

FTA talks with SACU on the cards after new govt takes over

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Discussions for a free-trade agreement (FTA) between India and the five-member Southern African Customs Union (SACU) nations may begin after the new government takes over in June, two people aware of the matter said.

The Customs union includes South Africa, Namibia, Botswana, Lesotho and Eswatini.

After the Lok Sabha elections, India plans to reach out to SACU nations to launch trade talks, one of the persons cited above said.

Last year, discussions on the terms of reference were initiated, but not much progress was made thereafter. An FTA with SACU nations will help India get greater access to the African nations. This is even more crucial now since the government has been trying to diversify export of products and venture into new destinations.

India signed trade deals with Southeast Asian nations, South Korea and Japan over a decade ago.

More recently, it signed deals with countries in West Asia and Europe.

Since 2021, India has signed four trade deals, including three major ones with the United Arab Emirates (UAE), Australia, and the four-member European Free Trade Association (EFTA) nations.

Of India's total exports, SACU nations had nearly 2 per cent share at \$8.91 billion in FY23. However, the trade was dominated by South Africa.

Of the five nations, as much as 95 per cent of the goods value is exported to South Africa. It is also among India's top automobile export destinations.

The trade with SACU nations is more or less balanced.

While exports stood at \$8.91 billion in FY23, imports were at \$10.9 billion. Even in the case of imports, dependency on South Africa is 95 per cent. Key inbound shipments include coal, iron ore and non-industrial diamonds, among others.

Other FTAs in pipeline

A trade agreement with Oman is learnt to have been finalised and now awaits approval from the Union Cabinet.

In the case of the United Kingdom (UK), 99 per cent of the deal has been finalised.

For the Narendra Modi-led National Democratic Alliance (NDA) government, which is eyeing a third term, finalisation of these two trade agreements will be one of the top priorities.

India is also negotiating an FTA with the European Union (EU).

The government is also trying to further economic ties with Latin American nations, such as Peru.

INDIA-SACU TRADE

	Export (\$ bn)	Import (\$ bn)	Growth (%)
2021-22	6.6	11.8	56.5 ▲
			45.2 ▲
2022-23	8.91	10.9	34.9 ▲
			-7.4 ▼
Apr-Jan(2023-24)	7.37	9.42	-4.2 ▼
			-0.8 ▼

Source: Commerce Department

