

1. India-Israel Bilateral Investment Agreement – Economy

India-Israel Bilateral Investment Agreement (BIA) 2025

First OECD Member to Sign New Pact – Israel is the first OECD country to sign an investment pact under India's *new model treaty framework*. This framework was introduced after India terminated earlier Bilateral Investment Treaties (BITs) in 2017 to ensure that investment pacts protect India's regulatory space.

Replacement of 1996 Treaty – The BIA replaces the earlier treaty signed in 1996, which was terminated as part of India's overhaul to align BITs with its development priorities and reduce vulnerability to international arbitration.

Bilateral Investment Levels – Current bilateral investment flows stand at around USD 800 million, with scope for significant expansion in sectors like innovation, digital services, infrastructure, and financial services.

Key Features of New Agreement – Protects investors from both nations through clear dispute resolution mechanisms. Encourages cross-border investments, particularly in sunrise sectors. Balances investor protection with India's sovereign right to regulate in public interest.

Significance – This agreement strengthens confidence among investors and signals a new phase of economic partnership, ensuring long-term stability in investment relations.

About OECD and India's Position

OECD Role – The Organisation for Economic Co-operation and Development (OECD) is an international grouping of 38 countries working towards democratic governance, market-oriented policies, and global economic cooperation.

Israel's Role – Israel, being an OECD member, brings credibility to India's new model treaty by signing the pact, potentially encouraging other OECD members to follow suit.

India's Engagement – While India is not yet an OECD member, it collaborates actively with the organisation on issues like tax reforms (BEPS framework), digital economy, and global investment standards.

Evolution of India-Israel Bilateral Relations

Recognition and Diplomatic Ties – India recognised Israel in 1950 but established full diplomatic ties only in 1992. Since then, cooperation has steadily deepened.

30 Years of Full Ties – In 2022–23, the two countries celebrated 30 years of full diplomatic relations, highlighting their transformation into strategic partners.

Major Pillars of Cooperation

1. Defence & Security – Israel is one of India's top three defence suppliers. Key defence exports include AWACS radars, drones, missile defence systems, precision-guided munitions, and surveillance technologies. Counter-terrorism cooperation and intelligence sharing are vital elements. Aligns with India's Make in India and Atmanirbhar Bharat initiatives for defence indigenisation.

2. Trade & Investment

Bilateral trade (excluding defence) –

1. FY 2023–24 – USD 6.53 billion.
2. FY 2024–25 – USD 3.75 billion.

India is Israel's 2nd largest trading partner in Asia and 7th globally. Cumulative Israeli FDI into India (2000–2024) – USD 334.2 million, primarily in high-tech, agriculture, and water technologies. Over 300 Israeli companies have invested in India.

3. Agriculture & Water Cooperation

1993 – First agreement on agriculture.

2006 – Comprehensive Work Plan on Agriculture (3-year cycles) launched.

2025 – Revised Cooperation Agreement signed, expanding to climate-smart farming, irrigation, and

post-harvest technologies. Indo-Israel Centres of Excellence (CoE) showcase Israeli technology in horticulture, protected cultivation, and water management.

4. Science, Technology & Innovation – Cooperation began under the 1993 S&T Agreement. I4F Fund (India-Israel Industrial R&D and Technological Innovation Fund) worth USD 40 million supports joint R&D projects in AI, nanotech, clean energy, and cybersecurity.

5. Multilateral Cooperation

I2U2 Group (India, Israel, USA, UAE) – Focuses on food parks, renewable energy, water conservation, and space-based solutions. Shared interests in global security, counter-terrorism, and supply chain resilience.

Significance for India

Defence & Security – Reliable partner for sensitive technologies, supporting India's defence modernisation and self-reliance.

Agriculture & Water Security – Israel's expertise in micro-irrigation, desalination, and high-yield farming is crucial for India's food and water security challenges.

Innovation & Startups – Israel's "Start-up Nation" model complements India's innovation ecosystem and Digital India push.

Geopolitical Leverage – Israel is a strategic partner in West Asia, complementing India's Act West Policy and balancing regional interests.

Way Ahead

The BIA is a milestone that enhances investor confidence and ensures stable investment ties. Cooperation is expected to expand in food security, renewable energy, digital economy, fintech, and start-ups. Defence and agriculture will remain the core pillars, but innovation-led partnerships and multilateral collaboration (like I2U2) will define future ties. India-Israel relations are set to evolve into a comprehensive strategic partnership, reflecting mutual trust and convergence of interests.

Source – <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2164745#-~-text=Mr.%20Bezalel%20Smotrich%2C%20Finance%20Minister,the%20relation%20of%20two%20countries>