

16 yrs, 21 rounds of talks: India-EFTA pact a reality

For promised FDI, India's nominal GDP must grow 9.5% in \$ terms over 15 yrs

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After 16 years of negotiations, involving 21 formal rounds, India and the four European Free Trade Association (EFTA) countries on Sunday signed a free-trade agreement (FTA), which may be instrumental in India receiving \$100 billion as foreign direct investment (FDI) in 15 years with 1 million jobs.

The EFTA countries will get duty-free market access to India for products like Swiss watches and chocolate.

Though investment will flow from private players and the governments of EFTA countries will only nudge them to invest, India can partially withdraw tariff concessions if the investment commitments are not met.

The EFTA bloc, which includes Switzerland, Iceland, Norway, and Liechtenstein, "shall aim to increase" FDI from investors of the EFTA states in India by \$50 billion within 10 years of this agreement taking effect and an additional \$50 billion in the next five years.

Terming the FTA a watershed moment for both sides, Prime Minister Narendra Modi said it symbolised a shared commitment to open, fair, and equitable trade, as well as generating growth and employment for the youth. "The global leadership of EFTA countries in innovation and R&D (research and development) across diverse spheres will open up new doors for collaboration," he said. Turn to Page 5 ▶



Union Commerce Minister Piyush Goyal (centre) and members of the European Free Trade Association address the media after signing the deal in New Delhi on Sunday

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THE AGREEMENT SYMBOLISES OUR SHARED COMMITMENT TO OPEN, FAIR, EQUITABLE TRADE, AS WELL AS GENERATING GROWTH AND EMPLOYMENT FOR THE YOUTH

Narendra Modi, Prime Minister

WIN-WIN DEAL

- ▶ No effective duty cut on gold
- ▶ Both sides keep most dairy, agri products on sensitive list
- ▶ Swiss watches, chocolates, wines, coffee from EFTA to get cheaper
- ▶ No TRIPS-plus commitment by India

'India can reverse mkt access to EFTA if FDI commitments not met'

Helene Budliger Artieda, Swiss State Secretary for Economic Affairs who led the talks for EFTA nations



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digital entities including the Big Tech players.

A draft of the Bill was recently circulated among the members of the committee.

EFTA pact...

Commerce Minister Piyush Goyal said it was a unique and innovative FTA. "For the first time in the history of FTAs, investment commitment is brought into an FTA to balance the asymmetries between the economies of the EFTA region and Indian economy," he added.

Goyal said sectors like pharmaceuticals, engineering, machine building, and chemicals, imported in large measure, would benefit from the investment commitment.

"It will reduce the import dependency of India significantly while attracting investment and jobs," he added.

For this FDI to materialise, India's nominal gross domestic product needs to grow at around 9.5 per cent in dollar terms over the next 15 years.

Swiss State Secretary for Economic Affairs Helene Budliger Artieda, who led the negotiations on the EFTA side, told *Business Standard* in an interview the commitment was not legally binding on EFTA countries. It is more than a memorandum of understand-

ing.

"The great difficulty is that when you do a free-trade agreement with a giant of 1.4 billion people and us, the EFTA, with 15 million, how do you make it a balanced deal? That's why we have linked this pledge for investment and jobs to market access on goods," she added.

India has promised to reduce tariffs to zero on 80-85 per cent of goods from EFTA countries while receiving duty-free market access for almost 99 per cent goods, including rice. Both sides have excluded most of the agri and dairy products from duty concession to protect their farmers. India has refused to reduce effective tariffs on gold, jewellery, dairy, cheese and automobiles. About 82 per cent of India's import from EFTA countries, especially from Switzerland, is gold. India has only agreed to reduce the bound rate for gold to 39 per cent from 40 per cent while the applied rate is already at 15 per cent at present.

Within the \$100 billion investment commitment, investment from outside the EFTA will be taken into account if it is shown that it is by investors of an EFTA state. However, investment by sovereign wealth funds is excluded from the investment obligation. Investment routed through EFTA countries by those of other countries either not established in an EFTA country, or established in an EFTA country but without substantial business there, will not be considered, according to the agreement.

Chandrajit Banerjee, director general, Confederation of Indian Industry, said by opening up opportunities for collaboration, this agreement ushered in multidimensional gains for industry here.