partners' of ASEAN?**

- (a) 1, 2, 4 and 5  
 (b) 3, 4, 5 and 6

(c) 1, 3, 4 and 5

(d) 2, 3, 4 and 6

**Ans: (c)**

**Exp:**

- Association of Southeast Asian Nations (ASEAN) has free trade agreements with six partners, namely the People's Republic of China, Republic of Korea, Japan,
- India as well as Australia and New Zealand. Hence, 1, 3, 4 and 5 are correct.
- ASEAN was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration) by the founding fathers of ASEAN, namely Indonesia, Malaysia, Philippines, Singapore and Thailand. Brunei Darussalam joined on 7 January 1984, Vietnam on 28 July 1995, Lao PDR and Myanmar on 23 July 1997, and Cambodia on 30 April 1999, making up what is today the ten member states of ASEAN.
- Therefore, option (c) is the correct answer.

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