

## **Indo-Swiss Bilateral Economic and Commercial Relations**

### **60 Years of partnership: 1948-2008**

Swiss interest in trade with India dates back to 1856 when Volkhart Brothers established a trading office in India. Several Swiss mercantile and industrial corporations had been active in India even before India's independence, in areas like food processing, pharmaceuticals, engineering, commodity trading etc. The Treaty of Friendship was signed between India and Switzerland on 14 August 1948, the first such Treaty to be signed by independent India. The Treaty provided for the establishment of diplomatic relations between the two countries and laid the foundation for a strong economic content to the bilateral relationship. Article 3 to 6 of this Treaty secured the "most favoured foreign nation treatment" to Swiss nationals and goods. As provided by the Treaty itself, many more comprehensive agreements have been concluded which have further consolidated the "bonds of perpetual peace and unalterable friendship" to which the two countries committed themselves 60 years back. The 60<sup>th</sup> anniversary celebration marks an important milestone in the annals of our bilateral relationship. There is no doubt that despite phenomenal changes which have taken place in our two countries, and worldwide, our relations have stood the test of time. Bilateral cooperation has taken different forms with encouraging results in different areas. This has been particularly true of bilateral economic and commercial relations which remain healthy and buoyant.

### **TRADE**

Economic and Commercial activities between India and Switzerland have intensified in the recent past, particularly after the economic liberalization policies announced by the Indian government in 1991. Over the ten-year period between 1995 and 2005, the bilateral commodity trade nearly doubled reaching close to CHF2 billion annually. In 2006, India exported goods worth CHF739 million while Swiss exports to India reached CHF1888 million. The trade has thus been growing on a fast clip crossing US\$2 billion in 2006. During the first four months of 2007, India's exports to Switzerland increased to CHF 333 million representing a growth of 24% and Swiss exports to India grew to CHF821 million increasing by 54% over the same period in 2006. The total bilateral trade reached a record level of CHF1151.3 million as compared to CHF795.4 million in the first four months of 2007, a growth of 44.7%. If this trend continues, the bilateral trade could cross US\$3 billion by the end of 2007, which would represent an increase of nearly a billion dollar in just one year.

The balance of trade has remained in favour of Switzerland. The main items of Indian exports to Switzerland are textiles and garments, organic

chemicals, precious stones and jewellery, dyestuffs, machinery and parts, leather products, shoes and shoe uppers, cotton, plastics, coffee, tea, and hand-knotted carpets. Swiss exports to India consist of machinery and equipment (electrical and mechanical), precision instruments, pharmaceutical products dyes and chemicals. Until recently Indian exports included low unit and traditional items. But this is changing. As component manufacture in India reaches global quality standards, the composition of Indian exports will also undergo a change. Moreover, the impact of invisibles (such as software export, services and contract research) has provided a significant counterbalance in rectifying the adverse commodity trade balance. In fact, if the bullion imports from Switzerland are taken into account, after China and USA, Switzerland ranks third in terms of our overall imports.

### **INSTITUTIONAL FRAMEWORK AND HIGH LEVEL EXCHANGES**

Switzerland is an important trading partner for India outside the EU. The wide umbrella of bilateral agreements provides a legal framework for Swiss enterprises to avail of opportunities in India. Among the important agreements are Avoidance of Double Taxation (1 November 1994), Agreement to Promote and Protect Investments (April 1997), Air Service Agreement (2 May 2001), Indo-Swiss Agreement on Technical and Scientific Cooperation (22 September 1966) Agreement of Indo-Swiss Cooperation in Science & Technology (November 2003), Agreement on Indo-Swiss Collaboration in Biotechnology (13 September 1999 renewed in August 2004), Agreement of Indo-Swiss Cooperation in Disaster Management (November 2003). A proposal for an Economic Cooperation Agreement with EFTA is also under consideration.

An institutional mechanism to review the whole gamut of economic and commercial relations is provided for under an agreement concluded in 1959 establishing the Joint Economic Commission. The Commission meets periodically. Its last meeting was held in March 2007 in Grindelwald, Switzerland.

Recent high-level and official exchanges have provided an opportunity to further both government-to-government and private sector contacts. In particular the visit of Pascal Couchepin, President of the Swiss Confederation to India from 6-12 November, 2003 and the return visit of President A.P.J. Abdul Kalam to Switzerland from May 25-29, 2005 have played an important role in promoting bilateral relations between the two countries. There have been ministerial exchanges as well including the latest visits of the Indian Minister of Science & Technology, Mr. Kapil Sibal, to Switzerland in November 2006 and the visit of Commerce & Industry Minister, Mr. Kamal Nath, on March 27-28, 2007 where he participated at the Forum of International Business with its focus on India jointly organised by OSEC Business Network Switzerland and India Brand Equity Foundation.

The development of bilateral economic and commercial relations has not been the sole domain of the government alone. Relations have been fortified by multi-dimensional linkages which include government, private sector and civil society. In this direction, the establishment of the Swiss India Chamber of Commerce on March 25, 1985 in Zurich, Switzerland with its goal to foster trade and investment in both countries was important. The Chamber celebrated its 20<sup>th</sup> anniversary in 2005. It has played an important role in enhancing the flow of information on investment and trade related issues, supporting the establishment of joint ventures and strategic alliances between enterprises of both countries and offering a networking platform to its membership of about 200 Swiss and Indian companies active in almost all the sectors.

### **SWISS INVESTMENTS IN INDIA**

Switzerland remains an important source of foreign investments in India with some 140 joint ventures operative in India in diverse fields such as engineering, industrial equipment, pharmaceutical, precision instruments, textiles etc. An increasing number of small and medium enterprises are now ready to explore India as a destination for investment. . Swiss SMEs can bring expertise into India but individually not huge foreign investments. But collectively this sector can contribute to considerable FDI flows and technology transfer. The State Secretariat for Economic Affairs (SECO), the Swiss Organisation for Facilitating Investments (SOFI) acting through their Swiss Business Hub in Mumbai are particularly geared to meet the requirements of Swiss SMEs investing in India.

More and more Swiss companies have found India not only a viable market but also one where they cannot afford not to be. Leading Swiss companies have been a part of India's journey towards a global economic powerhouse. After years of operation they have invested time and resources to understand local and business conditions. As India's economy grows at nearly double digit, there is immense possibility for the two countries to widen and deepen their relationship and to pool resources so that a new synergy raises their productivity and gives them a competitive advantage in today's global economy.

Switzerland has maintained its position among the top 10 foreign investors in India. Swiss direct investment inflows from August 1991 to December 2006 stood at US\$683.5 million accounting for almost 1.6% of the total inflows during the period excluding amount of acquisition of existing shares etc. Top sectors attracting FDI approval from August 1991 to December 2006 from Switzerland are fuel (power and oil refinery)(22.51%), telecommunications (12.66%), chemicals (other than fertilizer)(11.13%), services sector (financial and non-financial)(10.47%) and metallurgical industry (9.76%). Top sectors attracting FDI inflows from January 2000 to December 2006 from Switzerland are food

processing industries (16.78%), services sector (financial and non-financial)(14.82%), chemicals (other than fertilizer)(14.71%), rubber goods (11.12%) and hotel and tourism (3.40%). The total technical collaborations during the last fifteen years are about 7,815. Switzerland has been granted 314 technical collaborations (4.02% of total) since 1991. Top five sectors attracting technology transfer from Switzerland are electrical equipments (including computer software and electronics), chemicals (other than fertilizer), industrial machinery, miscellaneous mechanical and engineering industry and drugs and pharmaceuticals.

The success of some of the Swiss companies in India demonstrates that the two economies are complementary. Switzerland is known in the world for its manufacturing technologies and financial services, while India has to its advantage a large domestic market and one of the largest pools of skilled manpower at competitive cost. Since technology is the key to competitiveness, this partnership has created a win-win situation for both. Moreover, Swiss companies have developed India specific market strategies which have been critical to their success in the domestic market and has also acted as a springboard for their expansion in the Asia-Pacific region. Major Swiss companies like Nestle, Novartis, ABB, Alstom, Reiter and Sulzer have been involved in India in the production of processed food, pharmaceutical and chemicals, electrical machinery and engineering items and textile machinery for a long time. Switzerland continues to play an important role in the modernisation of Indian textile industry due to its sophisticated technology. Export of textile machinery constitutes an important component of Swiss exports to India. Swiss companies are also playing an important role in the development of infrastructure in India as demonstrated by Unique's involvement in the Green Field airport at Bangalore and Holcim's investment in the cement industry. Considering the vast expansion expected in this sector in the coming years, Swiss companies could explore further opportunities to strengthen their presence in projects in the infrastructure sector – power, roads, railways, ports, telecom.

## **SCIENCE, TECHNOLOGY AND RESEARCH**

India has established itself as a location for knowledge based companies and as a global hub for auto component industry, both traditional Swiss strongholds. In addition, across sectors the focus is on R&D. The innovative technologies developed by the Swiss and cost competitive facilities in India can be combined to draw mutually beneficial tie up in the areas of biotechnology, nano-technology, life sciences, material science and telecommunications. Switzerland has maintained its competitive edge due to the role of R&D. Expenditure on R&D constitutes 3% of GDP, 70% of which is funded from the private sector. Of this 74% is spent on experimental development and 26% on research. This area is characterised by close linkage between the private sector and the scientific community, second highest active patents per capita, amongst

the shortest gestation period between commencement of research on a product and its launch.

In the area of biotechnology high level business delegations have explored each other's capabilities and business opportunities in India. This sector is expected to touch US\$5 billion in revenue by 2010. Policy support has helped this sector open up and compete with world companies. Switzerland is a natural partner. Switzerland is the sixth largest biotech location in Europe. In per capita terms it has the highest density of the biotech firms in the world. Biotech sector is extremely diversified. Swiss companies are active especially in therapeutics and diagnostics, platform technologies, bio-electronics and bio-informatics, bio and speciality chemical, plant and agriculture food processing. Agreement on Indo-Swiss Collaboration in Biotechnology was signed for 5 years on 13<sup>th</sup> September, 1999 and was renewed in August, 2004 and would be expiring in 2007. The Association of Biotechnology Led Enterprises (ABLE) of Switzerland visited India from May 1-7, 2005 as a follow up to a Seminar on 'New Business Opportunities in the Indian Biotechnology Sector' which was jointly organized by the Swiss Organization for Facilitating Investments (SOFI), CII and the Embassy in October, 2004 at Zurich. Next few years should see a substantial increase of Swiss interest in cooperating with India in this area which has been identified as a focus area for cooperation.

The Federal Institute of Technology Lausanne has been designated the leading house on the Swiss side for the next steps for strengthening bilateral cooperation in the area of science technology and research. The willingness of the Swiss to strengthen cooperation in this area is evident by the fact that the Swiss government has earmarked CHF8-10 million for the implementation of the new strategic framework for the next four years for bilateral cooperation in science and technology. Both sides have agreed to enhance cooperation in industrial R&D, to create two centres of excellence in micro engineering and micro electronics and to facilitate fellowships for academic exchanges as a horizontal instrument. In the areas of genomics and IT applications, out of the 12 joint research projects agreed in December 2005 (8 in IT and 4 in genomics) 11 have been launched.

Opportunities in other areas such as environmental technology and waste management also exist. Switzerland is among the leading countries in this area. Swiss approach of cooperation between government, business and private industry is a model that is being studied by many developing countries in areas such as waste water treatment, technologies to prevent harmful emissions, solar energy technologies etc. During the visit of the Indian Minister of Science & Technology to Switzerland in November 2006 and the follow up visit of the Swiss State Secretary for Education and Research from 27 April 1 May 2007, it was agreed to explore cooperation in areas such as urban water management, solar energy and photovoltaic cells with a view to determine how Swiss technology could be beneficial to India's developmental needs.

## **INDIAN COMPANIES IN SWITZERLAND**

As corporate India begins to look for opportunities to invest abroad, Switzerland, too has opened its doors. Despite the fact that it is an expensive base for operations in Europe, already more than a dozen Indian companies have their operations in Switzerland including Tatas, Birlas, Infosys, Wipro, Dr. Reddy's Laboratories, TCS, Mindtree and Devi's Laboratories. Indian IT companies are using Switzerland as the hub for European operations. The major Indian player in this field is Tata Consultancy Services (TCS). TCS started their business through their Joint Venture in Switzerland, TKS-Teknosoft. Recently Tatas have acquired 100% stake in this Joint Venture. Other Indian companies like L&T, Ramco, Infosys, Datamatics, Wipro, Sathyam, Polaris, PIT Solutions etc. are also operating software export business in collaboration with Swiss-based companies or independently. A number of Swiss software companies have set up their off-shore operations in India. Swiss multi-nationals, such as Novartis, Nestlé, the Swiss National Bank, Credit Suisse, Union Bank of Switzerland (UBS), the European Broadcasting Corporation, La-Suisse Insurance, Swiss Post, Swiss Airline, etc. are some of the Swiss firms using Indian software specialists.

Apart from the IT sector, there is also interest to promote Switzerland as a destination for investment by Indian companies in the hi-tech manufacturing sectors. Location Switzerland is focusing on promoting Indian investments in Switzerland. The visit of Ambassador Monika Ruhl to Bangalore and Hyderabad in February 2007, sought to inform potential Indian investors on investment opportunities in Switzerland. In addition, Cantonal authorities have also been active in promotional projects in India along the same lines.

## **TOURISM**

Switzerland is aggressively marketing tourism from India. 115,000 Indians visited Switzerland last year. In addition to group tourism, individual tourism and the MICE market segment (meeting, incentives, conventions and events) is foreseen to develop in the coming years. Swiss Tourism in collaboration with Location Switzerland also facilitates shooting of Indian films in Switzerland. Between 2003 -2004, 32 Indian films were shot in Switzerland. On an average 15-20 films are shot in Switzerland annually. While Switzerland is promoting tourism from India, Switzerland is one of our top tourist generating markets. In 2005 over 33,600 Swiss tourists visited India representing an increase of almost 20%. Opportunities for cooperation exist in the area of tourism particular in infrastructure and training, adventure tourism and eco-friendly sustainable tourism in the mountainous regions.

In conclusion, Indo-Swiss bilateral economic and commercial relations have broadened and deepened over the years. The 60<sup>th</sup> anniversary of establishment of relations in 2007-08 provides an opportunity to review with

satisfaction the important landmarks in this relationship and also to provide a vision for future development of a multidimensional relationship based on friendship, mutual respect, mutual benefit and equality. It is a new starting point for a rainbow of opportunities that exist for the two countries. Swiss business has shown a high level of confidence and interest in the Indian market and India continues to look towards Switzerland as an abiding friend in its transformation from a developing economy to a developed economy in the next two decades. Our relationship for the future is based on a common commitment to be partners in progress. Several programmes and projects are being planned in India as well as in Switzerland with a focus on giving a new thrust to our cooperation. This would include high level exchanges, participation in each other's trade fairs, joint seminars and workshops, academic exchanges and internships and would involve participation of government, private sector and civil society.