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INDIA: Economic Report 2017-18

This report covers the period from September 2017-July 2018

0 Executive summary

- **India's growth:** India has become the world's **sixth-biggest economy**, according to updated World Bank figures for 2017. India's gross domestic product (GDP) amounted **to $2.597 trillion** at the end of last year.[1] **India is the fastest-growing G-20 economy.** GDP growth **reached 6.7 %** [2] and is projected to accelerate to 7.2 % in 2018 and 7.4 % in 2019.

- **Forthcoming general elections in India:** General elections are expected to take place in India before May 2019, when the tenure of the current National Democratic Alliance-led government ends.

- With around **1.34 billion inhabitants,** India is poised to become the **world's most populous nation** and has globally the **largest and youngest working-age population**[3]**.** India has good potential to become the world's largest consumer market **by 2025,** with a large and fast-growing middle-class population.

- **Needs for job creation, skilling people, innovation and improved competitiveness:** India's sustained average growth rate of average of 7 % over the last decade has not been accompanied by sufficient growth in employment. The increasing demand for jobs is not being met by the creation of sufficient new economic opportunities. The annual demand for new jobs in India is estimated at 26.14 million[4].

- **Macroeconomic situation:** In June 2018, the rupee was at its weakest in a 19-month low against the US dollar over concerns that higher crude oil prices will worsen India's current account deficit and accelerate inflation. The rupee fell in comparison to 1 USD to a low of INR 68.67, the lowest since 30 November 2016.

- **India's foreign trade increased** in the fiscal year (FY) 2017-18. The country's exports amounted to over USD 302 billion (+9.78 %), while its imports increased to USD 459 billion (+19.59 %). Consequently, India's trade deficit went up. Bilateral Trade Flows between **Switzerland and India** amounted in FY 2017-18 to USD 18.2 billion (with gold).[5]

- **Foreign Direct Investments (FDI) to India** raised to a stock of **USD 575 billion (**from April 2000 till March 2018). Based on Indian statistics, Switzerland is the **11th major investor with** USD 4.3 billion inflows. The Swiss National Bank reports Swiss FDI's stock capital in India of **CHF 4.6 billion[6]. Switzerland is also the**

[1] In comparison, India was pushing France with its GDP of USD 2.582 trillion into seventh place.
[2] http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/IND
[3] Around half of India's population is under 25 years old.
[4] http://www.skilldevelopment.gov.in/assets/images/Skill%20India/National%20Policy%20on%20Skill%20Development%20and%20Entreprenurship%20Final.pdf
[5] Fiscal year runs from 1st April to 31st March (Indian statistics); Swiss custom statistics show for the year 2017 a trade flow of **CHF 19.5 billion**.
[6] Status by end of 2016.

7th largest recipient of Indian investments (USD 1.72 billion received between April 2014 and December 2017).[7]

- **Goods and Services Taxes (GST): implementation started in July 2017.** India's economy is still grappling with the effects of the major reforms initiated in the previous years. The introduction of GST on 1 July 2017 was the Government's most important economic reform that converts the country into a single market. It is expected that its effective implementation in the whole country will take at least two years.

- Keeping in view the **reforms undertaken** by the Indian government in the recent past, **India has been ranked 40** among the 138 countries in the **Global Competitiveness Index (GCI) 2017-18**[8] released by the World Economic Forum (WEF), slipping one spot from its rank of 39th in 2016.

- **Improving the Business Environment:** Ease of doing business / State Rakings (July 2018): Andhra Pradesh tops 'ease of doing business' list[9] released by the Government of India for the second year in a row. Only seven states implemented more than 50 % of the reforms suggested by the Government, while the second edition saw 18 states implementing more than that level.

- In the **Indian banking sector**, several Public Sector Banks (PSBs) are struggling **with high amounts of Non-Performing Assets (NPAs).** To counterbalance the problem, the Government decided to step-in to recapitalize these Public Sector Banks with approximately USD 32 billion over the next two years, and to set up an Asset Management Company (AMC) to deal with the NPAs above USD 75 million.[10]

- **Infrastructure development:** India's needs to renew and invest in its infrastructure are huge (USD 4.5 trillion of investments until 2040 would be needed[11]) and rapid urbanization has put great pressure on the current infrastructure. India aims to develop 100 smart cities by 2022. While India can meet a significant portion itself of the amount required[12], there still remains a financing gap of about USD 526 billion. [13]

- **Global trade conflicts and expected impact on India** (major trading partners **US, China, EU**)**:** The US-decision regarding higher import tariffs on steel and aluminium items are expected to impact India's exports. Further, the Indian government has filed a complaint against the US at the World Trade Organization.

- **Digital transformation** has created a rapidly changing business environment also in India (The Union Budget 2018 reflected the Government's focus on emerging technologies. Campaigns like "Digital India" are aiming to contribute to the digital transformation in India.

- The Modi Government has **prioritized the encouragement of start-ups and entrepreneurs** as a key plank of economic policy, which identified the important role smaller and newer companies play in economic growth and job creation.[14] Maharashtra, where India's financial capital Mumbai is located, has the highest

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[7] Ministry of Finance, Department of Economic Affairs, Overseas Direct Investment, http://dea.gov.in/overseas-direct-investment (status by June 30, 2017).

[8] https://www.weforum.org/reports/the-global-competitiveness-report-2017-2018/
http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf

[9] Andhra Pradesh is followed by Telangana, Haryana, Jharkhand, Gujarat, Chhattisgarh, Madhya Pradesh, Karnataka and Rajasthan.

[10] https://economictimes.indiatimes.com/news/economy/policy/no-bad-bank-now-panel-suggests-5-point-plan-to-deal-with-npas-says-fm-piyush-goyal/articleshow/64831084.cms

[11] Based on the Global Infrastructure Outlook Report 2017.

[12] USD 3.9 trillion, or 87%

[13] India Economic Survey 2017-18, chapter 8, 120-150, and AIIB Annual Meeting 2018 Host Country Background paper, page 13.

[14] Government of India, Planning Commission, 2012. Report of the Committee on Angel Investment and Early Stage Venture Capital

number of start-ups at 1'079. Home to India's Silicon Valley Bengaluru, the state of Karnataka followed with 853 start-ups. National capital Delhi came in third with 748.[15]

- **Swiss-Indian economic relations were dominated by ongoing negotiations** of an **India-EFTA Free Trade Agreement (FTA)** as well as of a new **Bilateral Investment Protection Agreement** after the existing treaty was cancelled by India in 2016, which increased the risks for Swiss companies aiming to invest in India. On 21st December 2017, Switzerland and India signed a mutual agreement on the application of the Convention on Mutual Administrative Assistance in Tax Matters for the purposes of activating the Automatic Exchange of Information (AEOI) between Switzerland and India. The mutual agreement is the last formal step before the activation of the automatic exchange of information between Switzerland and India, as well as the end of a process that started with the signing of the corresponding Joint Declaration in 2016. Switzerland is thus confirming its commitment to the new international AEOI standard. The AEOI with India will be implemented as of 1st January 2018, and the first exchange of data will take place in autumn 2019. In March 2018, India and Switzerland signed a Memorandum of Understanding (MoU) regarding the adaptation of the existing bilateral **air services agreement**.

- **70 Years of Swiss-Indian Friendship 2017-18:** The Embassy of Switzerland initiated the event series "70 Years of Swiss Indian Friendship: Connecting Minds - Inspiring the Future" (SIF70). This biennial initiative commemorates the anniversary of the Swiss-Indian Treaty of Friendship, which was signed in New Delhi on August 14, 1948. Events and activities have started in April 2017 and will continue to take place in various cities across India to highlight this important landmark.

1. Economic issues and problems

1.1. Macroeconomic Situation:

Macroeconomic developments in India in this reporting period (2017/18) have been marked by ups and down. In the first half, India's economy temporarily "decoupled," decelerating as a consequence of actions and developments that buffeted the economy: disruptions due to demonetization, teething difficulties in the new GST, high and rising real interest rates, sharp falls in certain food prices that impacted agricultural incomes, besides other factors.[16]

The Economic Survey 2017-18 released in January 2018 by the Government of India reconfirms that the Indian economy is on the path of recovery. The real **GDP growth rate** of India's economy for the financial year **2017-18 is 6.7 %**. For the next years, GDP growth is expected to reach **7.6 % a year** in fiscal years 2018/19 - 2022/23 (April-March),[17] and is **underpinned by robust private consumption growth** and a recovery in gross fixed **investment** as the business environment improves as well as ongoing structural reforms. [18]

India is the fastest-growing G-20 economy. Its growth is high compared to the global economy, which grew by around 3.0 % (to edge up to 3.1 % in 2018[19]). Its economy remains **vibrant**, with solid growth momentum. With its 1.3 billion people, India has globally the sixth largest economy and youngest working-age population[20], which is both an asset and a challenge.

Inflation: Inflation increased to 3.3 % in 2017-18 from (-) 3.7 % in 2015-16 and 1.2 % in 2014-15. The Reserve Bank of India (RBI- the National Bank) monitors the price situation on a regular basis as controlling inflation is a key priority. It continues to prioritise inflation-targeting over growth in its policy framework. As a result, it is expected that consumer price inflation will remain within the RBI's target range of 2-6 % over the next five years.

[15] https://qz.com/1159621/startup-india-with-only-10-of-funds-disbursed-modis-grand-plan-for-entrepreneurs-is-sputtering/

[16] https://mofapp.nic.in/economicsurvey/economicsurvey/pdf/001-031_Chapter_01_ENGLISH_Vol_01_2017-18.pdf

[17] The International Monetary Fund (IMF) projected the Indian economy to grow at 7.4 % in 2018, and at 7.8 % in 2019.

[18] http://www.worldbank.org/en/news/press-release/2018/03/14/india-growth-story-since-1990s-remarkably-stable-resilient

[19] http://www.worldbank.org/en/news/press-release/2018/01/09/global-economy-to-edge-up-to-3-1-%-in-2018-but-future-potential-growth-a-concern

[20] Around half of India's population is under 25 years old. Under-employment and therefore low-wage employment rather than unemployment is the key challenge facing India today. – NITI Aayog Development Agenda http://www.niti.gov.in/writereaddata/files/coop/India_ActionAgenda.pdf

The RBI and Government have also taken a number of measures to better control particularly the food inflation.[21]

Debt: There is a need to reduce the relatively high Public Debt to GDP Ratio, e.g. investing more in physical and social infrastructure (e.g. health, education) remains critical for raising the living standard of all citizens,[22] India's external debt stock stood at US$ 495.7 billion at end-September 2017 recording an increase of US$ 23.9 billion over the level at end-March 2017. The maturity profile of India's external debt indicates dominance of long-term borrowings.[23]

Foreign Exchange Reserves: The level of foreign exchange reserves, particularly foreign currency assets, is largely the outcome of the Reserve Bank of India's (RBI,) intervention in the foreign exchange market to stabilize the rupee value. Foreign Exchange Reserves stood at US$ 421.7 billion as on 16th February, 2018 against US$ 370.0 billion at end-March 2017. The current position is at a comfortable level to cushion the exchange rate volatility from any international macroeconomic uncertainty.[24]

1.2. Political context – General elections in India next year (May 2019)

Prime Minister Narendra Modi and his Government, representing the National Democratic Alliance (NDA) led by the Bharatiya Janata Party (BJP), is widely seen as India's influential leader. The ruling NDA has been in office since 2014. NDA constituent parties control 20 of the country's 29 states, including some of the largest, such as Maharashtra and Uttar Pradesh.[25] General elections will be held in the country by May 2019.

1.3. India's National Institute for Transforming India (NITI Aayog)

The Government's premier think tank NITI Aayog, published a new draft of the **Three Year Action Plan** (2017/18 to 2019/20) on 23 April 2017. A second document containing the Fifteen Year Vision and Seven Year Strategy and the "Development agenda of 2022" are currently under preparation. Prime Minister Modi's development philosophy implies that development should include every citizen.[26]

Focused on **"Transforming India" and "New India"**, the new Action Plan aims to better align India's development strategy with the changed reality. Addressed are themes such as: (a) the medium-term revenue and expenditure framework (related to the Government's budget), (b) the economic transformation in the major sectors (agriculture, production and services), (c) the regional development (from rural to urban), (d) growth enablers (e.g. private sector involvement, infrastructure, digital connectivity, energy sector, science and technology, or the creation of effective innovation ecosystem), (e) Government (including taxation policy, administration, regulatory framework) and Justice System, (f) social sector (reforming the education system, promoting skill development, transforming the health service system).[27]

India's ambitious "**Make In India**" programme aims to boost local manufacturing. Coupled with the rapidly growing retail sector and exponentially growing demand for logistics services **infrastructure improvements** are at the top of priority lists. Infrastructure inefficiency remains India's main issue, despite of some serious efforts in the past few years.

1.4. Structural economic reforms

One of the important requirement to reach a growth rate of 8 percent, or even more, Indian economy needs continued reforms aiming towards structural transformation. Maintaining macroeconomic stability by focusing on unfinished structural reform agenda will be instrumental in achieving the desired rate of growth rate for India. Impetus on improving the business environment such as land reforms, abolishing bureaucratic hurdles in investments, zero tolerance towards corruption, financial inclusion, increased accountability for administrative bodies, tax reforms would help in sustain the growth rates. According to the World Bank India Development Update: For a sustained growth rate, India should resolve credit and investment issues; enhance the

[21] Annual Report, Ministry of Finance, April 2018, Page 12

[22] OECD: Economic Outlook, June 7, 2017 (fact sheet on India).

[23] Annual Report, Ministry of Finance, April 2018, Page 12

[24] Annual Report, Ministry of Finance, April 2018, Page 12

[25] EIU country report India, dated July 6, 2018, Political Stability, page 4.

[26] NITI (Aayog) Former Ministry of Planning : Three Year Action Agenda http://niti.gov.in/, page 5

[27] NITI (Aayog) Former Planning Commission: Three Year Action Agenda http://niti.gov.in/, pages 1-6 ff.

competitiveness of India's exporting sector; handle the crisis like situation of the NPAs in the banking sector, realise the growth potential of big reforms such as GST etc.[28]

1.5. Financial Sector

The **Systemic Risk Survey (SRS)**, the fourteenth in the series, was conducted during April-May 2018 to capture the perceptions of experts on the major risks presently faced by the financial system in India. According to the survey, global risks, risk perception on macroeconomic conditions and institutional positions as well as market risks are perceived as medium risks affecting the financial system.

Among the **institutional risks**, the asset quality deterioration of banks, risk on account of additional capital requirement and cyber risk continued to be perceived as **high risk factors**.[29]

Within **global risks**, the risk on account of commodity prices (including crude oil prices) was categorised as high risk. Within the macroeconomic risks group, risk on account of political uncertainty/policy implementation moved from low to medium risk category. Risks on account of domestic growth, domestic inflation, current account deficit, capital flows, fiscal deficit, corporate sector, the pace of infrastructure development, real estate prices and household savings continued to be in medium risk category in the current survey. Equity price volatility, interest rate risk and liquidity risk also continued to be in medium risk category within financial market risks. Foreign exchange risk, though still in the medium risk category, saw a substantial rise in the risk score in the current survey. [30]

1.6. Recapitalization of Public Sector Banks

Remarkable risks for the Indian economy are related to the **Indian banking sector.** India's large state-owned banks will need up to **USD 14.2 billion**[31] equity capital, highlighting a key challenge facing the banking sector, **70 %** of which is accounted **for by public sector banks (PSBs)**. Banks have to increase their equity to meet the capital adequacy norms and to clean up their balance sheets. On May 5, 2017, the **Reserve Bank of India** received more power **to deal with the non-performing assets (NPAs) in the banking sector**, based on the approved amendment of the Banking Regulation Act 1949. The stressed loans resolution package prepared by the government empowered the Central Bank to directly intervene in settling bad loan cases. [32] In January 2018, Centre Government had chalked out a comprehensive time-bound reforms agenda aimed at Enhanced Access and Service Excellence (EASE). The framework for the reforms agenda is "Responsive and Responsible PSBs"[33]. State-run banks were asked to seek approval from their respective boards for implementing the EASE plan. The Centre said capital infusion into banks will be directly linked to their performance and implementation of the EASE plan.[34] **In spring 2018**, it was further decided to set up an **Asset Management Company** (AMC) to deal with NPAs above INR 500 crore (USD 75 million), additionally to alternate investment funds to raise money.[35]

The banking sector of India is characterized by the dominance of Public Sector Banks (PSB), limited competition, a high Statutory Liquidity Ratio[36], and high and rising ratios of non-performing assets that are limiting the ability of banks to provide credit. The PSB's **stressed assets reached 15.8 % of gross_loans** at the end of 2016 elevating the risks to the banking sector. In October 2017, the Government therefore announced

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[28] India Development Update, March 2018, World Bank

[29] Financial Stability Report 2018, https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/0FSR_JUNE2018A3526EF7DC8640539C1420D256A470FC.PDF

[30] Financial Stability Report 2018, https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/0FSR_JUNE2018A3526EF7DC8640539C1420D256A470FC.PDF

[31] https://www.thehindubusinessline.com/money-and-banking/psbs-will-need-95000-cr-additional-capital-by-march-2019-moodys/article9722812.ece

[32] Newspaper Mint, June 9, 2017: http://www.livemint.com/Home-Page/gblCa7SKnItZlMiWcJDs3K/President-Pranab-Mukherjee-approves-ordinance-to-amend-Banki.html

[33] http://pib.nic.in/newsite/PrintRelease.aspx?relid=175850

[34] https://www.business-standard.com/article/economy-policy/finance-ministry-gears-up-for-second-round-of-psb-recapitalisation-118050600731_1.html

[35] https://economictimes.indiatimes.com/news/economy/policy/no-bad-bank-now-panel-suggests-5-point-plan-to-deal-with-npas-says-fm-piyush-goyal/articleshow/64831084.cms

[36] Statutory liquidity ratio (SLR) is the Indian government term for the reserve requirement that the commercial banks in India are required to maintain in the form of cash, gold reserves, government approved securities before providing credit to the customers.

an unprecedented recapitalization of PBSs. The proposed measures included recapitalization of approximately USD 32.5 billion over the next two years. It aims at strengthening the PSBs and position them for a new round of lending growth in the coming years.[37] Experts suggested that for a robust banking system, this recapitalisation will have to be **complemented by a host of other measures** including corporate governance reforms, lower entry barriers, improved financial supervision, and more efficient debt recovery mechanisms.[38]

1.7. Union Budget 2018-19 and Fiscal Consolidation

Union Budget 2018-19: On 1st February 2018, Finance Minister Arun Jaitley presented the Union Budget 2018-19 at the Parliament.[39] This is the last full Budget of the current Government before the upcoming elections.[40] It follows the Government's vision of creating a "New India". In the current political context, the BJP-Government tried to balance fiscal prudence with pressing needs articulated by the various interest groups in the country. Ahead of the budget discussion, on 29th January, the Government published the Economic Survey of India 2017[41], which underpins the Union Budget 2018-19 with additional context information and outlook data. There is a strong emphasis and high priority of the Government to allocate major parts of the resources available on **healthcare, agriculture and rural development, infrastructure development, education, job creation, restructuring the public sector banks**, supporting the formalization and transformation of the economy, and particularly also to ease the livelihood of the poor. It is also characterized by the attempt to include some benefits for most of the stakeholder groups - and voters - in the country.

Generally, the Modi Government has shown its strong commitment to **fiscal consolidation**. The gross fiscal deficit of the Central Government was brought down from 4.1 % of GDP in 2014-15 to 3.9 % in 2015-16 and further to 3.5 % in 2016-17, and remained at 3.5 % in 2017-18. It is budgeted to decline to 3.3 % of GDP in 2018-19. There could, however, be challenges on the fiscal front unless there is a raise in tax receipts and/or a restraint on expenditure[42]. It is also not yet completely clear how several current and new Government schemes integrated in the budget will be finally funded (e.g. the new Health Care Program). Specific indications on how the allocations will be distributed are missing. However, the Government promised that implementation guidelines will be elaborated. It seems further to expect that with a growing economy, a wider tax payers' basis and a better tax compliance, current and future financial gap can be compensated, at least partially.

Modicare: The *National Health Protection Scheme - Ayushman Bharat* (NHPM-AB) also dubbed as 'Modicare' was announced in the Union Budget 2018. The program aims to provide 100 million families, or about 500 million poor people, with health cover of INR 500,000 per year for treatment of serious ailments. The federal budget had made an allocation of INR 20 billion (USD 300 million) for the scheme for 2018-19, and according to the Government officials more funds will be made available as the program was rolled out. The Health Ministry said the government has allocated INR 100 billion (USD 1.54 billion) for the "National Health Protection Mission" for 2018/19 and 2019/20.[43] According to a media report, NITI Aayog will soon set up a sub-group to look into the complaints of private hospitals regarding pricing of treatment of key ailments proposed by the Government under the Prime Minister's flagship health insurance scheme *Ayushman Bharat*.[44] The Government has come out recently with a draft model tender document, which was shared with the states in June 2018.

1.8. Financial Stability Report

India's central bank, the Reserve Bank of India (RBI), in its latest Financial Stability Report (FSR), noted that evolving geopolitical developments and rising protectionist sentiments pose added risks to the financial system, also in India. According to the RBI, tightening of liquidity conditions in the developed markets alongside expansionary US fiscal policy and a strong US dollar have started to adversely impact emerging market currencies, bonds and capital flows.[45]

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[37] India Development Update, March 2018, World Bank, p.70.

[38] A vision and Action Plan for financial sector development and reforms in India, Brookings India, p.5.

[39] http://www.indiabudget.gov.in/bspeecha.asp

[40] Elections are planned in eight states in 2018, general elections, at national level, to be hold the latest in 2019.

[41] https://timesofindia.indiatimes.com/realtime/Economic_Survey_2017_18.pdf, Economic Survey 2017-18: Ten key takeaways of India's economy

[42] https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/0FSR_JUNE2018A3526EF7DC8640539C1420D256A470FC.PDF

[43] Reuters-March 22 2018

[44] https://timesofindia.indiatimes.com/business/india-business/niti-aayog-to-set-up-sub-group-to-study-treatment-pricing-under-ayushman-bharat/articleshow/64766983.cms

[45] https://www.financialexpress.com/economy/financial-stability-report-rbi-says-rising-global-protectionist-sentiments-pose-risk-to-outlook/1221828/

1.9. Risks and Challenges

It's a year now since the Government introduced its fundamental reforms in the system of indirect taxes, by bringing in the Goods and Services Tax (GST).

Challenges with the implementation of the GST[46], but also the non-performing loans in the banking sector, the lack of progress with regard to **pending land and labour reforms** at the national level, as well as other policy fields, do still highlight material government (in-) effectiveness issues. Some of those are highlighted next:

Low investment by Indian business*:* It's vital for India to have capital investment, while it faces investment deficit currently. India has tried several measures to attract capital investments or re-investments -through conferences, seminars, exhortations and programs, Indian business is not investing sufficiently in the country. *"In the December 2017 quarter, fresh investments in India plunged to a **13-year low**, with the value of new projects declining to more than half of what it was one year before".*[47] However, with a credit growth of nearly 10 %, Government incentives as well as a raise in capacity utilization by the companies, the negative trend might be changed over time.

Inequality in growth*:* While India's growth perspectives are positive and the forecast growth rates are high, India's growth needs to be more inclusive. Several international organizations (incl. WB, OECD and others) as well as Indian Government representatives and NGOs highlighted this. Among the 79 developing and emerging economies assessed in the World Economic Forum's latest Inclusive Development Report[48], India ranked at the 60th place. This reflects a growing inequality.[49]

Unemployment and poverty*:* With a young and fast-growing population, the Indian Government needs to facilitate the creation of nearly **26.14 million new jobs** per year[50]. Simultaneously, skills and competencies of people working in all economic sectors (agriculture, manufacturing, services) need to be improved, and the competitiveness of the economy to be strengthened to attract more investments in India (local and FDIs), while avoiding contradictory signals towards investors.[51]

Current account deficit: On the trade side, India will record an even higher current-account deficit, equivalent to 2.1 % of GDP on average in 2018-22[52]. Strong consumer demand and rapid investment growth could further increase imports of consumer goods and machinery, leading to a widening of the deficit in the next 5 years.

Infrastructure development and competitiveness*:* India puts a lot of emphasis and funds in the improvement and development of the infrastructure (roads, railways, ports, airports, and others). Infrastructure improvements as well as regulatory changes in many sectors and fields are meant to make India more attractive as a business and tourist destination, bolstering the incomes of the people working in those sectors. However, growth in services exports, e.g. in sectors such as information technology and business-process outsourcing, will be harder to achieve as they come up against increasingly intense competition. Moreover, inflows of workers' remittances will continue to depend heavily on growth in the Middle East (a key destination for Indian workers) and may suffer as countries in that region reduce spending on construction.[53]

Remaining Risks: Major global financial market volatility, the acceleration of domestic inflation, setbacks in the reform process affecting business sentiment, as well as highlighted structural problems in the Indian economy, or in single sectors are remaining risks for the growth of the Indian economy. Furthermore, protectionist reflexes remain one of the major challenges for foreign companies interested in doing business in and with India.

Recently, in March 2018, as part of **a Labour reform***,* the government has extended fixed-term employment to all sectors and extended the facility of hiring workers on fixed-term employment to improve the ease of doing business, meeting the announcement made in the Union Budget. The trade unions were also demanding that

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[46] SMEs as well as informally acting businesses are especially concerned and still need more time to amend to the new laws and tax regulations.

[47] https://www.livemint.com/Opinion/wkyhjhSSMcr1wbLWxybHDM/Indias-investment-deficiency-hides-a-blessing.html

[48] http://www3.weforum.org/docs/WEF_Forum_IncGrwth_2017.pdf

[49] India's richest 1 % own 53 % of its wealth, up from 36.8 % in the year 2000.

[50] http://www.skilldevelopment.gov.in/assets/images/Skill%20India/National%20Policy%20on%20Skill%20Development%20and%20Entreprenurship%20Final.pdf

[51] India terminated in spring 2016 all its existing "Bilateral Investment Treaties" (BITs) with around 60 countries, including Switzerland, new investments are therefore legally not protected anymore by a bilateral investment agreement.

[52] Economic Intelligence Unit: Country report, dated October 2017.

[53] http://www.eiu.com/home.aspx

that no permanent employee be moved to fixed term employment. This demand was also met by the government.[54]

Post demonetisation: The demonetisation of large banknotes in late 2016 had serious effects on small business and private credit, and the new goods and services tax temporarily slowed business in fiscal year 2017. While industry and agriculture slackened, services grew by 8.3 %. Improved business regulation and improved tax revenue are expected to bolster growth, as it accelerates to 7.3 % in 2018 and 7.6 % in 2019.[55] Demonetisation also led to a higher financial inclusions, with an increase of 38 % in deposits in Government accounts, with additional 27 million accounts opened after demonetisation.[56]

With regard to **financial digitalization,** the Modi Government has introduced a nationwide biometric scheme known as **Aadhaar**The solution of **linking digital identities to mobile phones and bank accounts is said to make** Government schemes and subsidies more accessible to citizens and clients. However, data protection remains a challenge and is work-in-progress.

On the **trade regulatory side**, the current budget foresees an **augmentation of the customs duty** on a large number of items in order to reduce the high level of imports and the existing trade deficit, to raise more taxes and compensate losses in other fields, and to boost the "**Make in India**" strategy presented by the Modi Government in 2016. International companies are encouraged to manufacture in India in order to enter the market and to achieve a greater market share. With the imposition of higher import duties the Government aims to tackle the trade deficit and to raise additional taxes. However, these measures run the risk of discouraging foreign investors and preventing the creation of new jobs.

Other areas where progress of reforms is limited are, e.g. (a) the much discussed privatization of state-owned firms; (b) the pending land reform, where some responsibilities have been handed over to States; or (c) pending judicial reforms (24m pending cases).[57]

1.10. Innovation, Technology and ICT

In July 2018, the **Global Innovation Index 2018** ranked India as the 57th "most innovative nation in the world" out of 126 economies (Switzerland is ranked 1st). In the group of "lower middle income countries, India is ranked 5th, making it the most innovative country in its region of central and southern Asia.[58]

Research and Development (R&D) spending and Open Innovation in India*:* Over the last decade, India's gross expenditure on R&D (GERD) has been increasing consistently over the years and tripled in the last decade. However, with a sustained GDP growth rate at about 8 % per year, the GERD as a percentage of the GDP has remained only around 0.7 %, lagging behind other Asian countries, such as China (2.1 %) or South Korea (4.2 %). This is partly due to the fact that R&D expenses are driven mainly by public investments, which make over 50 % of the R&D expenses. Hence, it is not surprising that in 2017, there were only 26 Indian companies in the (Forbes) list of the top 2'500 global R&D spenders, compared to f.e. 301 Chinese companies.

India's ban on crypto-currency: In April 2018, the Reserve Bank of India announced that it will direct all regulated agencies, including banks, to stop doing any business with companies or individuals that deal with virtual currencies.[59] This development came just two months after Finance Minister Arun Jaitley announced that the government does not consider cryptocurrencies as legal tender and will take all measures to eliminate payments using them. Effective as of July 6, 2018, this measure will make it **impossible for holders of cryptocurrencies to convert them into Fiat money** (state-issued currencies). RBI's decision will ultimately affect the approximately 5 million Indians holding some kind of crypto-currency, including bitcoins, whose

[54] https://economictimes.indiatimes.com/news/economy/policy/labour-reforms-govt-extends-fixed-term-employment-to-all-sectors/videoshow/63401903.cms

[55] Asian Development Outlook 2018 (April 2018)

[56] RBI Bulletin April 2018 – Impact of Demonetisation on the Financial Sector

[57] The Economist: Modi's India. The illusion of reform. June 24th – 30th 2017, page 19. http://www.economist.com/news/leaders/21723830-he-more-nationalist-firebrand-indias-prime-minister-not-much-reformer

[58] https://economictimes.indiatimes.com/news/economy/indicators/india-maintains-position-as-top-it-exporter-lags-in-ease-of-doing-business/articleshow/64935501.cms

[59] https://www.businesstoday.in/current/economy-politics/bitcoin-ban-how-cryptocurrency-exchanges-are-circumventing-rbi-circular/story/280005.html

investments in India amount to $2 billion. While the decision was expected, the Indian start-up scene is in a frenzy as this decision also cuts them off from being able to use crypto-currencies for raising funds via Initial Coin Offerings (ICOs). While some start-ups have filed a petition against RBI for the same, many others are in the process of engaging with policy-makers.

2 International and regional economic agreements

2.1 India's policy and priorities

2.1.1. Trade Policy

India and the World Trade Organization (WTO)

Since its accession to **GATT** (on 8 July 1948)/ **WTO** in 1995, India plays its role in the category of developing and emerging countries. At the risk of being categorized a *"reluctant globaliser"*, India embarked on a path of slow liberalization of the economy. It still maintains high tariffs in many products (including agricultural products) and has given limited access to foreign investors in many sectors. [60]

In 2016, India has taken the initiative to launch discussions on a **Trade Facilitation in Services** (TFS) Agreement at the WTO, as a services counterpart of the goods-specific Trade Facilitation Agreement (TFA). India opines that a TFS Agreement will address the key issues that are pertinent to facilitating trade in services. However, in 2017/18, India blocked the agenda stating legal precedents that do not allow investment facilitation to be discussed at the WTO under the General Council Rules.[61]

After the WTO Ministerial conference in Argentina in December 2017, and the informal Ministerial Meeting as side event to the World Economic Forum 2018 in Davos, India hosted an **informal Mini Ministerial Conference** of selected WTO member states from March 19-20, 2018 in New Delhi.

The topic of trade and development remained of highest importance, especially for the developing countries. India particularly is **opposed to taking up new issues** such as investment facilitation, e-commerce or others, as long as pending issues of the Doha round are not resolved or the suggested new binding rules not beneficial for developing and least developed countries. India highlighted that special and preferential treatment for developing countries should remain fundamental for the WTO and underlined the importance of the dispute settlement mechanism for the organization.[62]

In the context of the imposed tariff increases on steel and aluminium, India submitted a complaint against the USA at the WTO and activated its dispute settlement mechanism.[63]

India and Free Trade Agreements

With the ongoing WTO negotiations facing for a longer time a certain 'deadlock', the focus of trade negotiations has also moved more **towards Free Trade Agreements (FTAs)**. In the early 1990s, India had few FTAs or Preferential Trade Agreements. Over time, these have increased and the proliferation of FTAs has been supplemented by larger agreements in the form of Comprehensive Economic Partnership Agreement (CEPA) or Comprehensive Economic Cooperation Agreement (CECA) which cover many more areas than conventional market opening under FTAs.[64]

The situation for India on FTAs (up to July 2018) was summarized in a Government note as follows: **"India has preferential access, economic cooperation and Free Trade Agreements (FTA) with about 54 individual**

[60] UNCTAD and Centre of WTO Studies, Indian Institute of Foreign Trade, New Delhi: Twenty Years of India's Liberalization. Experiences and Lessons (UN, 2012), overview chapter, Chapter 1-Overview. http://wtocentre.iift.ac.in/books/Prof.%20Abhijit%20Das%20and%20Rashmi%20Banga.pdf

[61] mint (newspaper in India), 11 May 2017: http://www.livemint.com/Politics/z7ZcaQc8rzCTcpt2qYdfaM/India-blocks-discussion-on-global-investment-facilitation-at.html;

[62] https://www.wto.org/english/thewto_e/whatis_e/tif_e/dev4_e.htm

[63] https://www.wto.org/english/news_e/news18_e/ds547rfc_23may18_e.htm

[64] Department of Commerce, Government of India, "Free Trade Agreements. Frequently Asked Questions", Note/ page 4, dated April 9, 2014.

countries.[65] India has signed bilateral trade deals in the form of Comprehensive Economic Partnership Agreement (CEPA) (with South Korea) [66] / Comprehensive Economic Cooperation Agreement (CECA)/FTA/Preferential Trade Agreements (PTAs) with some 18 groups/countries. "*India is a late, and cautious, starter in concluding comprehensive preferential tariff agreements covering substantially all trade with some of its trading partners*."[67]

India has been negotiating FTAs (including follow-up agreements) with the **EU, EFTA[68]**, Sri Lanka, Israel[69], Thailand, Mauritius, New Zealand[70], Singapore, Southern African Customs Union (SACU), MERCOSUR, Chile, BIMSTEC (Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan and Nepal), Gulf Cooperation[71] Council, Canada[72], Indonesia, Australia[73], South Korea and the Eurasian Economic Union[74] (Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan).

Regional Comprehensive Economic Partnership (RCEP)
On a regional basis, India is a member of two regional Free Trade Agreements (FTAs) in Asia: i) Agreement on South Asian Free Trade Area (SAFTA), ii) India-ASEAN Comprehensive Economic Cooperation Agreement on goods, services and investment. In 2012 negotiations on a RCEP between 10 members of ASEAN and its FTA Partners (including India) were launched.[75] The sixteen participating countries account for almost half the world's population, 30 % of global GDP, and 25 % of world exports.[76]

The **Indian industry remains skeptical** about the RCEP negotiations and potential benefits for India and expressed its concerns again towards the Indian Government. As side remarks to the PM Modi visit end of April 2018 to China, the Indian Government think tank "NITI Aayog" has argued that India might need to rethink joining the RCEP.

According to the **Indian Commerce Ministry**, however, the RCEP *propels India's Act-East Policy*. It is in the opinion of the government **important** because of India's geographical connect and natural complementarities.

The **EU** is India's largest trading partner. Until 2013, sixteen rounds of negotiations towards a Broad based Trade and Investment Agreement (BITA) were held. After the termination of all Bilateral Investment Agreements (BITs) by India in 2016, the EU-India BTIA negotiations were halted. In 2017/2018, both, the EU commission and India tried to find common ground at political and technical level to re-open the negotiations. However, by the end of June 2018, no decision to reactivate the suspended negotiations has been taken.

EFTA: The 17th round of negotiations India-EFTA on a Trade and Economic Partnership Agreement (TEPA) took place in September 2017 in New Delhi.

USA: The US government decided not to sign the **Trans-Pacific-Partnership (TPP)-Agreement**. However, several bilateral dialogue mechanisms do exist on trade and investment related issues, including a Ministerial level Economic and Financial Partnership, a Ministerial Trade Policy Forum and the India-US CEO's Forum. Other bilateral institutional setups include the India-US Investment Initiative and the US-India Infrastructure Collaboration Platform.

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[65] Brookings India: Working Paper (by Harsha Vardhana Singh): Trade Policy Reform in India since 1991, page 27.
[66] PHD Chamber of Commerce Publication – India's Trade Agreements – Dynamics and Diagnostics of Trade Prospects
[67] Department of Commerce, Government of India, "Free Trade Agreements. Frequently Asked Questions", Note/ page 4, dated April 9, 2014.
[68] EFTA-India TEPA: 17th round took place Sept. 2018 in New Delhi. Ongoing negotiations.
[69] 8 rounds (2013) have been held / Source: Ministry of Commerce & Industry: Annual Report 2016-17; page 92.
[70] 10 rounds (2015) have been held / Source: Ministry of Commerce & Industry: Annual Report 2016-17; page 75.
[71] 2 rounds (2006/08) have been held / Source: Ministry of Commerce & Industry: Annual Report 2016-17; page 92.
[72] 9 rounds (2015) have been held / Source: Ministry of Commerce & Industry: Annual Report 2016-17; page 75.
[73] 9 rounds have been held so far. / Source: Ministry of Commerce & Industry: Annual Report 2016-17; page 75.
[74] In 2016, it was agreed to initiate the FTA negotiations. / Source: Ministry of Commerce & Industry: Annual Report 2016-17; page 85.
[75] World Trade Organization, WTO members debate new proposals to ease global flow of services, https://www.wto.org/english/news_e/news16_e/serv_05oct16_e.htm
[76] "Regional Comprehensive Economic Partnership," Department of Foreign Affairs and Trade, Australian Government, http://dfat.gov.au/trade/agreements/rcep/Pages/ regional-comprehensive-economic-partnership.aspx

UK: The Indian Government expects the **impact of the Brexit on India** to be **minimal.** Last year, India has seen itself well prepared to deal with this situation[77]**,** considering its sound macroeconomic fundamentals, comfortable foreign exchange reserves, commitment to fiscal discipline and declining inflation.[78]

2.1.2. Tax Policy

OECD – Automatic Exchange of Information (AEOI) in tax matters and Mutual Agreement signed between Switzerland-India

On 21st December 2017, Switzerland and India signed a mutual agreement on the application of the Convention on Mutual Administrative Assistance in Tax Matters for the purposes of activating the Automatic Exchange of Information (AEOI) between Switzerland and India. This follows the Swiss Parliament's approval of the AEOI with 41 additional partners, including India. The mutual agreement is the last formal step before the activation of the automatic exchange of information between Switzerland and India, as well as the end of a process that started with the signing of the corresponding Joint Declaration in 2016. Switzerland is thus confirming its commitment to the new international AEOI standard. The AEOI with India will be implemented as of 1st January 2018, and the first exchange of data will take place in autumn 2019.

Bilateral Meeting / Dialogue on Tax Issues

From June 21 to 22, 2018, a technical meeting and dialogue on tax matters was organised by the Secretariat of International Finance (SIF) in Berne, on request of the Indian Tax Authority/ Ministry of Finance. Multilateral and bilateral tax issues were discussed.

2.2 Outlook for Switzerland (potential for discrimination)

The Swiss authorities are following several avenues to **minimize discrimination** risks of Swiss companies doing business in India and to ensure a "level playing field". Its priorities and focus are related to trade facilitation, to investment protection and intellectual property rights and inherent topics.

Public Procurement: The Department of Industrial Policy and Promotion (DIPP) is undertaking measures to ensure effective implementation of public procurement regulations in order to promote 'made in India' products.[79]

Price Capping on Medical Devices: India's drug pricing authority – the National Pharmaceutical Pricing Authority (NPPA), as per the Medical Devices Rules 2017, has notified the Medical Devices Rules, 2017, which has come into effect from January 2018, allowing the NPPA to notify 15 medical devices as drugs, effectively bringing them automatically under price control regulation.[80] However, there is growing opposition from the Indian medical device manufacturers and associations on the price caps imposed by NPPA. They feel that capping of prices would leave little or no room for innovation in the country. The medical device manufacturers feels that capping of prices would affect *"innovation, profits and future investment"*.[81]

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[77] No newer information available.

[78] http://phdcci.in/image/data/Research%20Bureau-2014/Economic%20Developments/paper/BREXIT%20Impact.pdf – Page 19

[79] Economic Times, 24.05.2018

[80] https://health.economictimes.indiatimes.com/news/medical-devices/price-control-as-a-regulatory-philosophy-fundamentally-dents-the-image-of-a-country/64633212

[81] https://health.economictimes.indiatimes.com/news/medical-devices/india-rejects-u-s-request-on-price-caps-on-medical-devices-sources/63993338

3 Foreign trade

3.1 Development and general outlook

India's Foreign Trade Policy 2015-2020

The Government of India launched its **Foreign Trade Policy 2015-2020** on April 1, 2015. Measures were adopted on trade facilitation by inducing and providing a framework for increasing exports of goods and services, generating employment and increasing value addition, following the "Make of India" vision, as well as better linking with other features, rules, procedures, initiatives and incentives, such as "Digital India", Skills India" a.o. In that context, the Ministry of Commerce & Industry set up also an **outreach program** to the exporters located in 34 major export clusters/cities. The program focuses on training of exporters **to utilize the FTAs**, tracking inputs from exporters on FTA's etc. Further, with support of the same Ministry, the Indian **PHD Chamber** launched a new **Trade and Investment Facilitation Services (TIFS): Single Window Information and Facilitation Services** towards the end of March 2017 for negotiations and promoting awareness about the contents of the website www.indiantradeportal.in. [82]

3.1.1 Trade in Goods[83]

Exports (including re-exports)

Exports during 2017-18 are at **USD 303 billion** registering a growth rate of 9.78 % vis-à-vis 2016-17. Major commodity groups of export showing positive growth are engineering goods (14 %), Petroleum products (52 %), Gems and Jewellery (2.72 %), Organic and Inorganic chemicals (30 %), Drugs & Pharmaceuticals (14 %).

India incurred the highest trade surpluses with the following countries: United States: USD 47'878 million, United Arab Emirates: USD 28'145 million, Hong Kong: USD 14'690 million, China: USD 13'336 million, Singapore: USD 10'202 million and United Kingdom: USD 9'690 million. With Switzerland, India had trade worth USD 1'083 million (with gold) during April 2017-March 2018.

Imports

Cumulative value of imports for the period April-March 2017-18 was **USD 465 billion** as against USD 384.36 billion registering a positive growth of 19.59 % over the same period last year. Major commodity groups of import showing high growth Petroleum, Crude & products (56.61 %), Electronic goods (14.28 %), Machinery, electrical & non-electrical (32.83 %), Coal, Coke & Briquettes, etc. (26.98 %), and, Organic & Inorganic Chemicals (24.28%).

India's imports were primarily from the following countries: China (USD 76'271 million), USA (USD 26'611 million), United Arab Emirates (USD 21'739 million), Saudi Arabia (USD 22'069 million) and Switzerland (USD 18'923 million - inclusive of gold bars and other precious metals, coins, precious stones and gems etc.).

"For Indian exports, the year 2017-18 started showed positive growth of 11.15 % during April-November period (2017-18)"[84]. The comparison is based on the latest monthly figures dating from December 2017, comparing it with the corresponding period of 2016 and also on the cumulative trade figures available for the period April-December 2016 and 2017.

India maintains a relatively **high import duties setup** in order to protect its domestic market, and there are some non-tariff barriers for pharmaceutical and food products (labelling issues), bureaucratic procedures, infrastructural bottlenecks and resultant high transaction costs. Nevertheless, the GST is expected to reduce the transaction costs for both domestic and foreign companies, especially those in the industry.

3.1.2 Trade in services [85]

As per the Reserve Bank of India, **India's services exports** at **USD 163.1 billion** grew by 5.7 % in 2016-17 compared to negative growth of -2.4 % in 2015-16. During April-September of 2017-18, it recorded a robust

[82] Ministry of Commerce & Industry: Annual Report 2016-17; page 46.
[83] http://commerce.gov.in/writereaddata/UploadedFile/MOC_636671020236964502_Press_Release_June_2018.pdf
[84] http://commerce.gov.in/writereaddata/uploadedfile/MOC_636626711232248483_Annual%20Report%20%202017-18%20English.pdf
[85] https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=43928

growth of 16.2 % with a turnaround in some major sectors like travel and software services. Notwithstanding domestic software companies facing pricing pressure on traditional services and a challenging global business environment, software services exports, accounting for about 40.4 % of total services, increased by 2.3 %.

India's services imports also exhibited a much higher growth of 17.4 % in April- September 2017-18 as payments on transport sector (contributing 15 % share) increased by 15.0 %. Owing to higher growth of 16.2 % in exports of services, net services receipts rose by 14.6 % during April-September of 2017-18 as against a decline of 10 % in the corresponding period of 2016-17. Net surplus in services financed about 49 % of India's merchandise deficit in 2017-18 H1 and cushioned the current account deficit.[86]

The **tourism sector** continued to perform well in 2017. India received 10 million foreign tourists as compared to 8.8 million during 2016 (+15.6 %).[87] The UN World Tourism Organisation (UNWTO) predicts that India will account for 50 million outbound tourists by 2020[88].

During 2016, Foreign Tourists Arrivals (FTAs) were 8.8 million with a growth rate of 9.7 % over 2015. During 2017, a total of 1.7 million foreign tourists arrived on e-Tourist Visa registering a growth of 57.2 %. During 2016, FTAs on e- Tourist Visa in India were 1.08 million as compared to 0.445 million in 2015, registering a growth of 142.5 %. Efforts to **liberalize the visa regime**, particularly the expansion of tourism e-visas (an electronic visa that only requires an online application) to citizens of over 160 countries have supported a steady increase in tourist arrivals. The government estimates that since its introduction in 2014, the e-visa scheme has added nearly USD 215 million to government revenue. Tourism remains an important source of foreign-exchange earnings. Government data show that in 2017 some **USD 27.7 billion-worth** of foreign-exchange inflows came from the tourism sector. This pick-up in tourism will support higher foreign-exchange earnings, and provide support to the services balance in the current account.[89] Furthermore, medical and wellness tourism has become a niche tourism product in recent years. Foreign tourists traveling to India for medical treatment have almost doubled, from 184'298 in 2014 to 427'014 in 2016.[90]

India's **computer software/services and IT enabled services (ITeS)** has grown by 3.83 % to USD 111 billion during 2016-17.[91]

Outlook:
In the global economic landscape, India is (currently) gaining more relevance as fastest growing G-20 economy. Its market size, inherent economic strengths or Government undertaken policy reforms have attributed to its standing. According to the claims made by the India Brand Equity Foundation (IBEF) *"Technological and infrastructural developments being carried out throughout the country augur well for the trade and economic sector in the years to come"*.[92]

As per the IBEF report, the Foreign Trade Policy (FTP) of India has helped increased **India's exports which are expected to reach US$ 750 billion by 2018-2019.** Further, with the Government of India striking important deals with others, e.g. the governments of Japan, Australia, South Korea or China, it is expected that the external sector is further increasing its contribution to the economic development of the country and growth in the global markets. Moreover, by implementing the FTP 2014-19, **by 2020**, **India's share in the global trade is expected to double** from the present level of 3%.[93]

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[86] Final Annual Report, Ministry of Finance, p. vii, https://dea.gov.in/sites/default/files/Final%20Annual%20Report%20English_0.pdf

[87] Ministry of Tourism, over 15 % growth in Foreign Tourist Arrivals http://www.pib.nic.in/PressReleseDetail.aspx?PRID=1525140

[88] https://www.business-standard.com/article/economy-policy/number-of-indians-travelling-abroad-to-double-by-2020-118010700295_1.html

[89] Economist Intelligence Unit, http://country.eiu.com/article.aspx?articleid=1866752970&Country=India&topic=Economy&subtopic=Forecast&subsubtopic=External+sector&u=1&pid=966725680&oid=966725680&uid=1

[90] Foreign Tourist Arrivals in India for the medical purpose have shown a substantial increase from 2014 to 2016: Tourism Minister www.pib.nic.in/PressReleseDetail.aspx?PRID=1527299

[91] https://economictimes.indiatimes.com/tech/software/indias-software/services-exports-clocks-at-usd-111-billion-esc/articleshow/62651131.cms

[92] https://www.ibef.org/economy/trade-and-external-sector (India Brand Equity Foundation (IBEF) is a Trust established by the Department of Commerce, Ministry of Commerce and Industry, Government of India)

[93] https://www.ibef.org/economy/trade-and-external-sector

3.1.3 India's Trade Balance

Taking merchandise and services together, **overall trade deficit** of India for **April-March 2017-18** is estimated at **USD 87.17 billion** as compared to USD 47.70 billion during April-March 2016-17.

India's imports have been increasing with no cushion from exports to mitigate the impact. In **January 2018** India's trade deficit surged to a **five-year high** of USD 16.3 billion. While *rising oil prices* contributed significantly to increased imports, a large part of the deficit was due to increasing non-oil non-gold imports owing to firming growth and GST-attributed supply chain disruptions. On the other hand, exports failed to match the increase *in imports* despite rising global demand.[94] With prospects of rising protectionism and trade barriers impacting global trade and demand, export growth is further at risk.

3.2 Bilateral trade

3.2.1 Trade in goods

According to a system on foreign trade performance analysis (FTPA), by the Department of Commerce, Ministry of Commerce and Industry, **Government of India**, **exports from India** to Switzerland marginally increased (from USD 979 million in April-March 2017 to USD 1,084 million in April-March 2018) registering a positive trend of 10 % rise increasing the share to 0.36 %.[95]

On the other hand, **Imports by India** from Switzerland has also shown marginal increase to USD 1.8 billion (+9.71%).[96] Gold imports amounting to USD 1.7 billion out of the total share of imports.[97]

In 2017, the **trade balance** continued to be **positive for Switzerland**, amounting to a trade surplus of CHF 17.8 billion. **The total volume of goods traded with India** stood at **CHF 19.5 billion, up +33.7 % YoY** [98]. **Exports increased by +36.2 %** YoY and **imports by +9.4 % YoY**.[99]

At the product type level, exports of fertilizers, dyes and pigments increased by **70.6%** YoY, precious stones, precious materials and jewellery by **+40.6%** YoY. Exports in ammunition/ weapons decreased by -38% YoY. On the other hand, imports of **basic chemical products** increased by 23.3% YoY and amounted to almost 30% of Swiss imports from India.

According to Swiss foreign trade statistics[100] **India is newly ranked as the 4th largest destination** (8th largest in 2016) for **Swiss exports in 2017** (including gold and other precious metals and precious stones etc.), after Germany, USA and China.[101]

With regard to India, *gold* *and other precious metals, precious stones*, etc., constitute **91% of Switzerland's exports to India**. Gold trade from Switzerland to India is very variable since it depends strongly on the global economic situation.

On the **import side**, India was ranked **26th** whilst **total trade with India was ranked 9th**.

Total Trade Total 1 (**without gold**)

Periode 1,2,3	Handelspartner	Import			Export		
		Menge (Kg)	Wert (CHF)	Wert +/- %	Menge (Kg)	Wert (CHF)	Wert +/- %
2017	Gesamthandel	52'319'317'284	185'773'762'795	7.0	20'356'378'178	220'582'404'650	4.8
	Indien	161'107'816	**1'455'786'558**	13.6	77'705'862	**1'645'887'099**	1.7

[94] Deloitte, insights, The economy gathers momentum, but headwinds could interrupt the rebound, https://www2.deloitte.com/content/dam/insights/us/articles/4383_India-economic-outlook/DI_India-The-economy-gathers-momentum.pdf

[95] http://commerce-app.gov.in/eidb/iecnttopn.asp

[96] http://commerce-app.gov.in/eidb/iecnttopn.asp

[97] http://commerce-app.gov.in/eidb/Icntcom.asp

[98] Eidgenössische Zollverwaltung, Aussenhandelsstatistik January to December 2017.

[99] https://www.bfs.admin.ch/bfs/en/home/news/whats-new.assetdetail.5128670.html

[100] https://www.ezv.admin.ch/ezv/en/home/topics/swiss-foreign-trade-statistics.html

[101] Swiss foreign trade: Key trading partners, https://www.bfs.admin.ch/bfs/en/home/news/whats-new.assetdetail.5128689.html

Total Trade Total 2 **(with gold)**

Periode 1,2,3,4	Handelspartner	Import			Export		
		Menge (Kg)	Wert (CHF)	Wert +/- %	Menge (Kg)	Wert (CHF)	Wert +/- %
2017	**Gesamthandel**	52'324'089'913	265'571'542'294	-0.2	20'365'769'870	294'893'856'892	-1.2
	Indien	161'115'529	**1'617'227'421**	9.4	78'232'446	**19'510'809'932**	36.2

As in the previous year, the **major items that Switzerland exported to India in 2017** were gold, precious metals and jewellery (+40.6%)[102], machinery (-8.4%), chemicals (+25.7%), pharmaceuticals (-5.0%), watches (+7.9%) as well as optical instruments and medical devices (+7.4%). On the other hand, the **main items imported by Switzerland** from India during the same period were chemical (+23.2%), textiles, clothing, shoes (+10%), gold, precious metals and jewellery (-15.9%), agricultural products (-4.3%) and machinery (+11.3%).

3.2.2 Trade in services

Switzerland and India have a strong relationship in terms of trade in services.

With regard to tourism, the overnight volume of Indian tourists in Switzerland has been growing steadily for the last decade by 119%. Switzerland remains among the top destinations for outbound Indian tourists. In **2017**, the **Indian tourists generated 739'185 overnights**, a **growth of 23.4 %** YoY, which is one of the highest growth rates registered for Asian tourists. [103] The export of software and other IT-enabled services from India to Switzerland is estimated to be around USD 2 billion annually.

Outlook
According to an assessment of the Swiss Business Hub India, the **most promising sectors** of the Indian economy include clean energy, energy transmission, power, food and food processing, healthcare, automotive, transport equipment, MEM (specifically railways and metros), engineering, construction, chemical, telecommunication, information technology, precision instruments, and consumer goods.

The **increase on customs duties** in the budget 2018, e.g. on watches from 10 % to 20 % will increase final consumer prices. The earlier positive development due to the reduction of the GST rate from 28 to 18 % will be partially affected and diluted. Based on these duty revisions in the budget, the Federation of the Swiss Watch Industry FH flagged the new rates as a concern for exporting watches to India.

4 Direct investments

4.1 Development and general outlook

The **yearly foreign direct investment (FDI) inflows to India** have grown steadily during the last ten years, rising from USD 5 billion in 2005-06 to **USD 44.8 billion in 2017-18** (see Annex 5). FDI has increased in the Financial Year 2017-18 from 43.5 billion to 44.8 billion a year ago.[104] According to the Ministry of Commerce and Industry, together with reinvested earnings and other capital, **total FDIs into India amounted to** USD 60.1 billion in the FY 2016-17 and **USD 48.2 in the FY 2017-18.**[105] These rising inflows to India, which now amount to almost 2.5 % of GDP, are driven by a number of factors, e.g. optimistic growth outlook, FDI liberalization in sectors where investments are needed, and economic reforms in the country.

According to the recent UNCTAD World Investment Report 2018[106], FDI to India decreased from $44 billion in 2016 to $40 billion in 2017.

Cumulative FDI data (incl. equity inflows+ re-invested earnings+ other capital) indicate that foreign direct investments **worth USD 546 billion** were made in India during the period April 2000–March 2018. Cumulative FDI data (excl. amount remitted through the Central Bank-Reserve Bank of India Non-Resident Scheme

[102] The %-age increase/decrease is as compared to the year 2016 (see annex 4).
[103] Switzerland Tourism, The highest growth in overnights, https://report.stnet.ch/en/2017/represented-in-26-countries/
[104] http://dipp.nic.in/sites/default/files/FDI_FactSheet_29June2018.pdf
[105] http://dipp.nic.in/sites/default/files/FDI_FactSheet_29June2018.pdf
[106] http://unctad.org/en/PublicationsLibrary/wir2018_en.pdf (UNCTAD World Investment Report 2018)

scheme) worth USD 376 million were made during April 2000-March 2018. Major foreign investors in India are Mauritius, Singapore, Japan, the UK, the Netherlands, the USA, Germany, Cyprus, France, the UAE and Switzerland (see Annex 5). Almost all of these (with the exception of the UK, Cyprus and France) have seen their total inflow grow by double digits in the FY 2017-18. A few of these countries are "channels" to route foreign investment into India in order to benefit from the tax optimization potential.[107] India recently notified an amendment in the India-Mauritius tax treaty, and consequently has the right to tax capital gains on transfer of shares in an Indian entity since April 2017. Similar provisions, including the limitation of benefit (LOB) clause, are being discussed with some of the aforesaid countries to prevent investors misusing the treaties and round tripping the funds. The new structure will streamline the flow of foreign investments into India.

The following **sectors attracted**[108] a significant share of cumulative FDI inflows during April 2000–March 2018: financial and non-financial services (18%), followed by telecommunication (8%), computer software and hardware (8%), construction development: townships, housing, built-up infrastructure (7%).automobile industry (5%), trading (5%), pharmaceutical (4%), , chemicals (4%), power (4%) and Construction (infrastructure) activities (3%).

With regard to **outbound investments**, Indian companies continue to invest abroad to have access to foreign markets, acquire latest technologies, brands, as well as high-end talent and secure sources of raw materials. As per data from the Ministry of Finance, the cumulative amount of (actual) outward direct investments (equity, loan and guarantee invoked) for the three-year period between April 2014 and April 2017 was worth USD 39 billion. During the same period, the cumulative amount of committed outward direct investment (equity, loan and guarantee issued) was USD 120 billion. Sector-wise, Indian companies made major investments in manufacturing (29.8%)[109], financial, insurance and business services (28.97%) and wholesale, retail trade, restaurants and hotels (12.54%). Mauritius, Singapore, the USA, the UAE, Netherlands, UK, and **Switzerland** were **among the top investment destinations for Indian companies**[110].

As **India remains amongst the fastest growing emerging economies**, there are a lot of investment opportunities available for companies. Sectors, such as services, renewable energy, engineering, defence, life sciences, consumer goods (incl. food processing) transportation infrastructure (incl. railways) and electronics offer greater convergence for business collaboration.

Nevertheless, the **decision of the Indian Government in July 2016 to terminate the existing Bilateral Investment Protection Treaties (BITs)** with all the partner countries and to renegotiate them based on its new model text **does negatively impact** the level of legal protection for foreign investors and does generally increase the hurdles to access private arbitration.

4.2 Bilateral investment

Switzerland is ranked among the top foreign investors (11th position) in India. As per the cumulative FDI inflows data available for **April 2000-March 2018, Switzerland has invested some USD 4.3 billion in diverse sectors**. As part of foreign direct investment in India, including investment from Switzerland, is presumably **routed through other countries**, the actual Swiss direct investment in India is probably higher. As per the latest Swiss National Bank data, by end of 2016, the total of stock capital invested by Swiss companies in India amounted to CHF 4.6 billion, creating over 82'000 jobs. [111]

There are **more than 250 joint ventures / wholly-owned subsidiaries of Swiss companies** operating in India. A major part of Swiss investment in India has gone into engineering and industrial equipment, services (tourism, financial, logistics etc.), precision instruments, chemical and pharmaceutical, electrical and electronics, construction and consumer goods sectors.

The **Bilateral Investment Protection Treaty** pertaining to Switzerland has ceased to be in force in April 2017. However, due to a sunset clause, the protection for **existing investments** of Swiss based companies **will**

[107] https://economictimes.indiatimes.com/news/economy/policy/tax-havens-account-for-highest-increase-in-fdi-inflows/articleshow/65137547.cms

[108] http://dipp.nic.in/sites/default/files/FDI_FactSheet_21February2018.pdf

[109] Representing the share in total outflows of direct investment between April 2014 and April 2017. Source: Ministry of Finance, Department of Economic Affairs, Overseas Direct Investment, http://dea.gov.in/overseas-direct-investment

[110] https://dea.gov.in/sites/default/files/ODI%20Fact%20Sheet%20from%20April%202014%20to%20December%202017.pdf

[111] Swiss National Bank, Swiss direct investment abroad – by country and country group, https://data.snb.ch/en/topics/aube#!/cube/fdiaustlanda?fromDate=2000&toDate=2015&dimSel=d0(IN)

continue for the next 15 years, while new investments are currently not any more protected. In the meantime, re-negotiations of a new BIT between India – Switzerland have started.

Switzerland continues to attract more investment from Indian companies looking for a gateway to Europe. As per data from the Indian Ministry of Finance, outward direct investments (equity, loan and guarantee invoked) from India to Switzerland worth USD 1.72 billion were approved between April 2014 and December 2017, making **Switzerland the 7th largest recipient of Indian investments**.[112] Currently, **about 140 Indian companies have a presence in Switzerland**.[113]

5 Trade, economic and tourism promotion "Country advertising"

5.1 Foreign economic promotion instruments

Trade, economy and tourism is promoted through a wide network of Swiss representations across India.[114]

5.1.1. Swiss Business Hub India (SBHI)

The SBHI[115], in close conjunction with Switzerland Global Enterprise (SGE) and as part of its export promotion mandate, supports Swiss companies in their efforts to enter or extend their presence in the Indian market. From Aug 2017 to May 2018, the SBHI held 3 rounds of Country Consulting Weeks in Switzerland. A webinar on the topic of "Medical Devices Market in India" was organized for Swiss medtec companies. Together with Swissmem, a special service for Swiss textile machinery companies is provided by offering an ATUFS registration with the Textile Commissioners Office to avail subsidy for eligible textile machines from Switzerland.

During its consultancy sessions**,** the hub highlighted opportunities in selected growing sectors in India, such as aerospace and defense, railway/metro, fintech, cleantech, renewable energy, food processing, ICT and logistics. Recent examples of the SBHI mandates are fact-finding missions for Swiss companies in the hand-tools and pharma sectors, business partner searches for companies in the surface technology and machine tool sectors, market studies about the food sector and legal/regulatory services for companies in the insurance and food sectors.

As a part of the investment promotion mandate, SBHI conducted 3 roadshows. This involved conducting one-to-one meetings with Heads of companies looking to establish a presence in Switzerland in the form of a sales and marketing office, R&D centre, trading operations, holding company or a regional headquarter. In order to tap the most promising opportunities, the hub conducted meetings in 7 cities (New Delhi, Mumbai, Pune, Bangalore, Hyderabad, Indore and Vishakhapatnam) and across diverse sectors (ICT & analytics, life science, healthcare, chemicals, automotive). As a part of the roadshows, the hub also organized CEO Roundtables in Bangalore, Pune and Indore to inform companies about the advantages of investing in Switzerland. In the period under consideration, 22 prospects were generated and 5 settlements were achieved.

5.1.2. swissnex India

The mission of swissnex India [116] is to encourage and facilitate collaborations and exchanges in the field of education, research and innovation. The activities aim to bring closer the Swiss and Indian start-up and innovation eco-systems, including start-ups, Investors/Venture capitalists, innovative corporates and eco-system players, such as incubators and accelerators. Priority areas for swissnex India are life sciences/ health-tech, renewable energy, ICT/digital data and sustainable, smart cities.

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[112] Ministry of Finance, Department of Economic Affairs, Overseas Direct Investment, http://dea.gov.in/overseas-direct-investment

[113] Source: Internal market intelligence done by the SBHI and verified by Zefix

[114] The Swiss network in India consists of the Swiss Embassy in New Delhi and two Consulate General, one in Mumbai – with the Swiss Business Hub India and Swiss Tourism integrated – and one in Bangalore, with swissnex India integrated, as well as a Honorary Consulate in Kolkata and one in Chennai..

[115] For website, please see: https://www.s-ge.com/en/company/swiss-business-hub-india; The SBHI is based in Mumbai and part of the Consulate General Switzerland in Mumbai. One staff member is based at the Embassy of Switzerland in Delhi.

[116] Swissnex India is based in Bangalore and part of the Consulate General of Switzerland in Bangalore. One staff member is based at the Embassy of Switzerland in Delhi.

Within this context, swissnex India is mandated by InnoSuisse (previously Commission for Technology and Innovation) to promote the **internationalization of Swiss start-ups** (that are part of their coaching program) by providing a soft-landing platform and mentoring in India. Furthermore, swissnex India acts as the anchor and implementing partner of the Academia-Industry Training (AIT) program, a boot camp for **entrepreneurial scientists** (scientrepreneurs) and very early-stage university spin-offs from India and Switzerland. The program is funded by the Indian Department for Science and Technology (DST) and the Swiss Leading House for South Asia and Iran, ZHAW. Swiss university spin-offs have also participated in the SolarTech Tour 2017, a program initiated by swissnex India to promote **technology transfer** in the photovoltaic sector with Indian industry. Last but not least, swissnex India supports **technology scouting** for innovative Swiss companies on a mandate basis.

With regard to **Innovation, Technology and ICT domain,** swissnex sees interesting and dynamic developments on the ground, particularly true for the innovation hub Bangalore. On the one hand side, IT-outsourcing companies in Bangalore have transitioned from being a IT service providers to innovation drivers, primarily by adopting open innovation approaches. On the other hand, many multinational companies set up their R&D centers in Bangalore and are expanding, including Swiss companies.

One of the flagship initiatives of the Indian Government is **Start-up India**, intended to drive sustainable economic growth and generate large scale employment opportunities through start-ups. The National Institution for Transforming India, (NITI Aayog) through its programs like AIM (Atal Innovation Mission); ATL (Atal Tinkering Labs) and SETU (Self Employment and Talent Utilisation) is promoting entrepreneurship at a large scale and magnitude..

The developments in India create (potential) opportunities in the Swiss start-up ecosystem, especially since a parallel umbrella initiative has been set-up called **digitalswitzerland** (previously: Digital Zurich 2015), a cross-industry association created to strengthen the country's position as a digital hub including industries such as fintech, life science, medtech, and many more. **digitalswitzerland focuses on three key areas**: *attracting outstanding digital talent, helping existing companies master digital challenges, and significantly strengthening the Swiss start-up ecosystem.*

5.1.3. Switzerland Tourism

Switzerland Tourism's office, embedded in the Consulate General in Mumbai, promotes Switzerland as one of the most attractive travel destinations (detailed figures see chapter 3.2.2.). Swiss Tourism focused most of its efforts on the segment of "Attraction Tourer", as Indian tourists are keen to explore as much as possible. For the third year, Bollywood actor Ranveer Singh has been promoting Switzerland as a destination for active travellers looking for adventure, experiences and fun during their holidays. The campaign is digitally driven and aims at making Switzerland more attractive for the next generation visitors. A new "Luxury Traveller" segment has been added in the Indian market, while "Snow Lovers" and "Cultural Travellers" remain niche segments.

5.1.4. Swiss-Indian Chamber of Commerce

The Swiss-Indian Chamber of Commerce (SICC), headquartered in Zurich, with its four regional chapters in India (New Delhi, Mumbai, Bangalore, and Pune), works closely with the Embassy, Consulates General and Swiss Business Hub India to help promote and strengthen bilateral trade and investment relations. Several Embassy initiatives and events were supported by SICC members in 2017/2018, e.g. as part of the SIF-70 celebrations, or on Vocational Education and Training issues and lesson learnt. SICC members also shared business experienced with the Swiss delegations participating at the Joint Economic Commission Switzerland-India, which took place in early February 2018 in Delhi. In addition to the Indian chapters, the Swiss-Indian Business Forum based in Geneva also helps in promoting Swiss-Indian business ties and bilateral economic relations.

5.2 Bilateral Dialogues in 2017/2018 and other matters of interest

5.2.1 The Joint Economic Commission

The 16th Joint Economic Commission meeting took place on 22 February 2018 in New Delhi. Various issues of bilateral trade and investment were taken up during the discussions.

5.2.2 Financial Dialogue Switzerland – India

Switzerland and India had 3 rounds of the Financial Dialogue so far. The 4th round is in panning.

5.2.3 Air Services agreement

In December 2017, India and Switzerland signed a Memorandum of Understanding (MoU), which settles differences in interpretation surrounding the ownership and control clause in the bilateral air services agreement.

5.2.4 70 Years of Swiss-Indian Friendship 2017-18:

The Embassy of Switzerland initiated the event series "*70 Years of Swiss Indian Friendship: Connecting Minds - Inspiring the Future" (SIF70)*. This biennial initiative commemorates the anniversary of the Swiss-Indian Treaty of Friendship, which was signed in New Delhi on August 14, 1948. Prime Minister Nehru himself visited Switzerland for the ratification process of the Swiss Parliament in May 1949. SIF70 was officially launched by the then President of the Swiss Confederation Mrs. Doris Leuthard during her State visit to India on September 1, 2017.

With this initiative, the Swiss diplomatic network in India is connecting Swiss and Indian minds that are actively shaping the future of both countries. The focus lies on creating opportunities for innovation in business, research and technology, but also in the fields of governance, art or social inclusion. Events and activities have started in April 2017 and will continue to take place in various cities across India to highlight this important landmark.

5.3 The host country's interest in Switzerland

Investments: Switzerland and Europe continue to be attractive markets for Indian companies despite some current political and economic difficulties faced by the region. Switzerland Global Enterprise and the SBHI have also intensified its engagement to attract potential Indian investors to come to Switzerland. Switzerland remains within the top 10 investment destinations for Indian companies. Recent Indian investments in Switzerland have come from sectors such as ICT, analytics, fintech and pharmaceuticals. The activities conducted by Indian companies in Switzerland range from business development to R&D and IP management.

Switzerland as a financial centre: Indian companies engaged in external trade have been using the Swiss banking system for business transactions. Corporate India is well informed about Switzerland as a good base for fund raising by issuing Swiss franc denominated bonds via SIX (Swiss Stock Exchange). In addition, private equity funding in India becomes more and more important for Swiss financial institutions. The Automatic Exchange of information (AEOI) on reciprocal basis between India and Switzerland has been put in force in January 2018. The first exchange shall take place in autumn 2019.

Health / Ayurveda: India is undertaking efforts to examine how Ayurveda and Yoga can be further promoted globally.

Higher Education and VET: According to the Indian government, over half a million Indians study abroad, whereof two-thirds are either in the US, Canada or Australia. While Switzerland is not a priority destination for Indian students (and hence, the number of Indian students in Swiss universities compared to other countries remains rather low), the **enrolment figures have quadrupled** over the last 12 years. Currently, almost 1000 Indian students study in the Swiss university system, not including the management and hospitality schools, which attract a lot of Indian students. Most of these students are pursuing doctoral degrees in the natural sciences and in engineering. Hence, India is also one of the priority countries for the attribution of the Swiss Government Excellence Scholarships.

Even before the Indian Prime Minister Modi officially launched the "Skill India" campaign, the federal and state governments of India have been pushing strongly for new **skills development** programs. Against this background, Switzerland's VET system is of interest to Indian policymakers. In 2016, a Memorandum of Understanding has been signed to establish formal cooperation in the fields of skills development as well as for vocational and professional education. Potential areas of cooperation, including cooperation in curriculum development, training of trainers, familiarization visits to Switzerland and research were identified. A Joint Working Group has been established to promote further exchanges and discuss follow up measures.

Research and Innovation: The interest of the Indian academic community in Switzerland has increased over the last decade, as indicated by the growing number of research collaborations. Numerous factors have contributed to that, among other the **Indo-Swiss Joint Research Program**, which not only supported bilateral research projects, but also raised awareness of Switzerland as a leading research location, and the Swiss Government Excellent Scholarship Program. The programs of the Swiss National Science Foundation are open to participation by the Indian research community. Moreover, Switzerland and India also collaborate in research and innovation through the European Union's research framework program, Horizon 2020. To increase awareness and strengthen the exchange between both innovation eco-systems, swissnex India has, among other activities, facilitated a delegation trip of Indian VCs and other Indian eco-system builders to Switzerland and establishes programs to connect Indian companies and Swiss start-ups and institution with an applied research focus (i.e. CSEM).

6 Conclusion

India is on the rise. The economy is in an upswing and the society - through urbanization, a rising middle class, and increasing consumer spending - is going through a profound transformation. India is the fastest growing G20 economy with current growth predictions of 7.4% for the year 2019-20. A new generation of entrepreneurs, with many young start-ups, is emerging. At the same time, while India is undergoing a fast development, economic precariousness and poverty are still part of Indian reality.

The government has ambitious plans to deeply transform India and to build a productive, fast-growing and competitive economy. It has developed a wide range of major government programs (including "Make in India", "Start-up India", "Digital India", "Skill India", etc.) with the objective of developing infrastructure, creating a large amount of new jobs, educating millions of people, ensuring energy supply, transferring the informal into the formal economy, fighting corruption, improving income and the overall quality of life of people.

The markets in India are growing fast and changing rapidly. A new middle class is gaining purchasing power, especially in urban areas. Growth potential in India is high in almost all sectors, also in niche markets. Nonetheless, the business environment remains demanding, with numerous challenges in everyday business life. Therefore, it is recommended to interested Swiss companies to be cautious with regard to a possible entry into the Indian market or cooperation with an Indian partner company.

It is the right time to get a first-hand impression of the situation in India, as "Incredible India" remains fascinating and provides countless business opportunities.

Annexes:

1. **Economic structure table**
2. **Main economic data table**
3. **Trade partners table including Switzerland**
4. **Bilateral trade table**
5. **Main investing countries table including Switzerland**

Economic structure

	Fiscal Year 2015-16	Fiscal Year 2016-17*
Distribution of GDP*		
Agriculture & Allied sector	**15.4 %**	**17.32%**
Industry sector	**31.4 %**	**29.02%**
Services sector	**53.2 %**	**53.66%**
- of which public services	**12.3**	**14.1**

**Based on Gross Value Addition (GVA) at Basic Prices (2011-12 prices). The new calculation formula was adopted effective fiscal year 2013-14.*

	Fiscal Year 2011-12	Fiscal Year 2013-14[117]*
Distribution of employment		
Primary sector	**53.8 %**	**48.3 %**
Secondary sector	**19.3 %**	**22.4 %**
Tertiary sector	**26.9 %**	**29.3 %**

Sources: *Ministry of Statistics & Programme Implementation, India*
http://mospi.nic.in/data
Labour Bureau, India
http://labourbureau.nic.in/reports.htm

[117] The latest data available at the moment.

Main economic data[118]

	2017	2018*	2019*
GDP (USD bn)	**2'454.458**	**2'685.703**	**2'959.667**
GDP per capita (USD)	**1'850.226**	**1'998.255**	**2'173.500**
Growth rate (% of GDP)	**6.7**	**7.4**	**7.8**
Inflation rate (%)	**3.3**[119]	**5.05**	**4.98**
Current account balance (% of GDP)	**-2.0**	**-2.3**	**-2.1**

*estimates
Source: IMF, World Economic Outlook (February, 2018)
http://www.imf.org/external/pubs/ft/weo/2017/01/weodata/weoselgr.aspx
Source: IMF, World Economic Outlook (April 2018)
http://www.imf.org/en/Publications/WEO/Issues/2018/03/20/world-economic-outlook-april-2018

	2015-16	2016-17 (est.)	2017-18 (est.)
Fiscal balance (% of GDP)	**-3.9**	**-3.5**	**-3.5**
Total external debt (% of GDP)	**23.4**	**22.9**	**22.7**
Debt service ratio (% of current account receipts, excluding grants)	**8.8**	**7.8**	**7.9**
Reserves (months of imports)	**8.6**	**8.1**	**7.9**

Source: IMF, Article IV Consultation (February, 2017)[120]
https://www.imf.org/~/media/Files/Publications/CR/2017/cr1754.ashx

	2013-14	2015-16	2016-2017*
Unemployment rate (%)[121]	**4.9**	**5.0**	**5.8**

Source: Labour Bureau, Indian Ministry of Labour and Employment
http://labourbureaunew.gov.in/UserContent/ILS_2015.pdf?pr_id=R16a %2b2lYOw4 %3d[122]
* http://unctad.org/en/PublicationsLibrary/wesp2017_en.pdf

[118] http://www.imf.org/external/pubs/ft/weo/2017/01/weodata/weoselgr.aspx
[119] Rates of inflation declined in the large emerging economies; falling short of the respective central banks' targets. One reason for the decrease in inflation was lower food prices. Inflation decreased to 3.3 % in India, while core inflation remained almost unchanged at 4.5 %.-SNB Annual Report
[120] Latest figures available, as on February 2017
[121] N.B. Of the 484 million workers estimated in 2011-12, only about 30 million are in the formal sector. The rest, i.e. 93 %, are employed in the informal sector. (Source: Economical and Political WEEKLY, Vol LII No 22, June 3 2017)
[122] Latest figures available

ANNEX 3 CH@WORLD module: **A352**

Trade partners: April 2017 – March 2018

India's trade

Rank	Country	*Exports* *from the host country (USD million)*	Share	Change [123]	Rank	Country	*Imports* *to the host country (USD million)*	Share	Change
1	USA.	48'878	16%	15.4%	1	China	76'271	16%	-24%
2	U.A.E	28,145	9.2%	-10.%	2	USA.	26'611	5.7%	19%
3	Hong Kong	14'690	4.8%	3.8%	3	U.A.E.	21'739	4.6%	1.1%
4	China	13'336	4.3 %	30.8%	4	Saudi Arabia	22'069	4.7%	10.6%
5	Singapore	10'202	3.3%	6.61%	5	*Switzerland*	18'923[124]	4.1%	9.7%
6	U.K.	9'690	3.1%	13.1%	6	Indonesia	16'438	3.6%	22.3%
7	Germany	8'687	2.8%	30.4%	7	South Korea	16'361	3.5%	29.9%
47	*Switzerland*	1'083	0.35%	10%	8	Iraq	17'615	3.7%	50.1%
	EU	49'121	19.0%	4.5%	9	Germany	13'295	2.8%	14.8%
						EU	44'356	14.0%	4.7%
	Total	303'376	100 %			Total	465'577	100 %	

Source: Department of Commerce, Indian Ministry of Commerce and Industry
http://commerce-app.gov.in/eidb/iecnttopnq.asp

[123] Change from the previous year
[124] Inclusive of gold bars and other precious metals, coins, precious stones and gems etc.

Bilateral trade

	Export (CHF million)	*Change (%)****	**Import** (CHF million)	*Change (%)****	**Balance** (CHF million)	**Volume** (CHF million)
2005	1'369	34.3	652	19.1	717	2'021
2006	1'888	37.8	736	12.8	1'152	2'624
2007	2'303	22.1	949	29.0	1'354	3'252
2008	2'406	4.5	1'101	16.0	1'305	3'507
2009	2'156	-10.4	800	-27.4	1'356	2'956
2010	2'561	18.8	1'010	26.2	1'551	3'571
2011	2'983	16.5	1'304	29.2	1'679	4'287
2012*	28'713	*)	1'450	*)	27'263	30'163
2013	23'980	-16.5	1'540	6.2	22'440	25'520
2014	19'342	-19.3	1'628	5.7	17'714	20'970
2015	20'613	6.6	1'464	-10.1	19'149	22'077
2016	14'325	-30.5	1'478	0.9	12'848	15'803
2017* ***** *(Total 1)***	**19'510.8** *(1'645.9)*	**36.2** *(1.7)*	**1'617.2** *(1'448.2)*	**9.4** *(13.0)0*	**17'893.6** *(197.7)*	**21'128** *(3'094.2)3 086*
2018 (I-VI)	*8'449.4*	*-24.6*	*907.4*	*10.9*	*7'542.0*	*9'356.8*

*) The Swiss Customs Administration made changes to the way it calculates imports and exports as of 1 January 2012. Since then, comparisons between 2012 and the previous years have no longer been possible.[125]

**) "Economic" total (total 1): without gold bars and other precious metals, coins, precious stones and gems, works of art and antiques

***) Change (%) from the previous year

Exports (including gold and precious metals)	**2016** (% of total)	**2017** (% of total)
1. Gold, precious metals, jewellery	88.7	91.6
2. Machinery	3.9	2.6
3. Chemicals	2.3	2.0
4. Pharmaceuticals	1.7	2.0
5. Optical instruments and medical devices	1.2	0.9

Imports (including gold and precious metals)	**2016** (% of total)	**2017** (% of total)
1. Chemicals	28.9	32.5
2. Textiles, clothing, shoes, umbrellas	23.1	23.3
3. Gold, precious metals, jewellery	14.1	10.8
4. Agricultural products	7.9	6.9
5. Machinery	6.5	6.6

Source: Swiss Customs Administration SCA, statistique du commerce extérieur (2017).

Foreign Direct Investment to India: April 2000 – March 2018

Main investing countries

Rank	Country	Direct investments (Total Inflows in USD million)	Share	Variation[126]	Inflows over past year (USD million)
1	Mauritius	127'578	34%	+12.5%	15'941
2	Singapore	66'771	18 %	+18.2%	12'180
3	Japan	27'286	7%	+5.9%	1'610
4	U.K.	25'438	7%	+3.3%	847
5	Netherlands	23'482	6%	+11.9%	2'800
6	U.S.A.	22'417	6%	+9.3%	2'095
7	Germany	10'845	3%	+10.5%	1'146
8	Cyprus	9'573	3%	+4.4%	417
9	France	6'237	2%	+8.2%	511
10	U.A.E.	5'754	2%	+18.2%	1'050
…	EU	13'170	4%	+55.2 %	7'280
11	*Switzerland*	*4'313*	*2%*	*+12.0%*	*515*
12	Others		6%		
	Total	376'848	100%	+11.9%	44'857

Source: Department of Industrial Policy and Promotion, Indian Ministry of Commerce and Industry
http://dipp.nic.in/sites/default/files/FDI_FactSheet_29June2018.pdf

[126] Change from the previous year