



India-Israel Sign Bilateral Investment Agreement (BIA)

[Source: PIB](#)

Why in News?

India and Israel have signed a **fresh bilateral investment treaty**, making Israel the **first OECD country** to adopt India's new investment treaty model.

- This replaces the older version of BIT signed between **India and Israel in 1996**, which was terminated in 2017.

What is a Bilateral Investment Agreement (BIA)?

- **About:** A [Bilateral Investment Agreement \(BIA\)](#) is a **legal agreement** between two countries to protect and promote investments in each other's territories.
 - BITs grant rights to investors, allowing them to seek remedies through **investor-state dispute settlement (ISDS) mechanisms**, or to home states, through state-to-state dispute settlement.
 - Recognized under **Article 38(1)(a)** of the **International Court of Justice** statute, as a **primary source of international obligations**.
- **India's BIT Evolution: Old Model BIT (1993) replaced by New Model BIT (2015) and recent BITs signed with Uzbekistan (2024), UAE (2024), and Kyrgyzstan (2025).**
- **Key Feature of India- Israel BIT:**
 - **Investment Boost:** Expected to increase bilateral investments, currently worth around **USD 800 million**.
 - **Balanced Investor Protection:** The agreement safeguards investors against the risk of **government expropriation or nationalization of assets** and ensures that any such action must be accompanied by fair and prompt compensation.
 - **Dispute Resolution:** Includes an **arbitration-based mechanism** to settle disputes, promoting a stable investment environment.
 - **Transparency and Predictability:** Governments are required to maintain clear and predictable investment policies and regulations, reducing uncertainty and strengthening investor confidence.

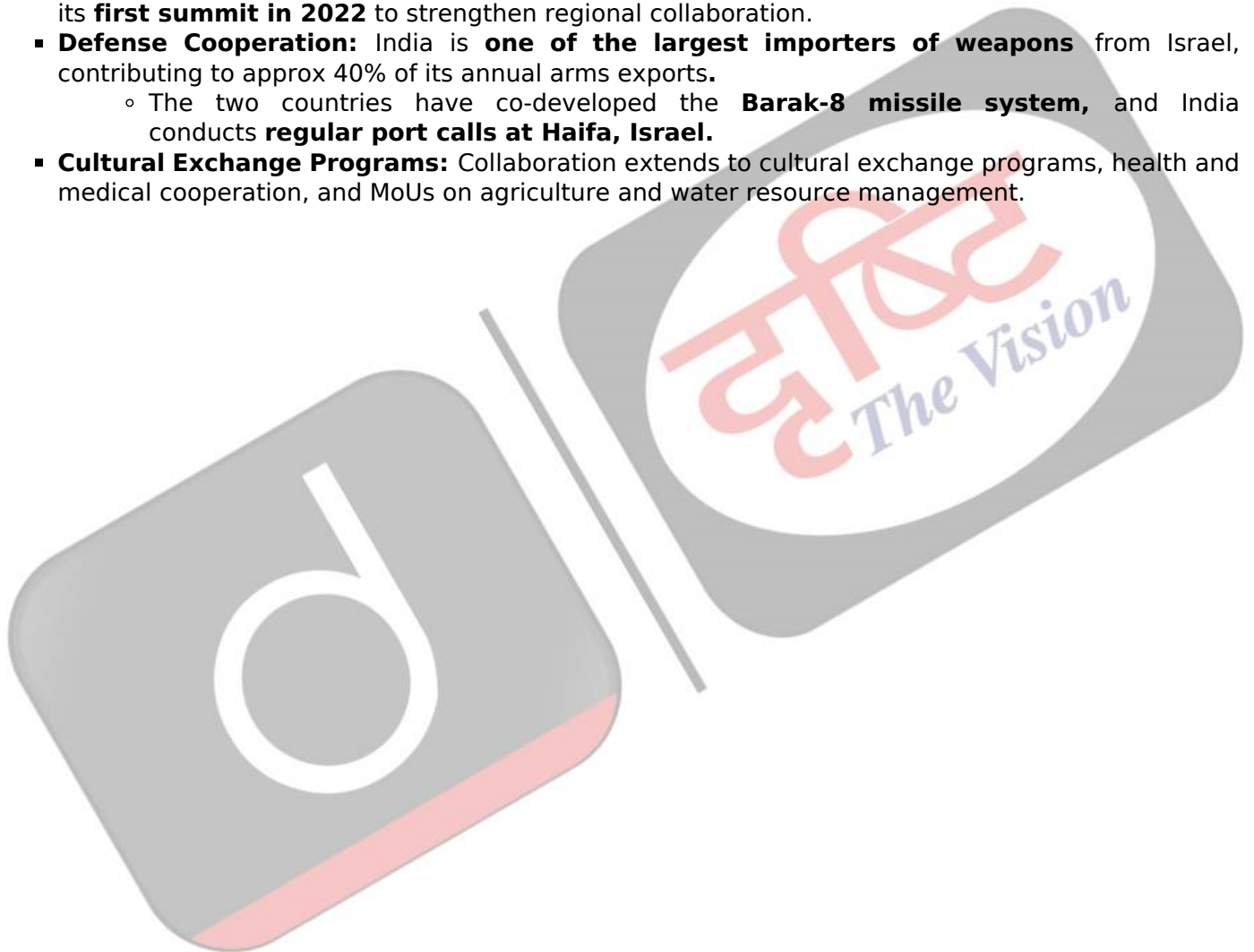
Model BIT 2015

- **Definition & Protection:** Defines an investment **as an enterprise that is constituted**, organized, and operated in good faith by an investor according to the domestic laws of the host country.
 - Requires **each party to provide full protection** and security to investments and investors.
 - Mandates that foreign investors be treated on par with domestic companies.
 - Limits the host country's ability to take control of foreign investments.
- **Exclusions Clause:** Excludes areas like government procurement, taxation, subsidies, compulsory licenses, and national security from BIT obligations
- **ISDS Mechanism:** Requires foreign investors to first exhaust local remedies for a minimum of **5**

years before resorting to the ISDS mechanism.

How Has the Bilateral Relationship Between India and Israel Evolved Over Time?

- **Diplomatic Relation:** Though **India officially recognized Israel in 1950**, both countries established full diplomatic ties only on 29th January 1992.
- **Economic Ties:** Bilateral trade between **India and Israel reached USD 6.53 billion** (excluding defense) in FY 2023-24, with India maintaining a trade surplus.
- **Innovation & Technology:** Initiatives like the **India-Israel Industrial R&D and Innovation Fund (I4F) (2023-2027)** aim to foster joint research and technological advancements.
- **Regional Cooperation:** The **I2U2 Partnership**, involving India, Israel, the UAE, and the US, held its **first summit in 2022** to strengthen regional collaboration.
- **Defense Cooperation:** India is **one of the largest importers of weapons** from Israel, contributing to approx 40% of its annual arms exports.
 - The two countries have co-developed the **Barak-8 missile system**, and India conducts **regular port calls at Haifa, Israel**.
- **Cultural Exchange Programs:** Collaboration extends to cultural exchange programs, health and medical cooperation, and MoUs on agriculture and water resource management.





What are the Key Challenges Faced by India's BIT framework, and Suggest Measures to Address Them?

Challenges	Suggested Measures
Lack of clarity in terms like "investment" and customary international law (CIL) leads to disputes.	Define terms like "investment" and "CIL" precisely to reduce legal ambiguities.
Delays in dispute resolution due to the requirement to exhaust local remedies.	Allow investors to choose between local courts or international arbitration upfront.
Exclusion of Most-Favored-Nation(MFN) and Fair and Equitable Treatment (FET) reduces investor confidence.	Incorporate MFN and FET Provisions with safeguards to prevent treaty shopping while ensuring non-discrimination.
Exclusion from the ICSID Convention limits enforcement options for foreign investors.	Become a signatory to ICSID to enhance investor confidence and provide a globally recognized dispute resolution mechanism.

Conclusion:

The recent **BIT signed with Israel** underscores this evolving strategy, as Israel becomes the first OECD country to adopt India's new treaty model. This agreement aims to boost trade and investment by providing greater certainty and protection for investors while maintaining India's right to regulate.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. The term "two-state solution" is sometimes mentioned in the news in the context of the affairs of (2018)

- (a) China
- (b) Israel
- (c) Iraq
- (d) Yemen

Ans: (b)

Mains

Q. "India's relations with Israel have, of late, acquired a depth and diversity, which cannot be rolled back." Discuss (2018)