A New Era of Cooperation: India's Relationship with EFTA

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A New Era of Cooperation: India's Relationship with EFTA

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Executive Summary

European Free Trade Area (EFTA) is an intergovernmental organisation set up for the promotion of free trade and economic integration to the benefit of its four member countries, Iceland, Liechtenstein, Norway and Switzerland. The four EFTA countries have a combined population of approximately 14.9 million and a combined GDP of US$ 1.5 trillion. Switzerland is a world leader in pharmaceuticals, biotechnology, machinery, banking and insurance. Liechtenstein, like Switzerland, is highly industrialized and specialized in capital-intensive and research and development (R&D) driven technology products. The Icelandic economy benefits from renewable natural resources, not just rich fishing grounds, and has increasingly diversified into other industries and services. Abundant natural resources also contribute significantly to Norway's economic strength, including oil and gas exploration and production and fisheries, as well as important service sectors such as maritime transport and energy-related services.

Merchandise Trade of EFTA

The EFTA countries are all open, competitive economies committed to the progressive liberalization of trade in the multinational arena as well as in free trade agreements (FTAs). Among the EFTA countries, Liechtenstein based on its Customs Treaty of 1923 created a customs union built on the principle of open borders with Switzerland. The Customs Treaty integrated Liechtenstein into the Swiss economic area and freed it from economic isolation.

Total merchandise trade of EFTA has increased from US$ 831.1 billion in 2014 to US$ 1,074.6 billion in 2023, reflecting rise in both exports and imports. EFTA has recorded a persistent trade surplus in the past decade, which has risen from US$ 90.8 billion in 2014 to US$ 134 billion in 2023. Historically, among the EFTA countries, Switzerland has been the largest trading nation. In 2023, Switzerland accounted for 73% of EFTA's total trade, improving from a share of 71% in 2014. Switzerland was followed by Norway (25.5% of total trade) and Iceland (1.5%). A significant share of EFTA's trade is with the EU, which remained constant at around 50.1% in 2014 and 2023.

Merchandise Exports of EFTA

Germany is the largest market for EFTA's exports, accounting for 14.1% of total exports of EFTA in 2023, followed by USA (11.5% of exports), UK (8.2%) and China (8.1%). India was the 10^{th} largest export destination for EFTA's exports in 2023, accounting for 2.8% of its total exports. India's share in EFTA's global exports has improved in 2023 compared to previous year (2.3% in 2022). Mineral fuels, oils and products of distillation and natural or cultured pearls, stones and metals were the major commodities of EFTA's exports in 2023, both accounting for 21.2% each of EFTA's total exports in 2023, followed by pharmaceutical products (16.5%), organic chemicals (6.8%) and machinery and mechanical appliances (5.1%).

Merchandise Imports of EFTA

Much of the import needs of EFTA is fulfilled by the EU member countries. Concomitantly, Germany is also the largest source of imports for EFTA in 2023, accounting for 16.6% of import demand of EFTA. Germany is followed by USA (8.7% of imports), China and Italy (6.8% each) and France (5.2%). India was the 29th largest import source for EFTA in 2023. Natural or cultured pearls, precious stones and metals are the largest items in EFTA's import basket, accounting for 25.7% of total imports in 2023, followed by pharmaceutical products, machinery and mechanical appliances, transport vehicles, electrical machinery and mineral fuel and oils.

Services Trade of EFTA

EFTA's total trade in services has widened from US$ 371.5 billion in 2014 to US$ 483.6 billion in 2023, after moderating to US$ 338.8 billion in 2020. Among the EFTA countries, Switzerland remained the largest services exporter in 2023, accounting for around three-quarters of total exports by EFTA. Switzerland was followed by Norway (22.5% of exports) and Iceland (2.9%). In terms of services imports, Switzerland was again the largest importer among the EFTA countries, accounting for 72.4% of total services imports by EFTA in 2023, followed by Norway (25.7% of imports) and Iceland (1.9%). While Iceland witnessed a trade surplus in 2023, Switzerland and Norway recorded services trade deficits. Transport accounted for 19.7% of the total commercial services exports and 16.2% of commercial services imports of EFTA in 2023.

Foreign Direct Investment Scenario in EFTA

In terms of foreign direct investment (FDI) in EFTA, the region has generally been attractive to foreign investors due to its stable political and economic environment, highly skilled workforce and advanced infrastructure. Norway has a particularly strong track record in attracting FDI, with its oil and gas sector being a major draw for foreign investors. According to the United Nations Conference on Trade and Development (UNCTAD)'s World Investment Report 2024, the country received US$ 8 billion FDI in 2023, with the majority of investments going into the energy, technology and life sciences sectors. Switzerland is also a popular destination for FDI, particularly in the financial services sector. According to data from the Swiss National Bank, FDI inflows to Switzerland amounted to US$ 13.5 billion in 2023, with the majority of investments coming from European countries.

FDI Inflows into EFTA

To get a meaningful understanding on the trends in EFTA's overseas investments, this study has drawn upon the data collated by the Financial Times, through its online database tracking cross-border greenfield investment, viz. fDi Markets. According to Financial Times' fDi Markets, during 2014-2023, EFTA received a total envisaged investment of US$ 49.9 billion from 1,764 projects. Amongst the EFTA countries, Switzerland received the maximum investment of US$ 31.5 billion (63.1% of total capex inflow) during 2014-2023.

Maximum investment into EFTA were recorded from USA, accounting for 34.3% of total capex invested in the region during 2014-2023, followed by Germany (13.6% of total investment), France (7.9%), Sweden (4.8%) and the UK (4.6%). India accounted for a capex amounting to US$ 1.3 billion (2.7% of total investment) in the EFTA countries during the same time period. Communications sector received the maximum capex investment of US$ 14.5 billion, accounting for 29% of the total FDI received during 2014-2023. This was followed by investments in biotechnology (US$ 5.4 billion), renewable energy (US$ 5.3 billion), coal, oil & gas (US$ 3.1 billion) and consumer products (US$ 2.3 billion), among others.

FDI Outflows from EFTA

A total outward envisaged investment of US$ 308.5 billion was made by the EFTA entities in 9,111 projects resulting in 6,76,984 jobs across the globe during 2014-2023. Switzerland was the largest outward directed investment source among the EFTA countries, investing US$ 212.6 billion (more than half of the total envisaged outflows) during 2014-2023 across the globe.

USA was also the largest recipient of envisaged investment from EFTA, with a capex investment of US$ 35.8 billion during 2014-2023. USA was followed by the UK (US$ 31 billion), Germany (US$ 20.2 billion), Brazil (US$ 15.9 billion), China (US$ 14.9 billion) and Indonesia (US$ 12.5 billion). India was the 9th largest destination for envisaged investment flowing from EFTA, with a capex amounting to US$ 10.5 billion. Renewable energy sector accounted for 17.6% of the envisaged investment flowing out of EFTA, amounting to US$ 54.2 billion during 2014-2023. Other major sectors attracting capex from EFTA are chemicals (US$ 28.8 billion), food & beverages (US$ 25.5 billion) and coal, oil & gas (US$ 24.1 billion), among others.

India-EFTA Bilateral Merchandise Trade

The India-EFTA trade has evolved through ups and downs over the years and India remains a net importer of merchandise goods from EFTA. The total trade between India and EFTA amounted to US$ 20.1 billion in 2019, moderating from US$ 23.4 billion in 2014. Historically, India has been witnessing a trade deficit with EFTA, and due to sharp decline in imports, trade deficit narrowed to US$ 18.5 billion in 2023 from US$ 20.6 billion in 2014.

Among the EFTA countries, Switzerland is the largest trading partner of India, with exports and imports of US$ 1.4 billion and US$ 19.6 billion, respectively in 2023. Switzerland accounted for 94.3% of India’s total trade with EFTA in 2023. Switzerland was followed by Norway with a share of 5.7% in India’s total trade with EFTA in 2023. In 2023, India was ranked as the 10th largest export destination and 29th largest import supplier for EFTA. The tariff liberalization under the recently concluded Trade and Economic Partnership Agreement (TEPA) of India with EFTA would further lead to greater gains for both countries.

India’s Merchandise Exports to EFTA

India’s exports to EFTA are relatively diversified. In 2023, the principal item of India’s export to was organic chemicals, which constituted 33% of total exports from India to EFTA. This was followed by pearls and precious stones and metals (22.9% of total exports to EFTA), inorganic chemicals (4%), machinery and mechanical appliances (3.8%) and ships, boats and floating structures (3.6%), among others.

India’s Merchandise Imports from EFTA

In product terms, pearls, precious or semi-precious stones and metals dominate India’s imports from EFTA, accounting for as much as 81.9% of India’s total imports from EFTA in 2023 (increasing from 77.9% share in 2022). Other major imports include mineral fuels and oil (3.6% of India’s total imports from EFTA), machinery and mechanical appliances (2.2%), pharmaceutical products (1.7%) and optical, photographic and medical equipment (1.6%), among others.

Aligning India's Exports with EFTA's Import Demand

Analysing the key products where India has comparative advantage and matching it with EFTA's import demand for these products are necessary for the TEPA to be successful. Quantification of comparative advantage will help in identification of those exported products from India which have been performing well, as also those where success has been limited, although opportunities are significant.

To identify the products based on their export competitiveness in EFTA, a four-quadrant analysis has been undertaken based on the HS Code classifications at 6-digit level, whilst calculating their Normalised Revealed Comparative Advantage (NRCA) and mapping them against the Average Annual Growth Rate (AAGR) of global imports of EFTA for all products. The quadrants are drawn by comparing the overall AAGR of global imports of EFTA for all products during 2013-2023 (which was 1.6%), to the NRCA of India's exports to EFTA during the same period. This exercise aims to identify those products with imports in EFTA over the period 2012-2023 have performed better than the overall average of EFTA for all products during this period, implying that the share of such products in EFTA's import basket has witnessed an increase, a reflection of their rising demand and dynamism. At 6-digit HS Code, with minimum exports of US$ 500,000 from India to EFTA, 289 products have been identified with the total exports from India to EFTA amounting to US$ 1.7 billion, while the total world imports by EFTA for the same products stood at US$ 204.2 billion in 2023.

Out of the 289 items at the HS 6-digit level, 151 items fell into the category of the product champions. These are the products with maximum export potential to EFTA and India needs to further expand its exports of these products in order to take advantage of its competitive position and achieve a greater market share in EFTA. The total number of products in winners in declining sectors category is 96, with India's exports amounting to US$ 612.4 million and constitute a share of 36% of India's exports to EFTA in 2023. These are the products in which India has attained a significant share in EFTA's import basket, but EFTA's import demand for these products has been falling in the last decade. This was followed by underachiever product category, consisting of 34 items, with India's exports amounting to US$ 94.4 million to EFTA. These products constitute a marginal share of 5.6% in India's total exports to EFTA and are the products in which import demand in EFTA is rising, but India does not have the required competitiveness.

India's Services Trade with EFTA

India's services trade relations with EFTA, which includes Switzerland, Norway, Iceland and Liechtenstein, lag behind other developed economies. The services entities in both EFTA and India, though are utilising the existing complementarities and have provided services through various modes of supply, there exists a huge potential which could be tapped. India's major services exports to EFTA consist of telecommunications, computer and information services, professional and management consulting services, technical, trade-related and other business services and travel, while major services imports consist of travel and transport services, charges for the use of intellectual property and telecommunications, computer and information services.

India's Bilateral Investment Relations with EFTA

FDI is an important aspect of the economic relations between India and EFTA. According to the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry in India, the EFTA countries have been major investors in India, with a cumulative FDI inflow of over US$ 11.8 billion between April 2000 to December 2024. Switzerland is the largest investor among the EFTA countries, followed by Norway and Liechtenstein.

Similarly, Indian companies have also invested in EFTA, particularly in sectors such as IT, pharmaceuticals, and automotive. In recent years, Indian IT companies have expanded their operations in the EFTA countries, providing software development and consulting services. Overall, the economic relations between India and EFTA have been mutually beneficial, with significant potential for further growth and cooperation in the future.

India's Investments in EFTA

According to Financial Times' fDi Markets, during 2014-2023, total envisaged capital investment of India in EFTA stood at a cumulative amount of US$ 1.3 billion, through 29 projects and creating 1,634 jobs in the region. Switzerland was the largest recipient of investments from India into EFTA, with a massive share of 95.6%. Other recipient of Indian investments was Norway (4.4%). In terms of capital investments, the largest share has been in biotechnology sector (42.6% of Indian investments to EFTA), pharmaceuticals (16.2%), communications (14.8%), hotel & tourism (13.8%) and software & IT services (9.3%).

EFTA's Investments in India

India was the 9th largest FDI destination for investments flowing out of EFTA during 2014-2023. India accounted for US$ 10.5 billion of FDI receipts from EFTA, coming through 235 projects and resulting in 56,477 jobs during 2014-2023. Switzerland was also the largest investor in India, accounting for 85.5% of the total FDI flowing from EFTA to India between 2014-2023. The strength of EFTA as a partner lies in the diversity of its sectoral engagement with India. While in terms of investments, the larger share has been in the sectors of metals (18.4%), food and beverages (10.9%), industrial equipment (9.3%), building materials (8.3%) and real estate (7.4%), among others during the same period.

Tariff on India's Imports from EFTA Countries

In the current analysis, tariffs at 6-digit HS code from WITS is taken into consideration for 2023. Since the India-EFTA TEPA is still not in force, the effectively applied tariff (AHS) on the EFTA countries is the same as the most favoured nation (MFN) tariffs.

For the simple average of the effectively applied tariff of India on imports from Switzerland, there are 122 tariff lines (at 6-digit HS code) that has effectively applied tariff rates of 0%, which amounted to total imports of US$ 94.4 million in 2023. 885 tariff lines face effectively applied tariff equal to or above 20% (highest is 150%), with the total import share of 2.9% in 2023.

On the other hand, the effectively applied tariff of Switzerland on Indian exports is very low, with Switzerland being a developed region. Switzerland imposes the effectively applied tariff of 0% on 4,485 tariff lines (at 6-digit HS code), with imports amounting to US$ 2.5 billion in 2023. These products constitute 86.5% of Switzerland's imports from India in 2023.

In case of India's imports from Norway, there are 81 tariff lines (at 6-digit HS code), having an effectively applied tariff rate of 0%, which amounted to total imports of US$ 3 million in 2023. 159 tariff lines face effectively applied tariff of equal to or above 20% (highest tariff of 40%), with the total import share of 2.7% in 2023.

In comparison to tariff imposed by India, the effectively applied tariff imposed by Norway on imports from India is low. There are 3,126 tariff lines (at 6-digit HS code) on which Norway imposes the effectively applied tariff of 0%, with imports amounting to US$ 789.7 million in 2023. These products constitute 95.1% of Norway's imports from India in 2023.

India's trade with Iceland is minimal, with imports amounting to US$ 5.4 million in 2023. For 43 tariff lines (at 6-digit HS Code), effectively applied tariff rate ranges from 0%-10%, accounting for 5.6% of imports in 2023. There are 224 tariff lines, facing an effectively applied tariff rate of more than or equal to 10% (highest tariff of 100%), with corresponding 94.4% imports in 2023. On the other hand, 98% of Iceland's imports from India faces effectively applied tariff of less than 10%.

India-EFTA Trade and Economic Partnership Agreement

India and EFTA inked the momentous TEPA on March 10, 2024, after rigorous discussions for 16 years and 21 formal rounds of negotiations. The pact marked India's newest addition to its series of FTAs, demonstrating India's dedication to trade liberalization amidst complex geopolitical dynamics.

The agreement comprises of 14 chapters with main focus on market access related to goods, rules of origin, trade facilitation, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, investment promotion, market access on services, trade and sustainable development and other legal and horizontal provisions. The agreement extends beyond traditional trade parameters, delving into fostering mutual recognition agreements in professional services and ensuring commitments at the level of Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Major Commitments under TEPA

For the first ever time in the history of FTAs, TEPA includes a legal commitment about promoting target-oriented investment and creation of jobs. EFTA has committed to promote investments with the aim to increase the stock of FDI by US$ 100 billion in India in the next 15 years, and to facilitate the generation of 1 million direct employment in India, through such investments. The underlining factor is that the investments do not cover Foreign Portfolio Investments (FPIs), signifying the permanent nature of the prospective investments.

EFTA has offered substantial concessions on 92.2% of its tariff lines which covers 99.6% of India's exports. EFTA's market access offer covers 100% of non-agriculture products and tariff concession on Processed Agricultural Products (PAP). India has offered concessions on 82.7% of its tariff lines which covers 95.3% of EFTA's industrial exports to India (excluding gold). Switzerland will also have tariff-free access to the Indian market for selected agricultural products after a transition period of up to ten years. Gold, constituting 80% of merchandise imports from EFTA, along with dairy, soy, coal and certain sensitive agricultural items, have been kept in the exclusion list.

In the services sector, India has offered 105 sub-sectors to EFTA and secured commitments in 128 sub-sectors from Switzerland, 114 from Norway, 107 from Liechtenstein and 110 from Iceland. Services offers from EFTA include better access through digital delivery of Services (Mode 1), commercial presence (Mode 3) and improved commitments and certainty for entry and temporary stay of key personnel (Mode 4).

Way Forward and Recommendations

In recent times, the India-EFTA relationship has gained new momentum, with the signing of the TEPA on March 10, 2024, which is expected to further deepen this economic collaboration. India and EFTA need to leverage this agreement for increased trade and investment relations and elevate this partnership to unprecedented levels. India needs to expand its production and trade in products in which it has comparative advantage with EFTA. This would help in expansion of trade and improve trade balance with EFTA.

Value chain linkages in automotive sector, financial services and IT sector could not only boost bilateral trade but also foster innovation and economic growth in both regions. A data adequacy agreement between India and EFTA would be a significant step towards facilitating seamless data flow and bolstering trade relations.

The unification of payment systems between India and the EFTA countries could offer significant benefits. By establishing a framework for continuous evaluation and optimization of this system would ensure its ongoing effectiveness and adaptability. A local currency settlement system between India and the EFTA countries would significantly enhance trade and investment by facilitating transactions in the respective local currencies, thereby reducing reliance on major currencies like the US dollar.

Collaboration in Research and Development partnerships could include joint ventures, knowledge exchange programs and collaborative research projects, strengthening of intellectual property framework and leverage academic and research institution. Addressing the non-tariff barriers could significantly increase trade between India and the EFTA countries.

Mutual recognition agreements (MRAs) between varied institutions in the countries would impart greater acceptance of exports in each other's markets. These MRAs would also establish a framework for ongoing dialogue and resolution of trade issues related to standards and regulations. This would help address emerging challenges and ensure that the agreement adapts to changing trade dynamics and technological advancements.

As the India-EFTA TEPA has ventured into many unexplored territories with first time provisions on investments, trade and sustainable development, it looks like a win-win scenario for both the parties, with India benefitting on services and a greater investment from EFTA while EFTA getting greater access to various merchandise goods at lower duties, allowing them to be more competitive and increase presence in India. The agreement is expected to be operationalized by the end of 2025. The TEPA presents a unique opportunity to forge a stronger, more integrated partnership between India and the EFTA countries, with the businesses from both regions are expected to thrive in an era of sustainable and innovation-driven growth.

Chapter 1

EFTA: An Economic Overview

European Free Trade Area (EFTA) was established by the Stockholm Convention on January 4, 1960. EFTA was established by seven countries, Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom (UK). Iceland and Liechtenstein joined EFTA in 1970 and 1991, respectively. Denmark, the UK, Portugal, Austria and Sweden left EFTA to join the European Union (EU) between 1973 and 1995.

Since the beginning of the 1990s, EFTA has actively pursued trade relations with third countries in and beyond Europe. EFTA is an intergovernmental organisation set up for the promotion of free trade and economic integration to the benefit of its four member countries, Iceland, Liechtenstein, Norway and Switzerland and the benefit of their trading partners around the globe. The EFTA countries are all open, competitive economies committed to the progressive liberalization of trade in the multinational arena as well as in free trade agreements (FTAs). Among the EFTA countries, Liechtenstein based on its Customs Treaty of 1923 created a customs union built on the principle of open borders with Switzerland. The Customs Treaty integrated Liechtenstein into the Swiss economic area and freed it from economic isolation.

Relations with the European Economic Community (EEC), later the European Community (EC) and the EU, have been at the core of EFTA activities from the beginning. The Agreement on the European Economic Area (EEA), which entered into force on January 1, 1994, brings together the EU member countries and the three EEA EFTA countries, Iceland, Liechtenstein and Norway (excluding Switzerland) in a single market, also referred to as the internal market. Switzerland has its own set of bilateral agreements with the EU.

EFTA has four areas of activity. First is economic integration among its four members. This consists in amending the 2002 Vaduz Convention, which extended the 1960 EFTA centred on free trade in industrial goods to intellectual property, agriculture, services, investment, public procurement, movement of persons, air and land transport, social security and mutual recognition of conformity assessments.

The second area of activity of EFTA is to negotiate regional trade agreements (RTAs) on behalf of all its members. The third and fourth activities of EFTA concern only its EEA members. The third activity is to participate, together with the EU, in the EEA Joint Committee so as transpose the acquis communautaire, while the fourth is to monitor the national transposition and the implementation of EU legislation adopted by the EEA Joint Committee and to ensure the application of the EU disciplines on state aid and competition, through a specific body, the EFTA Surveillance Authority.

Economic Profile of EFTA Countries

EFTA has four member countries including, Iceland, Liechtenstein, Norway and Switzerland. The four EFTA countries have a combined population of approximately 14.9 million and a combined GDP of US$ 1.5 trillion. The member countries are competitive in several sectors vital to the global economy and score among the highest in the world in competitiveness, wealth creation per inhabitant, life expectancy and quality of life, among others.

The European Economic Area Agreement, which took effect in 1994, links on the one hand, three members (Iceland, Norway, and Liechtenstein) that are also members of EFTA and on the other hand, the EU and its member states. This agreement integrates the three EFTA members into the single European market through the transposition of the EU acquis save for, inter alia, agriculture and fisheries.

Switzerland is a world leader in pharmaceuticals, biotechnology, machinery, banking and insurance. Liechtenstein, like Switzerland, is highly industrialized and specialized in capital-intensive and research and development (R&D) driven technology products. The Icelandic economy benefits from renewable natural resources, not just rich fishing grounds, and has increasingly diversified into other industries and services. Abundant natural resources also contribute significantly to Norway's economic strength, including oil and gas exploration and production and fisheries, as well as important service sectors such as maritime transport and energy-related services.

Switzerland

Switzerland has an affluent and cosmopolitan population of 8.8 million people in 2024, with more than a quarter of population belonging to foreign nationalities. Switzerland's gross domestic product (GDP) stood at US$ 894.8 billion in 2024 **(Table 1.1)**. Switzerland was ranked top in the Global Innovation Index 2024 released by the World Intellectual Property Organization (WIPO) as the most innovative country in the world. Being among the countries with the highest spending on R&D as a percentage of GDP, Switzerland is ideally positioned to continue to excel in global trade and investment.

Switzerland comes under the list of highest per capita GDP economies in the world, with GDP per capita amounting to US$ 101,510 in 2024. The Swiss economy is highly open, developed and services-oriented, with services trade accounting for 138.2% of GDP in 2023.

Table 1.1: Macroeconomic Indicators of Switzerland

Indicator	2020	2021	2022	2023	2024[e]	2025[f]	2026[f]
Real GDP Growth (% change)	1.2	-2.3	5.6	3.1	0.7	1.3	1.3
GDP, current prices (US$ bn)	721.9	741.3	814.7	828.4	894.8	942.3	999.6
GDP per capita, current prices (US$)	84481.0	86138.9	93966.5	94798.8	101510.0	106097.6	111716.0
Inflation (avg, % change)	0.4	-0.7	0.6	2.8	2.1	1.3	1.0
Population (mn)	8.5	8.6	8.7	8.7	8.8	8.9	8.9
General Government Gross Debt (% GDP)	39.6	43.2	41.0	37.2	33.3	31.9	30.8
Current Account Balance (US$ bn)	29.7	3.6	56.0	78.2	61.8	77.3	76.2
Current Account Balance (% of GDP)	4.1	0.5	6.9	9.4	6.9	8.2	7.6
Trade (% of GDP)	82.4	86.6	92.6	88.6	-	-	-

Indicator	2020	2021	2022	2023	2024^{e}	2025^{f}	2026^{f}
Trade in Services (% of GDP)	121.8	130.3	140.2	138.2	-	-	-
Merchandise Trade (% of GDP)	35.1	36.9	38.4	40.4	-	-	-
Total International Reserves (US$ bn)	1083.4	1109.8	923.6	863.9	909.5	-	
Exchange Rate (avg; CHF:US$)	0.94	0.91	0.95	0.90	0.88	0.89	0.87

Note: e- Estimates; f-Projections; - not available/negligible

Source: World Development Indicators (WDI), January 2025, Economist Intelligence Unit (EIU) and World Economic Outlook (WEO), October 2024

Insurance companies and banks account for about 9% of Swiss GDP, and chemicals and pharmaceuticals about 7%. Switzerland's economic and political stability, transparent legal system, exceptional infrastructure, efficient capital markets and low corporate tax rates make it one of the world's most competitive economies. Switzerland's strong financial sector, highly developed financial market and favourable tax regime led many foreign banks to establish subsidiaries in the country, mainly in private banking.

With a favourable regulatory environment for financial technology, Switzerland has positioned itself as a cryptocurrency and blockchain hub, marked by the opening of the SIX Digital Exchange. Switzerland has other important industrial clusters, such as the Basel area for the chemicals industry. The quality and flexibility of the labour force is an additional strength, but labour costs remain high. Agriculture remains a protected sector in the country.

In October 2021, Switzerland endorsed the OECD global tax deal, which aims to introduce sweeping changes to international tax rules, including a 15% minimum corporate tax and provisions to tax large companies based on where their goods and services are sold. In December 2023, the Federal Council decided to implement the minimum tax rate with the introduction of a supplementary tax in Switzerland from January 1, 2024.

In January 2022, the Swiss government adopted revisions to the Swiss Cartel Act, under which all competition rules against the abuse of a dominant position will also apply to companies with "relative market power". The amendments also introduce a new category of abusive pricing. In February 2022, the government opened the consultation process on a further revision of the Cartel Act, aiming to change the current market dominance test to the Significant Impediment to Effective Competition (SIEC) test, which is used in the EU countries and USA. After the consultation process, the Federal Council unveiled its draft legislation on May 24, 2023, which includes the proposed changes to the Cartel Act. The Act would result in the threshold for prohibiting a transaction becoming lower.

Switzerland has brought its economic practices largely into conformity with the EU, to gain access to the EU's Single Market and enhance the country's international competitiveness. Switzerland is a service driven economy with 74% of its GDP generated by the services sector, 25% by the manufacturing sector, while agricultural sector contributes less than 1% to the GDP.

Real GDP growth is estimated at 0.7% in 2024, with the outlook for 2025 marginally better as the global economy gradually rebounds. The Swiss economy has witnessed loss of investment momentum stemming from falling industrial capacity utilisation and higher financing costs. Nonetheless, consumer spending is expected to continue to support growth, helped by a favourable labour market situation and a decline in inflation to 2.1% in 2024 and 1.3% in 2025.

However, the country's trade position is shielded to volatility to some extent by its export of chemical and pharmaceutical products (centres on Novartis and Roche) which are more immune to business-cycle and exchange-rate fluctuations than other sectors. There is no vehicle production in the country, but Switzerland is a supplier of components, accessories and systems, mostly to manufacturers elsewhere in Europe.

Switzerland is a net energy importer and relies on imports for just under half of its energy needs. The import requirement is largely for oil products and natural gas, as Switzerland is mostly self-sufficient in electricity production but does not possess any fossil fuel resources.

Norway

Norway is a modern, energy-rich country with a population of 5.6 million. Norway's economy is the second largest of the Scandinavian countries, after Sweden. It has one of the highest standards of development in the world. It is also considered as one of the world's wealthiest countries, with a GDP per capita of US$ 90,433.7 based on current prices in 2024 **(Table 1.2)**. Incomes are also more evenly distributed, making every person a consumer.

Table 1.2: Macroeconomic Indicators of Norway

Indicator	2020	2021	2022	2023	2024[e]	2025[f]	2026[f]
Real GDP Growth (% change)	-1.3	3.9	3.0	0.5	1.5	1.8	1.7
GDP, current prices (US$ bn)	367.6	503.4	593.7	485.3	503.8	506.5	509.3
GDP per capita, current prices (US$)	68275.3	92955.2	108438.5	87702.9	90433.7	90320.0	90232.8
Inflation (avg, % change)	1.3	3.5	5.8	5.5	3.3	2.4	2.0
Population (mn)	5.4	5.4	5.5	5.5	5.6	5.6	5.6
General Government Gross Debt (% GDP)	46.1	41.6	36.3	44.0	42.7	42.7	42.5
Current Account Balance (US$ bn)	4.1	74.9	179.1	86.8	73.1	63.5	53.8
Current Account Balance (% of GDP)	1.1	14.9	30.2	17.9	14.5	12.5	10.6
Trade (% of GDP)	65.4	71.2	82.6	79.7	-	-	-
Trade in Services (% of GDP)	20.0	16.6	18.4	22.9	-	-	-
Merchandise Trade (% of GDP)	44.9	51.2	60.0	55.5	-	-	-
Total International Reserves (US$ bn)	75.3	84.3	72.1	80.5	-	-	-
Exchange Rate (NOK:US$)	9.4	8.6	9.6	10.6	10.7	10.5	9.8

Note: e- Estimates; f-Projections; - not available/negligible

Source: WDI, January 2025, EIU and WEO, October 2024

Aided by its rich endowment of offshore oil and gas, Norway's GDP growth has outperformed that of its European neighbours over the past decade, averaging 1.3% in 2010-20, compared with a euro area average of 0.7%. Real GDP growth slowed to 0.5% in 2023 from a cyclical peak of 3.5% on average over 2021–22. The GDP growth for Norway in 2024 stood at 1.5%, supported by a stronger offshore sector. While retreating from its 2022 multi-year peak, headline inflation remains high and above the 2% target, with persistent services inflation keeping core inflation elevated. The weaker currency has also contributed to keeping inflation high. Inflation in Norway is comparatively lower than in other European countries, owing to its status as an energy producer and net exporter.

The country is richly endowed with natural resources - petroleum, hydropower, fish, forests and minerals and is highly dependent on the petroleum sector. Norway is a small player in the global crude market with production covering about 2% of the global demand. Norwegian production of natural gas covers approximately 3% of global demand, however, as an exporter Norway is a significant player. Norway is the world's fifth largest oil and fourth largest natural gas exporter. Russia's military conflict with Ukraine and the gradual cut-off of natural gas to Europe have made Norwegian gas exports critical to European energy security. In recent years, Norway has supplied around 30% of gas demand in the EU and the UK, respectively. Nearly all oil and gas produced on the Norwegian shelf is exported. Combined, oil and gas exceed half of the total value of Norwegian exports of goods.

Other major industries, such as offshore shipping, shipbuilding, fishing and fish farming, information technology, pulp and paper products, and light metals processing have prospered as well in recent years. Norway is also a global leader in electric vehicle (EV) adoption.

The country has invested heavily in its sovereign wealth fund, known as the Government Pension Fund Global. The fund is now one of the world's largest, owning almost 1.5% of all shares in the world's listed companies, which translates into holdings in around 9,000 companies worldwide[1]. Norway is not a member of the EU but is linked to the EU through the European Economic Area (EEA) agreement. By virtue of the EEA, Norway is practically part of the EU's single market, except in fisheries and agriculture.

Iceland

Iceland is an island country located between North America and Europe in the Atlantic Ocean, near the Arctic Circle, with an advanced economy that centres around three primary sectors: tourism, fishing, and aluminium smelting. The Icelandic economy is the smallest within the Organisation for Economic Cooperation and Development (OECD) in nominal terms, however, it is one of the fastest growing in OECD, driven by foreign tourism and strong domestic demand. Historically, Iceland's prosperity has been based largely on its comparative advantages in abundant marine and energy resources, with investment and services the main drivers of growth. With a population of around 0.4 million, the domestic market is small **(Table 1.3)**. Iceland, which has no military, is a founding member of NATO.

Table 1.3: Macroeconomic Indicators of Iceland

Indicator	2020	2021	2022	2023	2024[e]	2025[f]	2026[f]
Real GDP Growth (% change)	-6.9	5.3	9.0	5.0	0.6	2.4	2.2
GDP, current prices (US$ bn)	21.6	25.8	28.8	31.3	32.9	35.4	38.1
GDP per capita, current prices (US$)	61094.3	72077.7	78840.4	83485.1	85786.9	90111.3	94821.0
Inflation (avg, % change)	2.8	4.5	8.3	8.7	6.0	3.3	2.5
Population (mn)	0.4	0.4	0.4	0.4	0.4	0.4	0.4
General Government Gross Debt (% GDP)	77.5	74.8	67.4	62.2	60.3	55.6	52.9
Current Account Balance (US$ bn)	0.2	-0.7	-0.6	0.4	0.1	-	0.1
Current Account Balance (% of GDP)	1.1	-2.6	-2.1	1.1	0.2	0.1	0.3
Trade (% of GDP)	68.0	76.3	91.5	86.8	-	-	-
Trade in Services (% of GDP)	21.8	24.8	33.8	36.5	-	-	-

[1] Norges Bank Investment Management

Indicator	2020	2021	2022	2023	2024^{e}	2025^{f}	2026^{f}
Merchandise Trade (% of GDP)	47.5	53.5	59.0	51.3	-	-	-
Total International Reserves (US$ bn)	6.4	7.1	5.9	5.8	6.9	7.0	7.1
Exchange Rate (avg; lkr:US$)	135.4	127.0	135.3	137.9	138.0	137.0	136.0

Note: e- Estimates; f-Projections; - not available/negligible

Source: WDI, January 2025, EIU and WEO, October 2024

Following an impressive recovery in recent years, real GDP of Iceland grew by 5% in 2023, but slowed considerably through the year and into 2024 due to softening domestic demand and decelerating growth in tourism spending. High inflation reduced real disposable income growth and weakened private consumption, while the increase in the cost of capital weighed on private investment. Inflation is estimated to have declined to 6% in 2024 and is expected to moderate further to 3.3% by end-2025 on tight macroeconomic policies. As Iceland is a small, open economy with a floating exchange rate, inflation is affected by the movement of the Icelandic krona. The current account is expected to gradually strengthen, including from an increasing contribution from pharmaceutical exports.

Iceland has become highly dependent on tourism, with tourism-related businesses making up more than a third of jobs and total export revenue and the majority of services exports. Iceland mainly receives tourists from USA, the UK, Germany, Poland and France. However, tourist arrivals in 2024 were subdued, owing to severe weather events in the country. Fishing and aluminium smelting are the other dominant industries in the country, owing to the abundance of cheap geothermal electricity for the energy-intensive smelting process, each representing more than a third of total goods exports. This lack of diversification has left Iceland highly vulnerable to shocks.

Iceland's narrow resource base and geographic location make it highly dependent on specialization and international trade. Trade as a percentage of GDP has seen significant fluctuations, reflecting global economic conditions and recovery patterns. International reserves have fluctuated, while the exchange rate shows some volatility but remains relatively stable.

Chapter

2

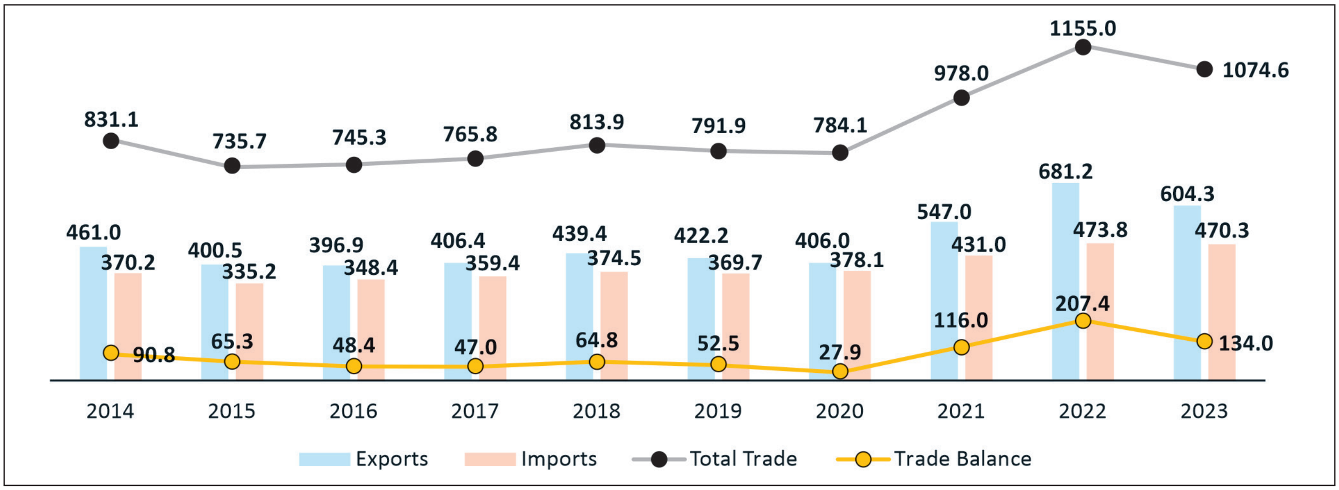
EFTA: Trends in Foreign Trade and Investment

EFTA has an extensive worldwide network of free trade relations. EFTA's trade with the rest of the world is a major driver of its economic prosperity. The core objective of EFTA's trade policy is to improve the competitive position of its business operators and to avoid discrimination resulting from Preferential Trade Agreements (PTAs) concluded by EFTA's main competitors. Since EFTA is a free trade area and not a customs union, the individual EFTA countries are not obliged by EFTA Convention to conclude PTAs as a group, and countries maintain the option of entering into bilateral third-country arrangements.

Merchandise Trade of EFTA

Total merchandise trade of EFTA has increased from US$ 831.1 billion in 2014 to US$ 1,074.6 billion in 2023, reflecting rise in both exports and imports. EFTA has recorded a persistent trade surplus in the past decade, which has risen from US$ 90.8 billion in 2014 to US$ 134 billion in 2023. Exports have increased by a compound annual growth rate (CAGR) of 2.4% to US$ 604.3 billion in 2023 from US$ 461 billion in 2014. Imports have also witnessed a CAGR of 2%, increasing from US$ 370.2 billion to US$ 470.3 billion during the same period **(Chart 2.1)**.

Chart 2.1: International Merchandise Trade of EFTA (US$ billion)



Note: Liechtenstein trade data is merged with Switzerland

Source: ITC Trade Map and Exim Bank Research

Historically, among the EFTA countries, Switzerland has been the largest trading nation. In 2023, Switzerland accounted for 73% of EFTA's total trade, improving from a share of 71% in 2014. It is to be noted that Liechtenstein trade data is also merged with Switzerland, stemming from their Customs Treaty of 1923, under which Liechtenstein became part of the Swiss economic area. Liechtenstein also uses Swiss Franc as its currency.

Switzerland was followed by Norway (25.5% of total trade) and Iceland (1.5%). Switzerland is also the largest contributor in terms of both exports and imports, with a share of 69.5% in exports and 77.4% in imports of EFTA in 2023. Switzerland was followed by Norway (29.4% of exports and 20.6% of imports) and Iceland (1.1% of exports and 2% of imports) during 2023.

Individually, EFTA countries, except Iceland (having deficit of US$ 2.9 billion), are net exporters, with trade surplus amounting to US$ 56.1 billion for Switzerland and US$ 80.8 billion for Norway in 2023 **(Table 2.1)**.

Table 2.1: Merchandise Exports and Imports of EFTA Countries (US$ billion)

Country	Exports			Imports			Total Trade			Trade Balance		
	2014	2022	2023	2014	2022	2023	2014	2022	2023	2014	2022	2023
Total EFTA	**461.0**	**681.2**	**604.3**	**370.2**	**473.8**	**470.3**	**831.1**	**1,155.0**	**1,074.6**	**90.8**	**207.4**	**134.0**
Switzerland	311.3	402.1	420.1	275.4	356.8	364.0	586.6	758.9	784.2	35.9	45.3	56.1
Norway	144.6	271.7	177.6	89.4	107.3	96.8	234.1	378.9	274.3	55.2	164.4	80.8
Iceland	5.1	7.4	6.6	5.4	9.8	9.5	10.4	17.2	16.1	-0.3	-2.3	-2.9

Source: ITC Trade Map and Exim Bank Research

A significant share of EFTA's trade is with the EU, which remained constant around 50.1% in 2014 and also in 2023 (**Table 2.2)**. The EU's share in EFTA's global exports increased from 46.6% in 2014 to 48.3% in 2023. On the other hand, the EU's share in EFTA's global imports moderated from 54.4% in 2014 to 52.4% in 2023. EFTA has a trade surplus with the EU, which increased from a marginal US$ 13.5 billion in 2014 to US$ 45.9 billion in 2023.

Germany is the largest market for EFTA's exports, accounting for 14.1% of total exports of EFTA in 2023, followed by USA (11.5% of exports), the UK (8.2%) and China (8.1%). India was the 10th largest export destination for EFTA's exports in 2023, accounting for 2.8% of its total exports. India's share in EFTA's global exports has improved in 2023 compared to previous year (2.3% in 2022).

Much of the import needs of EFTA is fulfilled by the EU member countries. Concomitantly, Germany is also the largest source of imports for EFTA in 2023, accounting for 16.6% of import demand of EFTA. Germany is followed by USA (8.7% of imports), China and Italy (6.8% each) and France (5.2%). India was the 29th largest import source for EFTA in 2023.

Table 2.2: Leading Merchandise Export Destinations and Import Sources of EFTA (US$ billion)

Sl. No.	Country	EFTA's Major Export Destinations				Country	EFTA's Major Import Sources			
		2014	2022	2023	% Share in 2023		2014	2022	2023	% Share in 2023
	Global Exports of EFTA	**461.0**	**681.2**	**604.3**	**100.0**	**Global Imports of EFTA**	**370.2**	**473.8**	**470.3**	**100.0**
1	Germany	72.1	130.0	85.4	14.1	Germany	70.4	83.3	78.2	16.6
2	USA	37.1	71.3	69.3	11.5	USA	27.4	45.4	40.9	8.7
3	UK	47.3	72.0	49.3	8.2	China	22.2	35.7	32.1	6.8
4	China	21.7	49.7	48.8	8.1	Italy	25.5	28.0	31.9	6.8
5	France	28.1	47.3	31.1	5.2	France	21.3	26.6	24.7	5.2
6	Italy	18.9	28.3	30.2	5.0	Slovenia	0.7	7.3	13.8	2.9
7	Netherlands	26.5	27.4	24.3	4.0	Sweden	12.9	15.5	12.8	2.7
8	Slovenia	0.5	12.1	17.5	2.9	Spain	7.0	11.9	12.6	2.7
9	Turkey	5.9	14.0	17.4	2.9	Netherlands	9.8	11.1	11.9	2.5
10	**India**	**21.4**	**15.5**	**17.2**	**2.8**	Austria	10.4	12.4	11.8	2.5
11	Sweden	9.8	18.2	15.7	2.6	UK	39.9	19.3	11.7	2.5
12	Belgium	13.3	25.7	15.6	2.6	UAE	3.6	9.5	10.6	2.3
13	Hong Kong	24.5	7.7	15.4	2.5	Japan	6.1	7.5	9.3	2.0
14	Poland	5.0	9.5	14.2	2.3	Canada	4.0	9.9	8.9	1.9
15	UAE	6.7	6.4	11.6	1.9	Uzbekistan	1.3	3.9	8.1	1.7
16	Spain	9.2	13.4	11.2	1.9	Poland	4.9	7.1	7.3	1.5
17	Austria	8.9	11.3	11.2	1.9	Belgium	6.7	7.2	6.6	1.4
18	Denmark	6.6	8.0	10.3	1.7	Denmark	6.8	6.6	6.6	1.4
19	Japan	8.7	11.0	9.6	1.6	Australia	0.7	3.6	5.9	1.3
20	Singapore	10.9	10.8	9.0	1.5	Ireland	8.6	5.0	5.9	1.2
21	Saudi Arabia	5.1	5.2	7.0	1.2	Czech Republic	3.5	4.6	4.9	1.1
22	Finland	3.1	7.0	6.6	1.1	Singapore	2.3	5.8	4.8	1.0
23	Canada	4.4	5.6	5.1	0.8	South Africa	2.5	6.4	4.7	1.0
24	South Korea	5.6	5.5	4.9	0.8	Thailand	2.7	4.4	4.7	1.0
25	Thailand	3.4	7.0	4.6	0.8	Hong Kong	3.3	4.1	4.6	1.0
26	Brazil	3.4	3.5	3.9	0.7	Russia	4.9	3.8	4.2	0.9
27	Australia	3.1	3.0	3.2	0.5	Finland	3.2	4.1	4.2	0.9
28	Russia	4.3	3.4	3.0	0.5	Brazil	3.3	3.8	3.9	0.8
29	Czech Republic	1.9	2.5	2.7	0.4	**India**	**2.3**	**4.0**	**3.8**	**0.8**
30	Taiwan	2.4	3.0	2.5	0.4	Kazakhstan	1.0	3.0	3.7	0.8

Source: ITC Trade Map and Exim Bank Research

Merchandise Exports from EFTA: Commodity Analysis

Mineral fuels, oils and products of distillation and natural or cultured pearls, stones and metals were the major commodities of EFTA's exports in 2023, both accounting for 21.2% each of EFTA's total exports in 2023, followed by pharmaceutical products (16.5%), organic chemicals (6.8%) and machinery and mechanical appliances (5.1%) **(Table 2.3)**. At a disaggregated level, the major exported items in 2023 include gold including gold plated with platinum, unwrought, for non-monetary purposes; natural gas in gaseous state; crude petroleum oils and bituminous minerals; immunological products, put up in measured doses or in forms or packings for retail sale; medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes; heterocyclic compounds with nitrogen hetero-atoms; and wrist-watches, whether or not incorporating a stop-watch facility, with automatic winding, among others.

Table 2.3: Major Merchandise Exports of EFTA (US$ billion)

HS Code	Product	2014	2022	2023	% Share in 2023
	Global Exports of EFTA	**461.0**	**681.2**	**604.3**	**100.0**
27	Mineral fuels and oil	97.4	225.3	128.0	21.2
71	Natural or cultured pearls, stones and metals	92.9	121.4	127.9	21.2
30	Pharmaceutical products	63.6	98.8	99.7	16.5
29	Organic chemicals	20.6	32.0	41.2	6.8
84	Machinery and mechanical appliances	33.2	28.7	31.1	5.1
91	Clocks, watches and parts	24.3	26.0	29.8	4.9
90	Optical, photographic, cinematographic and medical equipment	18.7	21.0	22.3	3.7
85	Electrical machinery and equipment	16.7	17.0	18.0	3.0
03	Fish and crustaceans and other aquatic invertebrates	12.3	17.5	17.6	2.9
76	Aluminium and its articles	8.4	12.5	10.0	1.7
39	Plastics and articles	6.2	6.9	6.8	1.1
87	Vehicles other than railway or tramway	3.5	4.0	4.6	0.8
73	Articles of iron or steel	4.5	4.1	4.5	0.7
33	Essential oils and resinoids	3.2	4.1	4.0	0.7
09	Coffee, tea, maté and spices	2.3	3.5	3.7	0.6

Source: ITC Trade Map and Exim Bank Research

Merchandise Imports of EFTA: Commodity Analysis

Natural or cultured pearls, precious stones and metals are the largest items in EFTA's import basket, accounting for 25.7% of total imports in 2023, followed by pharmaceutical products, machinery and mechanical appliances, transport vehicles, electrical machinery and mineral fuel and oils **(Table 2.4)**. At a disaggregated level, the major imported items in 2023 include gold including gold plated with platinum, unwrought, for non-monetary purposes; medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes; medium oils and bituminous minerals; immunological products, put up in measured doses or in forms or packings for retail sale; articles of jewellery and their parts and motor cars and other motor vehicles principally designed for the transport of less than 10 persons, among others.

Table 2.4: Major Merchandise Imports of EFTA (US$ billion)

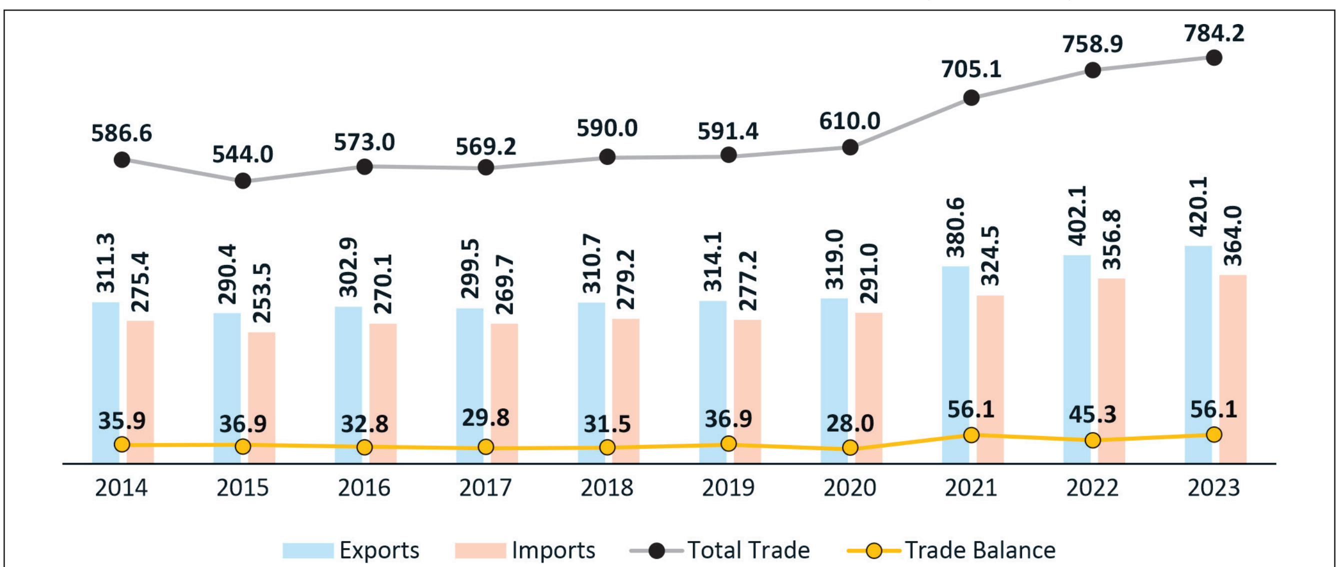
HS Code	Product	2014	2022	2023	% Share in 2023
	Global Imports of EFTA	**370.2**	**473.8**	**470.3**	**100.0**
71	Natural or cultured pearls, stones and metals	88.5	118.1	120.8	25.7
30	Pharmaceutical products	25.8	51.8	61.5	13.1
84	Machinery and mechanical appliances	33.8	34.8	36.8	7.8
87	Vehicles other than railway or tramway	24.7	30.8	32.6	6.9
85	Electrical machinery and equipment	23.9	29.1	29.1	6.2
27	Mineral fuels and oils	19.0	36.1	24.0	5.1
90	Optical, photographic, cinematographic and medical equipment	10.7	12.6	13.0	2.8
39	Plastics and articles	9.9	11.8	10.7	2.3
29	Organic chemicals	15.6	10.4	10.0	2.1
73	Articles of iron or steel	8.7	9.4	9.1	1.9
94	Furniture; bedding and mattresses	8.1	8.8	8.2	1.7
62	Articles of apparel and clothing accessories, not knitted or crocheted	4.5	5.9	5.9	1.3
76	Aluminium and articles	4.6	6.1	5.1	1.1
61	Articles of apparel and clothing accessories, knitted or crocheted	3.8	5.3	5.0	1.1
91	Clocks, watches and parts	4.2	3.9	4.0	0.9

Source: ITC Trade Map and Exim Bank Research

Summary of International Trade of EFTA Countries

Switzerland

Chart 2.2: Merchandise Trade Profile of Switzerland (US$ billion)



Switzerland's Major Exports (2023)

- Natural or cultured pearls or stones (30.3% of total exports)
- Pharmaceuticals (23.5%)
- Organic Chemicals (9.6%)
- Clocks and watches (7.1%)
- Machinery and mechanical appliances (6.2%)

Switzerland's Major Imports (2023)

- Natural or cultured pearls or stones (33.1% of total imports)
- Pharmaceuticals (16.1%)
- Machinery and mechanical appliances (6.3%)
- Transport vehicles (5.6%)
- Electrical machinery and equipment (5.1%)

Switzerland's Major Export Destinations (2023)

- USA (15% of total exports), Germany (12.2%), China (10.7%), Italy (6.5%), France (4.8%), Slovenia (4.2%) and India (4%).

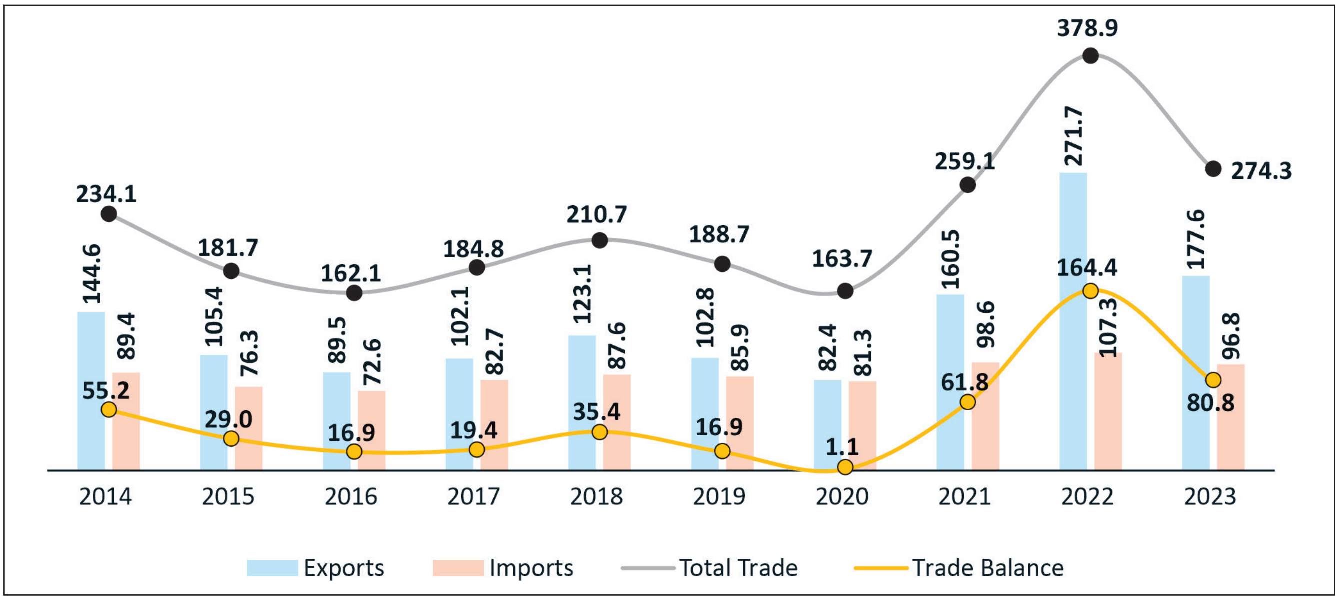
Switzerland's Major Import Sources (2023)

- Germany (18.2% of total imports), USA (9%), Italy (7.9%), France (5.9%), China (5.6%) and Slovenia (3.7%).

Source: ITC Trade Map and Exim Bank Research

Norway

Chart 2.3: Merchandise Trade Profile of Norway (US$ billion)



Norway's Major Exports (2023)

- Mineral fuel and oil (68.4% of total exports)
- Fish and crustaceans (8.7%)
- Machinery and mechanical appliances (2.9%)
- Aluminium and its articles (2.47%)
- Electrical machinery and equipment (1.1%)

Norway's Major Imports (2023)

- Machinery and mechanical appliances (13.4% of total imports)
- Transport vehicles (11.3%)
- Electrical machinery and equipment (9.7%)
- Mineral fuel and oil (8.5%)
- Articles of iron or steel (4.4%)

Norway's Major Export Destinations (2023)

- UK (19.1% of total exports), Germany (19%), Netherlands (8.3%), Sweden (7.7%), Poland (6%) and France (5.9%).

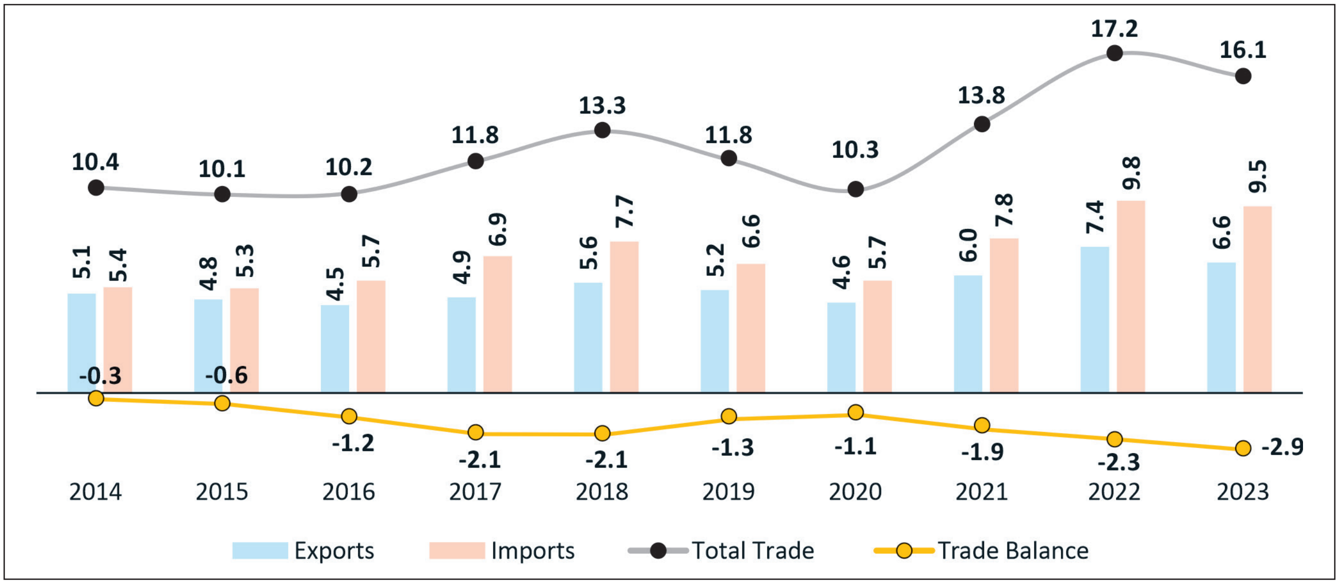
Norway's Major Import Sources (2023)

- Germany (11.4% of total imports), China (11.2%), Sweden (10.8%), USA (7.6%), Netherlands (4.8%) and Denmark (4.7%).

Source: ITC Trade Map and Exim Bank Research

Iceland

Chart 2.4: Merchandise Trade Profile of Iceland (US$ billion)



Iceland's Major Exports (2023)

- o Aluminium and articles (36.6% of total exports)
- o Fish and crustaceans (32.5%)
- o Optical, photographic and medical equipment (5.3%)
- o Residue and waste from food industries (4.3%)
- o Iron and steel (3.6%)

Iceland's Major Imports (2023)

- o Mineral fuel and oil (13.2% of total imports)
- o Transport vehicles (11.9%)
- o Electrical machinery and equipment (11.7%)
- o Machinery and mechanical appliances (10.7%)

Iceland's Major Export Destinations (2023)

- Netherlands (36.4% of total exports), USA (10%), UK (8.8%), France (6.5%), Norway (5.9%) and Germany (4.9%).

Iceland's Major Import Sources (2023)

- Norway (11.5% of total imports), Germany (8.8%), China (8.7%), Netherlands (7.6%), USA (7.6%) and Denmark (6%).

Source: ITC Trade Map and Exim Bank Research

Trade Agreements of EFTA

EFTA currently has signed 33 free trade agreements (FTAs) with 44 countries and territories outside the EU **(Table 2.5)**. The agreements have entered into force for 40 of these countries. The EFTA-Kosovo FTA was signed on January 22, 2025; EFTA-India comprehensive Trade and Economic Partnership Agreement (TEPA) was signed on March 10, 2024, and EFTA-Thailand FTA was signed on January 23, 2025. These agreements are yet to enter into force. FTAs represent a central element in EFTA countries' policies and complement their agreements with the EU and with other partner countries signed bilaterally.

Table 2.5: Regional Trade Agreements of EFTA Countries

Regional Trade Agreements	Coverage	Date of Entry into Force
EFTA – Moldova	Goods & Services	01 September 2024
EFTA – Indonesia	Goods & Services	01 November 2021
EFTA – Turkey	Goods & Services	01 October 2021
EFTA – Ecuador	Goods & Services	01 November 2020
EFTA – Philippines	Goods & Services	01 January 2020
EFTA – Georgia	Goods & Services	01 September 2017
EFTA – Bosnia and Herzegovina	Goods & Services	01 January 2015
EFTA – Colombia	Goods & Services	01 October 2014
EFTA – Central America (Costa Rica and Panama. Pending for Guatemala)	Goods & Services	05 September 2014
EFTA – Gulf Cooperation Council (GCC)	Goods & Services	01 July 2014
EFTA – Hong Kong	Goods & Services	01 October 2012
EFTA – Montenegro	Goods & Services	01 October 2012
EFTA – Ukraine	Goods	01 June 2012
EFTA – Peru	Goods & Services	01 October 2011
EFTA – Albania	Goods	01 October 2011
EFTA – Serbia	Goods	01 October 2011
EFTA – Canada	Goods	01 July 2009
EFTA – Southern African Customs Union (SACU)	Goods	01 May 2008
EFTA – Egypt	Goods	01 August 2007
EFTA – Lebanon	Goods	01 January 2007
EFTA – Korea, Republic of	Goods & Services	01 October 2006
EFTA – Tunisia	Goods & Services	01 June 2005
EFTA – Chile	Goods & Services	01 December 2004
EFTA – Singapore	Goods & Services	01 January 2003
EFTA – Jordan	Goods	01 September 2002
EFTA – North Macedonia	Goods	01 May 2002
EFTA – Mexico	Goods & Services	01 July 2001
EFTA – Morocco	Goods	01 December 1999
EFTA – Palestine	Goods	01 July 1999
EFTA – Israel	Goods	01 January 1993

Regional Trade Agreements	Coverage	Date of Entry into Force
United Kingdom – Iceland, Liechtenstein and Norway	Goods & Services	01 February 2023
United Kingdom - Switzerland - Liechtenstein	Goods	01 January 2021
European Economic Area (EEA)	Goods & Services	01 January 1994
EU - Switzerland - Liechtenstein	Goods	01 January 1973
Faeroe Islands - Switzerland	Goods	01 March 1995
Faeroe Islands - Iceland	Goods & Services	01 November 2006
Faeroe Islands - Norway	Goods	01 July 1993
Japan - Switzerland	Goods & Services	01 September 2009
Switzerland - China	Goods & Services	01 July 2014
Iceland - China	Goods & Services	01 July 2014

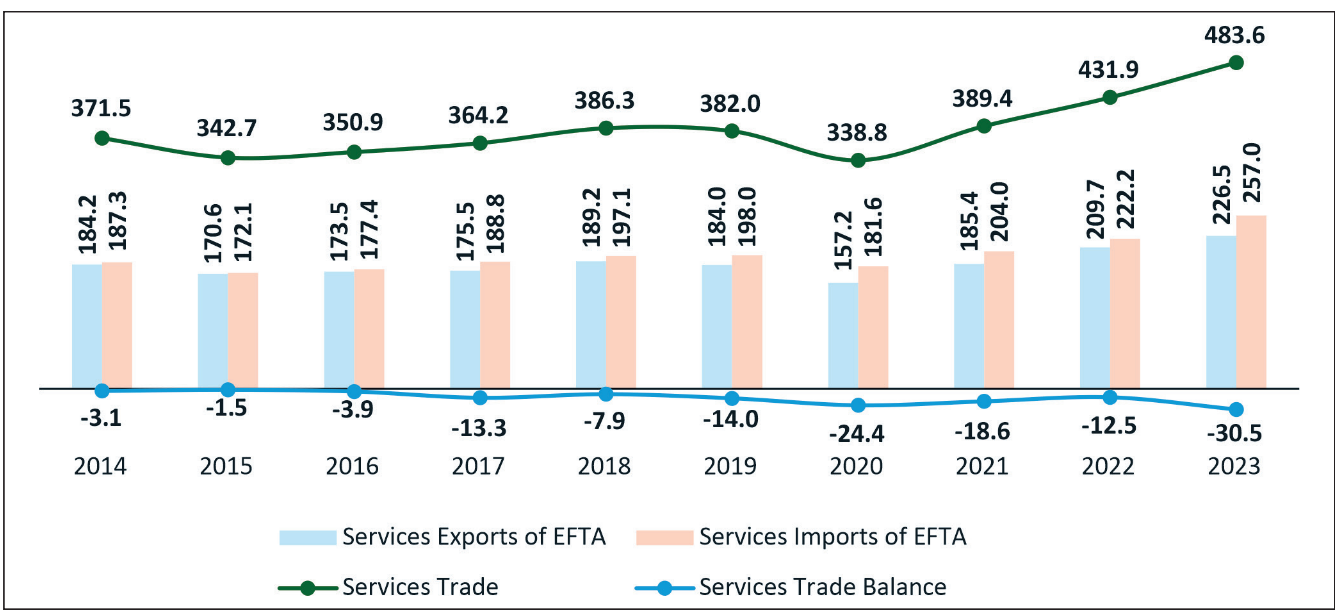
Source: WTO

Services Trade of EFTA

EFTA's services trade is governed by the EFTA Convention, which was signed in 2001 and entered into force in 2003. The EFTA Convention provides for the general liberalisation of trade in services and investment (including establishment and movement of capitals) among the EFTA countries. Specific rules govern the supply and consumption of services by natural persons, as well as liberalisation of the land, rail and air transport markets in the EFTA countries.

EFTA's total trade in services has widened from US$ 371.5 billion in 2014 to US$ 483.6 billion in 2023, after moderating to US$ 338.8 billion in 2020. Services exports of EFTA was recorded at US$ 226.5 billion 2023, while services imports of EFTA stood at US$ 257 billion. EFTA's favourable services trade balance shifted to a trade deficit since 2013 and reached US$ 30.5 billion in 2023 **(Chart 2.5)**.

Chart 2.5: International Services Trade of EFTA (US$ billion)



Source: WTO and Exim Bank Research

Among the EFTA countries, Switzerland remained the largest services exporter in 2023, accounting for around three-quarters of total services exports by EFTA. Switzerland was followed by Norway (22.5% of exports) and Iceland (2.9%). In terms of services imports, Switzerland was again the largest importer among the EFTA countries, accounting for 72.4% of total services imports by EFTA in 2023, followed by Norway (25.7% of imports) and Iceland (1.9%). While Iceland witnessed a services trade surplus in 2023, Switzerland and Norway recorded deficits **(Table 2.6)**.

Table 2.6: Services Exports and Imports of EFTA Countries (US$ billion)

Country	Services Exports			Services Imports			Services Trade			Services Trade Balance		
	2014	2022	2023	2014	2022	2023	2014	2022	2023	2014	2022	2023
Switzerland	130.6	151.9	168.9	126.7	160.8	192.4	257.3	312.7	361.3	3.9	-8.9	-23.5
Norway	49.4	52.2	50.9	57.6	57.2	60.1	107	109.4	111.0	-8.2	-5.0	-9.2
Iceland	4.3	5.6	6.6	3.1	4.2	4.5	7.4	9.8	11.1	1.2	1.4	2.1
EFTA	**184.2**	**209.7**	**226.5**	**187.3**	**222.2**	**257.0**	**371.5**	**431.9**	**483.4**	**-3.1**	**-12.5**	**-30.5**

Source: WTO and Exim Bank Research

Services Exports of EFTA: Sectoral Analysis

Transport accounted for 19.7% of the total commercial services exports and 16.2% of commercial services imports of EFTA in 2023 **(Table 2.7)**.

Table 2.7: Services Trade of EFTA (US$ billion)

Product/Sector	Services Exports			Services Imports		
	2014	2022	2023	2014	2022	2023
Services Trade of EFTA	**184.2**	**209.7**	**226.5**	**187.3**	**222.2**	**257.0**
Government goods and services	1.8	2.4	2.5	0.4	0.4	0.4
Commercial services	182.4	207.3	224	187.0	221.8	256.7
Goods-related services	5.5	7.6	8.5	3.0	4.4	5.6
Transport	40.1	46.4	44.1	29.6	32.3	41.6
Travel	24.7	25.5	30.4	37.3	33.9	43.3
Other commercial services	112.1	127.8	141	117.1	151.3	166.2

Source: WTO and Exim Bank Research

Summary of services trade profile of the EFTA countries are provided in **Tables 2.8, 2.9 & 2.10.**

Table 2.8: Services Trade Profile of Switzerland (US$ million)

Product/Sector	Services Exports			Services Imports		
	2014	2022	2023	2014	2022	2023
Total Services	**130,554**	**151,883**	**168,929**	**126,653**	**160,827**	**192,411**
Government goods and services	1,739	2,268	2,410	201	246	262
Commercial services	128,816	149,615	166,519	126,452	160,580	192,149
Manufacturing services on physical inputs owned by others	1,276	950	832	85	41	30

Product/Sector	Services Exports			Services Imports		
	2014	2022	2023	2014	2022	2023
Maintenance and repair services	3,045	4,502	5,968	1,418	2,103	3,514
Transport	15,846	21,395	20,956	14,602	18,327	29,105
Travel	17,764	17,323	21,134	17,777	17,502	23,660
Construction	1,504	1,291	509	531	573	196
Insurance and pension services	7,126	8,711	10,604	1,482	2,246	3,245
Financial services	21,908	24,986	26,581	3,698	4,222	3,597
Charges for the use of intellectual property	23,209	30,727	29,674	25,190	29,769	30,440
Telecommunications, computer and information services	15,555	15,462	18,744	16,233	17,854	19,619
Research and development services	6,176	7,581	8,902	16,943	28,894	31,241
Professional and management consulting services	6,237	7,615	9,432	16,498	17,968	18,899
Technical, trade-related and other business services	8,792	8,726	12,614	8,366	15,014	22,329
Audiovisual and related services	-	-	274	-	-	5,208
Other personal, cultural and recreational services	-	-	295	-	-	1,067

Note: - not available/negligible

Source: WTO and Exim Bank Research

Table 2.9: Services Trade Profile of Norway (US$ million)

Product/Sector	Services Exports			Services Imports		
	2014	2022	2023	2014	2022	2023
Total Services	**49,370**	**52,211**	**50,943**	**57,555**	**57,230**	**60,111**
Government goods and services	711	127	115	131	102	92
Commercial services	49,299	52,084	50,828	57,424	57,128	60,019
Manufacturing services on physical inputs owned by others	-	813	-	-	547	-
Maintenance and repair services	877	1,284	828	1,390	1,546	1,362
Transport	22,664	23,350	21,089	14,212	13,174	11,573
Travel	5,579	5,719	6,205	18,539	14,854	18,094
Construction	367	430	550	692	763	828
Insurance and pension services	373	1,602	921	202	467	207
Financial services	2,367	2,385	2,527	1351	2,109	2,327
Charges for the use of intellectual property	478	437	440	654	607	646
Telecommunications, computer and information services	2,347	3,627	4,256	3,435	7,726	7,882
Research and development services	373	495	673	405	662	869
Professional and management consulting services	2,299	2,271	2,704	2,397	2,986	3,540
Technical, trade-related and other business services	11,286	9,238	10,299	12,453	9,668	10,581
Audiovisual and related services	73	156	109	624	1,045	1,037
Other personal, cultural and recreational services	216	279	228	1,069	974	1,075

Note: - not available/negligible

Source: WTO and Exim Bank Research

Table 2.10: Services Trade Profile of Iceland (US$ million)

Product/Sector	Services Exports			Services Imports		
	2014	2022	2023	2014	2022	2023
Total Services	**4,303**	**5,616**	**6,635**	**3,111**	**4,163**	**4,521**
Government goods and services	29	22	23	19	23	22
Commercial services	4,275	5,594	6,612	3,091	4,140	4,500
Manufacturing services on physical inputs owned by others	219	-	-	-	8	12
Maintenance and repair services	51	54	50	152	143	104
Transport	1,621	1,655	2,027	749	801	873
Travel	1,391	2,485	3,095	965	1,515	1,591
Construction	31	45	52	7	90	83
Insurance and pension services	23	19	21	45	31	39
Financial services	169	137	198	134	78	76
Charges for the use of intellectual property	162	87	74	119	70	65
Telecommunications, computer and information services	221	486	507	180	417	493
Research and development services	68	195	188	88	178	216
Professional and management consulting services	146	99	96	321	212	257
Technical, trade-related and other business services	128	224	216	285	385	466
Audiovisual and related services	29	103	-	13	107	-
Other personal, cultural and recreational services	15	5	-	33	104	-

Note: - not available/negligible

Source: WTO and Exim Bank Research

Foreign Direct Investment Scenario of EFTA

Foreign Direct Investment (FDI) has the potential to bring enormous benefits to the recipient country. Establishment of industries in a country enhances the competition and productivity in the domestic market. In terms of FDI in EFTA, the region has generally been attractive to foreign investors due to its stable political and economic environment, highly skilled workforce and advanced infrastructure.

Norway has a particularly strong track record of attracting FDI, with its oil and gas sector being a major draw for foreign investors. According to the UNCTAD's World Investment Report 2024, the country received US$ 8 billion FDI in 2023, with the majority of investments going into the energy, technology and life sciences sectors.

Switzerland is also a popular destination for FDI, particularly in the financial services sector. According to data from the Swiss National Bank, FDI inflows to Switzerland amounted to US$ 13.5 billion in 2023, with the majority of investments coming from European countries. Switzerland was the fourth largest FDI investor worldwide, with flows amounting to US$ 105 billion. Overall, while FDI in EFTA is not as high as in the EU or USA, the region remains an attractive destination for foreign investors due to its stable and prosperous economic climate.

To get a meaningful understanding on the trends in EFTA's overseas investments, this study has drawn upon the data collated by the Financial Times through its online database tracking cross-border greenfield investment, viz. fDi Markets. According to Financial Times' fDi Markets, during 2014-2023, EFTA received a total envisaged investment of US$ 49.9 billion from 1,764 projects **(Table 2.11)**. Coinciding with a wave of corporate financial restructurings and divestment, FDI inflows into EFTA witnessed a decline to US$ 6 billion in 2023.

Table 2.11: Envisaged FDI Inflows in EFTA, 2014-2023

Year	Capital Expenditure (US$ million)	No. of Projects	No. of Jobs Created	No. of Companies
2014	4,025.1	161	5,278	153
2015	2,783.0	112	3,909	106
2016	3,582.7	160	6,082	148
2017	3,380.7	196	7,119	182
2018	5,091.0	191	7,016	167
2019	4,087.8	166	6,401	153
2020	4,730.5	186	5,717	177
2021	5,287.8	200	6,339	179
2022	10,968.3	207	8,554	196
2023	5,969.6	185	6,085	172
Total	**49,906.4**	**1,764**	**62,500**	**1,474**

Source: fDi Markets online database and Exim Bank Research

As shown in **Table 2.12**, maximum investment into EFTA were recorded from USA, accounting for 34.3% of total capex invested in the region during 2014-2023. Germany was the second largest investor with a share of 13.6%, followed by France (7.9% of total investment), Sweden (4.8%) and the UK (4.6%). India accounted for capex amounting to US$ 1.3 billion (2.7% of total investment) in the EFTA countries during the same time period.

Table 2.12: Major Investors in EFTA, 2014-2023

Source Country	Capital Expenditure (US$ million)	No. of Projects	No. of Jobs Created	No. of Companies
USA	17,111.4	397	16,078	331
Germany	6,800.9	298	9,702	234
France	3,946.5	163	5,993	132
Sweden	2,387.6	104	3,698	81
UK	2,271.0	167	3,602	151
Australia	1,875.4	19	910	14
Switzerland	1,657.2	40	1,480	20
Japan	1,644.7	32	1,359	31
China	1,504.4	42	2,135	38
India	**1,335.5**	**29**	**1,634**	**25**
Italy	1,283.0	50	2,258	45
Austria	1,267.7	30	1,387	24

Source Country	Capital Expenditure (US$ million)	No. of Projects	No. of Jobs Created	No. of Companies
Denmark	908.5	60	2,105	52
Netherlands	891.8	47	1,660	39
Finland	681.0	21	815	21
Spain	578.6	25	817	21
Luxembourg	423.2	18	318	12
Singapore	395.9	12	582	12
Canada	303.9	24	999	21
Russia	271.1	8	199	6
Others	2,367.1	178	4,769	164
Total	**49,906.4**	**1,764**	**62,500**	**1,474**

Source: fDi Markets online database and Exim Bank Research

Amongst the EFTA countries, Switzerland received the maximum investment of US$ 31.5 billion (63.1% of total capex inflow) during 2014-2023 **(Table 2.13)**. Switzerland was followed by Norway (31.5%), Iceland (5.1%) and Liechtenstein (0.3%), in terms of capex inflows during the same time period.

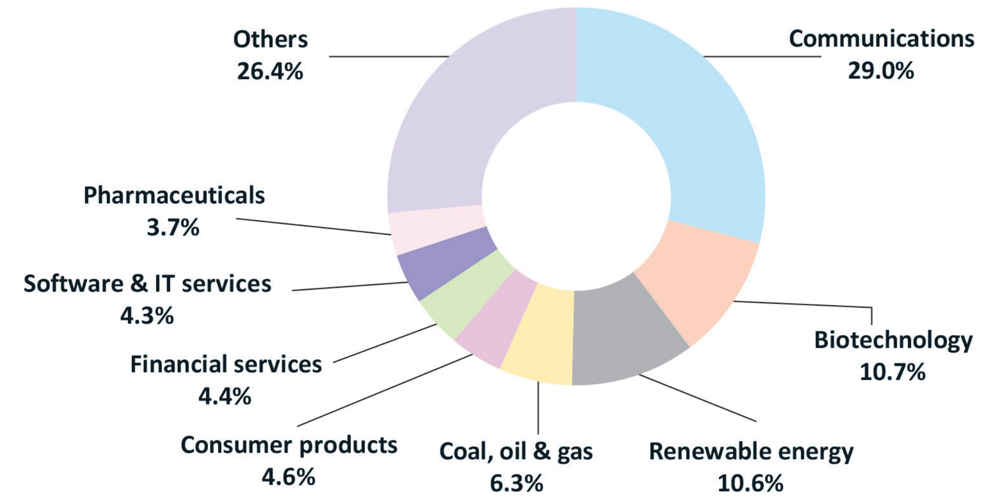
Table 2.13: Major Investment Destinations in EFTA, 2014-2023

Destination Country	Capital Expenditure (US$ million)	No. of Projects	No. of Jobs Created	No. of Companies
Switzerland	31,492.8	1,295	43,915	1,112
Norway	15,732.0	407	15,875	349
Iceland	2,521.1	51	2,369	39
Liechtenstein	160.7	11	341	11
Total	**49,906.4**	**1,764**	**62,500**	**1,474**

Source: fDi Markets online database and Exim Bank Research

Communications sector received the maximum capex investment of US$ 14.5 billion, accounting for 29% of the total FDI received during 2014-2023 **(Chart 2.6)**. This was followed by investments in biotechnology (US$ 5.4 billion), renewable energy (US$ 5.3 billion), coal, oil & gas (US$ 3.1 billion), consumer products (US$ 2.3 billion), financial services (US$ 2.2 billion), software & IT services (US$ 2.2 billion) and pharmaceuticals (US$ 1.8 billion). Maximum number of projects were in software & IT services sector (349 projects), followed by business services (275 projects) and financial services (179 projects).

Chart 2.6: Major Sectors Attracting FDI into EFTA, 2014-2023



Source: fDi Markets online database and Exim Bank Research

FDI Outflows from EFTA Countries

A total outward envisaged investment of US$ 308.5 billion was made by the EFTA entities in 9,111 projects, resulting in 6,76,984 jobs across the globe from during 2014-2023 **(Table 2.14)**. FDI outflows from EFTA which stood at US$ 20.2 billion in 2014, increased to reach US$ 36.6 billion in 2019. Thereafter, FDI outflows witnessed a slight moderation in 2020 before falling to US$ 25.1 billion in 2021. The FDI scenario saw a significant reversal, with envisaged outflows from EFTA amounting to US$ 36.5 billion in 2022 and then recording a decadal high of US$ 54.5 billion in 2023.

Table 2.14: Envisaged FDI Outflows from EFTA, 2014-2023

Year	Capital Expenditure (US$ million)	No. of Projects	No. of Jobs Created	No. of Companies
2014	20,211.7	717	62,531	426
2015	27,062.7	761	55,658	504
2016	19,459.6	748	69,850	467
2017	27,402.6	890	66,723	492
2018	26,457.6	1,044	82,217	507
2019	36,556.0	1,114	84,206	553
2020	35,265.8	808	54,862	454
2021	25,109.8	831	54,006	506
2022	36,467.7	968	69,679	538
2023	54,542.5	1,230	77,252	554
Total	**308,536.0**	**9,111**	**676,984**	**3,219**

Source: fDi Markets online database and Exim Bank Research

USA was also the largest recipient of envisaged investment from EFTA, with a capex investment of US$ 35.8 billion during 2014-2023 **(Table 2.15)**. USA was followed by the UK (US$ 31 billion), Germany

(US$ 20.2 billion), Brazil (US$ 15.9 billion), China (US$ 14.9 billion) and Indonesia (US$ 12.5 billion). India was the 9th largest destination for envisaged investments flowing from EFTA, with a capex amounting to US$ 10.5 billion.

Table 2.15: Major Investment Destinations of EFTA, 2014-2023

Destination Country	Capital Expenditure (US$ million)	No. of Projects	No. of Jobs Created	No. of Companies
USA	35,819.4	1,127	87,918	498
UK	30,960.1	603	26,238	341
Germany	20,173.3	1,383	40,411	1,110
Brazil	15,889.7	117	14,138	77
China	14,936.9	355	41,855	203
Indonesia	12,518.4	60	10,189	33
France	11,192.2	496	19,377	263
Egypt	11,122.8	36	4,784	24
India	**10,463.9**	**235**	**56,477**	**133**
Spain	8,852.8	385	24,247	190
Italy	8,173.1	179	15,291	100
Belgium	6,874.9	114	5,910	68
Finland	6,251.5	131	4,991	112
Mexico	5,743.8	152	22,665	91
Singapore	5,021.0	206	9,763	163
Australia	4,652.9	144	9,642	84
Canada	4,549.7	159	8,920	76
UAE	4,324.8	229	11,421	184
Japan	3,749.1	93	4,799	77
Malaysia	3,729.5	98	11,114	67
Others	83,536.2	2,809	246,834	-675
Total	**308,536.0**	**9,111**	**676,984**	**3,219**

Source: fDi Markets online database and Exim Bank Research

Switzerland was the largest outward directed investment source among the EFTA countries, investing US$ 212.6 billion (more than half of the total envisaged outflows) during 2014-2023 across the globe **(Table 2.16)**. Switzerland was followed by Norway (30.4% of total envisaged outflows), Iceland (0.5%) and Liechtenstein (0.3%).

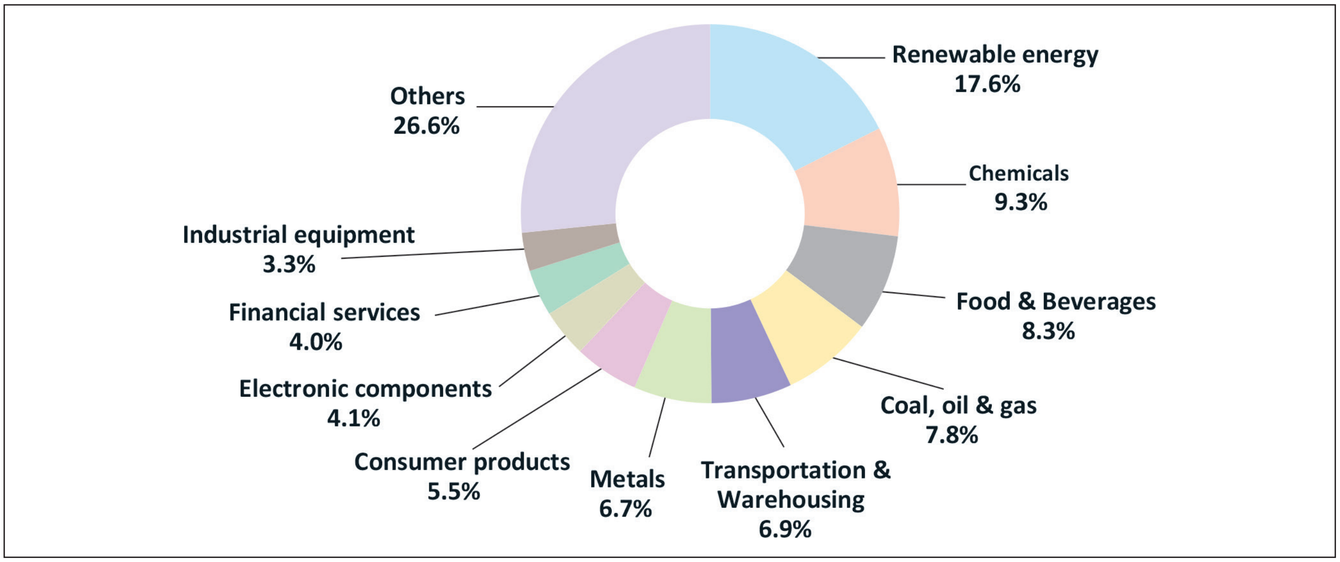
Table 2.16: FDI Source Countries in EFTA, 2014-2023

Source Country	Capital Expenditure (US$ million)	No. of Projects	No. of Jobs Created	No. of Companies
Switzerland	212,612.7	7,585	577,883	2,448
Norway	93,704.2	1,376	92,871	687
Liechtenstein	1,397.2	71	4,083	42
Iceland	822	79	2,147	44
Total	**308,536**	**9,111**	**676,984**	**3,219**

Source: fDi Markets online database and Exim Bank Research

Renewable energy sector accounted for 17.6% of the envisaged investment flowing out of EFTA, amounting to US$ 54.2 billion during 2014-2023 **(Chart 2.7)**. Other major sectors attracting capex from EFTA are chemicals (US$ 28.8 billion), food & beverages (US$ 25.5 billion), coal, oil & gas (US$ 24.1 billion), transportation & warehousing (US$ 21.2 billion), metals (US$ 20.5 billion), consumer products (US$ 17 billion), electronic components (US$ 10.6 billion), financial services (US$ 12.2 billion) and industrial equipment (US$ 10.1 billion). In terms of job creation, food and beverages, consumer products, industrial equipment, software & IT services and transportation and warehousing dominated in the past decade.

Chart 2.7: Major Sectors Attracting FDI from EFTA, 2014-2023



Source: fDi Markets online database and Exim Bank Research

Chapter 3

India-EFTA: Trade and Investment Relations

India is amongst the world's fastest-growing large economies and is an important player in global economic governance. A majority of India's exports are being targeted to developed country markets. EFTA is one of the fastest growing regional group, with several growing opportunities for Indian exporters. The formation of EFTA as a single integrated market of countries offered a new spectrum of opportunities, intensification of competition and initiation of new strategies for India. India and EFTA together account for around US$ 5.3 trillion GDP in 2024. India's GDP is more than 2.5 times larger than GDP of EFTA. India's population is enormous in comparison to EFTA, representing a large market for goods and services.

The EFTA countries offer long term markets for exports for a large variety of manufactured products, comprising a wide technology spectrum. EFTA offers viable business diversification opportunities for Indian exporters, both in the short term and long term. However, penetrating these intensely competitive and changing markets entail designing of a proper business strategy, especially in the context of evolving global economic order.

In order to harness the untapped potential, India and EFTA signed the historic Trade and Economic Partnership Agreement (TEPA) in March 2024. It is the first FTA that India has signed with four developed nations - an important economic bloc in Europe. In a historic move, binding commitment of US$ 100 billion investment by EFTA and 1 million direct jobs in the next 15 years in India has been agreed upon in the agreement. The agreement is expected to give a boost to Make in India and provide opportunities to young and talented workforce. The FTA will provide a window to Indian exporters to access large European and global markets.

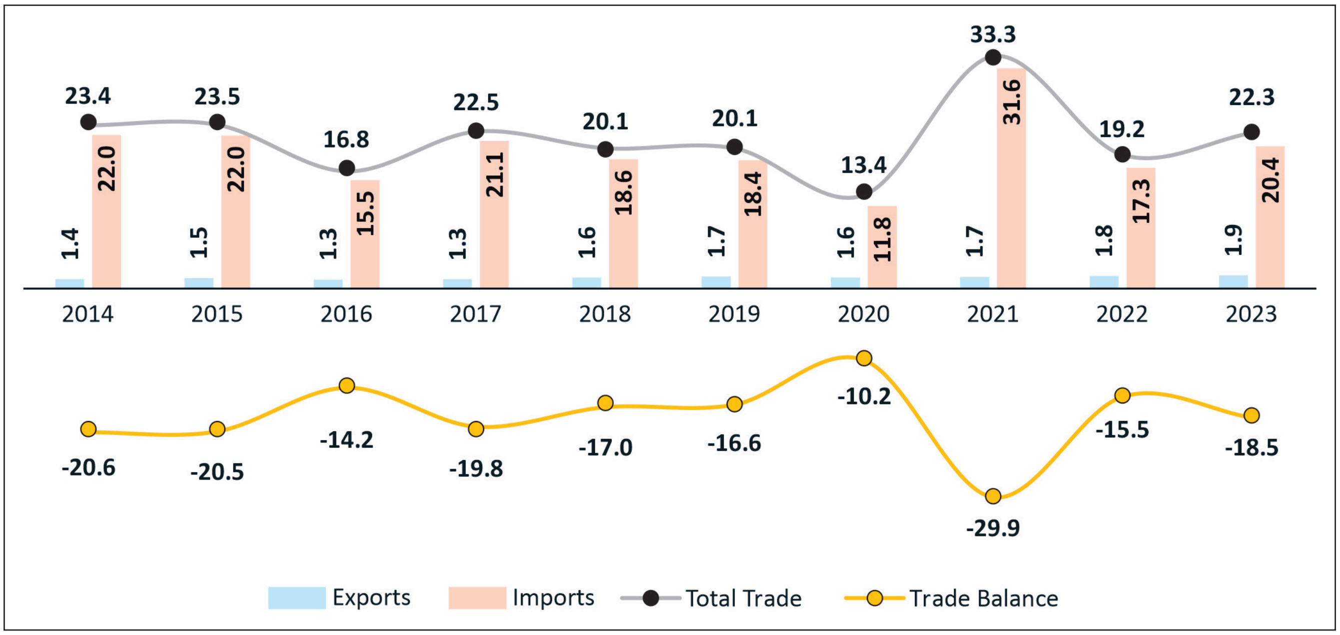
The agreement comprises of 14 chapters with main focus on market access related to goods, rules of origin, trade facilitation, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, investment promotion, market access on services, intellectual property rights, trade and sustainable development and other legal and horizontal provisions.

Bilateral Trade Relations of India and EFTA

The India-EFTA trade has evolved through ups and downs over the years and India remains a net importer of merchandise goods from EFTA. After starting out at a relatively low level in the 1990's, the trade volumes, both with respect to Indian exports to EFTA as well as with respect to Indian imports from EFTA, started to increase remarkably after 2007.

The total trade between India and EFTA amounted to US$ 20.1 billion in 2019, moderating from US$ 23.4 billion in 2014 **(Chart 3.1)**. In 2020, the trade between India and EFTA was severely impacted by the pandemic, resulting in the total trade between India and EFTA declining by 33.3% from 2019 levels. However, India's trade with EFTA reached a decade high of US$ 33.3 billion in 2021, increasing by almost 150% from 2020 (due to low base effect), surpassing the pre-pandemic level. However, India's total trade with the EFTA countries declined in 2022, before recovering again in 2023. India's total trade with EFTA stood at US$ 22.3 billion in 2023, increasing from US$ 19.2 billion in 2022. India's exports to EFTA increased marginally to US$ 1.9 billion in 2023 compared to US$ 1.8 billion in 2022. In 2023, India's imports from EFTA increased to US$ 20.4 billion from US$ 17.3 billion, largely due to 23.7% increase in gold imports from Switzerland and 44.7% decline in crude oil imports from Norway. Historically, India has been witnessing a trade deficit with EFTA, and due to sharp decline in imports, trade deficit narrowed to US$ 18.5 billion in 2023.

Chart 3.1: India's Merchandise Trade with EFTA (US$ billion)



Source: ITC Trade Map and Exim Bank Research

Among the EFTA countries, Switzerland is the largest trading partner of India, with exports and imports of US$ 1.4 billion and US$ 19.6 billion, respectively in 2023 **(Table 3.1)**. Switzerland accounted for 94.3% of India's total trade with EFTA in 2023. Switzerland was followed by Norway, with a share of 5.7% in India's total trade with EFTA in 2023.

Table 3.1: Merchandise Trade Profile of India with EFTA Countries (US$ million)

Country	India's Exports to EFTA			India's Imports from EFTA			India's Total Trade			India's Trade Balance		
	2014	2022	2023	2014	2022	2023	2014	2022	2023	2014	2022	2023
Switzerland	1,129.0	1,340.1	1,394.5	21,133.1	16,302.7	19,607.9	22,262.1	17,642.8	21,002.4	-20,004.1	-14,962.6	-18,213.4
Norway	242.6	473.9	484.0	845.3	1,026.4	774.9	1,087.9	1,500.2	1,258.9	-602.7	-552.5	-290.9
Iceland	20.4	10.9	12.5	8.7	5.1	5.4	29.0	16.0	17.9	11.7	5.7	7.1
Total EFTA	**1,392.0**	**1,824.8**	**1,891.0**	**21,987.0**	**17,334.2**	**20,388.2**	**23,379.0**	**19,159.0**	**22,279.1**	**-20,595.0**	**-15,509.4**	**-18,497.2**

Source: ITC Trade Map and Exim Bank Research

In 2023, India ranked as 10th largest export destination and 29th largest import supplier for EFTA. The tariff liberalization under the recently concluded Trade and Economic Partnership Agreement (TEPA) with EFTA would further lead to greater gains for both India and the EFTA countries.

India’s Merchandise Exports to EFTA

Over the last decade, Indian exports to EFTA have fluctuated, falling from US$ 1.4 billion in 2014 to US$ 1.3 billion in 2017, followed by a rise after 2018. With recovery in global demand, India’s exports to EFTA increased to US$ 1.9 billion in 2023.

India’s exports to EFTA are relatively diversified. In 2023, the principal item of export to EFTA from India was organic chemicals, which constituted 33% of total exports from India to EFTA **(Table 3.2)**. This was followed by pearls and precious stones and metals (22.9% of total exports to EFTA), inorganic chemicals (4%), machinery and mechanical appliances (3.8%), ships, boats and floating structures (3.6%), products of the milling industry (3.2%) and optical, photographic and medical equipment (3%), among others.

Table 3.2: India’s Major Exports to EFTA (US$ million)

HS Code	Product	2014	2022	2023	% Share in 2023
	India’s Total Exports to EFTA	**1,392.0**	**1,824.8**	**1,891.0**	**100.0**
29	Organic chemicals	276.0	654.4	623.7	33.0
71	Pearls, precious or semi-precious stones and metals	307.0	338.6	432.6	22.9
28	Inorganic chemicals	5.5	29.1	76.3	4.0
84	Machinery and mechanical appliances	134.5	69.0	71.2	3.8
89	Ships, boats and floating structures	-	37.4	67.7	3.6
11	Products of the milling industry	0.3	68.4	59.8	3.2
90	Optical, photographic, and medical equipment	23.9	57.5	56.6	3.0
85	Electrical machinery and equipment	59.1	50.0	48.0	2.5
63	Other made-up textile articles	43.5	39.2	34.3	1.8
62	Articles of apparel and clothing accessories, not knitted or crocheted	47.7	21.3	29.6	1.6
73	Articles of iron or steel	30.2	35.1	28.2	1.5
88	Aircraft, spacecraft, and parts	44.6	42.3	26.8	1.4
61	Articles of apparel and clothing accessories, knitted or crocheted	51.5	34.5	26.4	1.4
91	Clocks and watches and parts	23.9	21.9	25.8	1.4
87	Vehicles other than railway or tramway rolling stock	13.7	22.1	24.6	1.3
56	Wadding, felt and nonwovens and special yarns	20.5	26.3	19.7	1.0
30	Pharmaceutical products	11.7	25.3	18.5	1.0
40	Rubber and articles	7.7	15.8	18.1	1.0
72	Iron and steel	17.8	33.8	17.8	0.9
23	Residues and waste from the food industries	1.0	13.2	16.6	0.9

Note: - not available/negligible

Source: ITC Trade Map and Exim Bank Research

India's Merchandise Imports from EFTA

EFTA remains a major import source for India. EFTA's share in India's total imports increased from 2.4% in 2022 to 3.1% in 2023. India's imports from EFTA increased from US$ 17.3 billion in 2022 to US$ 20.4 billion in 2023.

In product terms, pearls, precious or semi-precious stones and metals dominate India's imports from EFTA, accounting for as much as 81.9% of India's total imports from EFTA in 2023 (increasing from 77.9% share in 2022) **(Table 3.3)**. Other major imports include mineral fuels and oil (3.6% of India's total imports from EFTA), machinery and mechanical appliances (2.2%), pharmaceutical products (1.7%) and optical, photographic and medical equipment (1.6%). At disaggregated level, the items contributing the most to the trade deficit in 2023 was gold, including gold plated with platinum, unwrought, for non-monetary purposes, imports for which increased from US$ 13.1 billion in 2022 to US$ 16.5 billion in 2023, increasing by 26%.

Table 3.3: India's Major Imports from EFTA (US$ million)

HS Code	Product	2014	2022	2023	% Share in 2023
	India's Imports from EFTA	**21,987.0**	**17,334.2**	**20,388.2**	**100.0**
71	Pearls, precious or semi-precious stones and metals	19,411.7	13,501.7	16,699.6	81.9
27	Mineral fuels and oils	67.9	1,062.0	735.0	3.6
84	Machinery, mechanical appliances and parts	442.1	410.6	444.3	2.2
30	Pharmaceutical products	130.8	375.8	349.3	1.7
90	Optical, photographic, and medical equipment	214.6	296.5	333.6	1.6
91	Clocks, watches and parts	159.9	201.9	250.0	1.2
15	Animal or vegetable fats and oils	1.8	150.8	249.8	1.2
85	Electrical machinery and equipment	198.3	173.5	217.8	1.1
29	Organic chemicals	183.9	167.5	175.1	0.9
75	Nickel and articles	91.3	149.6	160.7	0.8
72	Iron and steel	30.9	81.5	104.2	0.5
38	Miscellaneous chemical products	61.3	78.1	92.8	0.5
39	Plastics and articles	84.8	76.3	77.2	0.4
31	Fertilisers	17.4	63.1	61.9	0.3
76	Aluminium and articles	17.0	48.9	44.2	0.2
26	Ores, slag and ash	-	7.8	36.4	0.2
73	Articles of iron or steel	29.9	25.0	33.8	0.2
33	Essential oils and resinoids	18.3	26.0	25.7	0.1
74	Copper and articles	22.8	25.0	22.4	0.1
28	Inorganic chemicals	16.5	13.1	22.2	0.1

Note: - not available/negligible

Source: ITC Trade Map and Exim Bank Research

Summary of India's Merchandise Trade with EFTA Countries

Switzerland

Table 3.4: India's Merchandise Trade Profile with Switzerland (US$ million)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
India's Exports	1,129.0	937.8	1,034.0	995.7	1,231.7	1,277.4	1,247.9	1,290.3	1,340.1	1,394.5
India's Imports	21,133.1	21,126.1	14,854.5	20,395.5	18,091.0	17,722.7	11,312.5	29,492.0	16,302.7	19,607.9
Total Trade	22,262.1	22,063.9	15,888.6	21,391.1	19,322.7	19,000.1	12,560.4	30,782.3	17,642.8	21,002.4
Trade Balance	-20,004.1	-20,188.3	-13,820.5	-19,399.8	-16,859.3	-16,445.3	-10,064.7	-28,201.7	-14,962.6	-18,213.4

Source: ITC Trade Map and Exim Bank Research

Table 3.5: India's Merchandise Exports to Switzerland (US$ million)

HS Code	Product	2014	2022	2023	% Share in 2023
	India's Exports to Switzerland	**1,129.0**	**1,340.1**	**1,394.5**	**100.0**
29	Organic chemicals	251.6	569.2	535.7	38.4
71	Pearls, precious or semi-precious stones and metals	299.2	324.9	421.3	30.2
28	Inorganic chemicals	3.5	28.7	75.9	5.4
84	Machinery and mechanical appliances	124.1	52.7	44.6	3.2
85	Electrical machinery and equipment	48.1	26.5	26.9	1.9
88	Aircraft, spacecraft and parts	43.7	42.3	26.8	1.9
90	Optical, photographic, cinematographic and medical equipment	21.6	19.7	26.2	1.9
91	Clocks, watches and parts	23.9	21.9	25.8	1.9
61	Articles of apparel and clothing accessories, knitted or crocheted	38.8	28.9	22.5	1.6

Source: ITC Trade Map and Exim Bank Research

Table 3.6: India's Merchandise Imports from Switzerland (US$ million)

HS Code	Product	2014	2022	2023	% Share in 2023
	India's Imports from Switzerland	**21,133.1**	**16,302.7**	**19,607.9**	**100.0**
71	Pearls, precious or semi-precious stones and metals	19,411.3	13,501.5	16,697.2	85.2
27	Mineral fuels and oils	2.0	542.7	448.0	2.3
84	Machinery and mechanical appliances	404.0	400.2	407.8	2.1
30	Pharmaceutical products	127.9	370.1	345.5	1.8
90	Optical, photographic and medical equipment	194.0	283.6	316.6	1.6
91	Clocks, watches and parts	159.9	201.9	250.0	1.3
15	Animal, vegetable fats and oils	0.2	149.1	248.1	1.3
85	Electrical machinery and equipment	165.7	160.1	198.0	1.0

Source: ITC Trade Map and Exim Bank Research

Norway

Table 3.7: India's Merchandise Trade Profile with Norway (US$ million)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
India's Exports	242.6	537.9	233.3	343.7	301.5	426.7	310.3	383.8	473.9	484.0
India's Imports	845.3	825.8	646.5	725.7	450.8	624.3	498.0	2,081.9	1,026.4	774.9
Total Trade	1,087.9	1,363.7	879.8	1,069.4	752.3	1,051.1	808.4	2,465.7	1,500.2	1,258.9
Trade Balance	-602.7	-288.0	-413.3	-382.0	-149.3	-197.6	-187.7	-1,698.0	-552.5	-290.9

Source: ITC Trade Map and Exim Bank Research

Table 3.8: India's Merchandise Exports to Norway (US$ million)

HS Code	Product	2014	2022	2023	% Share in 2023
	India's Exports to Norway	**242.6**	**473.9**	**484.0**	**100.0**
29	Organic chemicals	8.5	83.5	85.5	17.7
89	Ships, boats and floating structures	-	37.4	67.6	14.0
11	Products of the milling industry	0.2	68.2	59.7	12.3
90	Optical, photographic, cinematographic and medical equipment	2.1	37.6	30.2	6.2
63	Other made-up textile articles	33.0	30.0	26.9	5.6
84	Machinery and mechanical appliances	10.3	15.9	25.2	5.2

Note: - not available/negligible

Source: ITC Trade Map and Exim Bank Research

Table 3.9: India's Merchandise Imports from Norway (US$ million)

HS Code	Product	2014	2022	2023	% Share in 2023
	India's Imports from Norway	**845.3**	**1,026.4**	**774.9**	**100.0**
27	Mineral fuels and oils	65.8	519.3	287.0	37.0
75	Nickel and articles	90.0	128.5	131.2	16.9
72	Iron and steel	23.7	47.3	53.0	6.8
84	Machinery and mechanical appliances	37.8	10.4	36.5	4.7
76	Aluminium and articles	11.8	37.5	33.9	4.4
31	Fertilisers	13.6	63.1	31.8	4.1
39	Plastics and articles	52.0	26.0	24.6	3.2
85	Electrical machinery and equipment	31.5	13.3	19.8	2.5

Note: - not available/negligible

Source: ITC Trade Map and Exim Bank Research

Iceland

Table 3.10: India's Merchandise Trade Profile with Iceland (US$ million)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
India's Exports	20.4	18.8	19.8	5.9	19.4	19.2	11.8	11.3	10.9	12.5
India's Imports	8.7	5.3	2.9	7.3	10.6	10.1	5.3	7.1	5.1	5.4
Total Trade	29.0	24.1	22.8	13.2	30.0	29.3	17.2	18.4	16.0	17.9
Trade Balance	11.7	13.5	16.9	-1.4	8.8	9.1	6.5	4.2	5.7	7.1

Table 3.11: India's Merchandise Exports to Iceland (US$ million)

HS Code	Product	2014	2022	2023	% Share in 2023
	India's Exports to Iceland	**20.4**	**10.9**	**12.5**	**100.0**
56	Wadding, felt and nonwovens	1.2	2.4	2.9	23.6
29	Organic chemicals	16.0	1.7	2.4	19.5
72	Iron and steel	-	2.7	2.3	18.8
84	Machinery and mechanical appliances	0.1	0.4	1.4	11.3
76	Aluminium and articles	-	0.2	0.8	6.0
40	Rubber and articles	0.2	0.4	0.5	3.9

Note: - not available/negligible

Source: ITC Trade Map and Exim Bank Research

Table 3.12: India's Merchandise Imports from Iceland (US$ million)

HS Code	Product	2014	2022	2023	% Share in 2023
	India's Imports from Iceland	**8.7**	**5.1**	**5.4**	**100.0**
72	Iron and steel	-	-	3.3	62.1
15	Animal, vegetable fats and oils	1.2	1.1	0.8	14.2
32	Tanning or dyeing extracts	-	2.0	0.6	10.7
90	Optical, photographic, cinematographic and medical equipment	0.2	0.6	0.3	5.3
97	Works of art, collectors' pieces and antiques	-	-	0.1	2.2
56	Wadding, felt and nonwovens	-	-	0.1	1.3

Note: - not available/negligible

Source: ITC Trade Map and Exim Bank Research

Aligning India's Exports with EFTA's Import Demand

The recently signed India-EFTA TEPA has set the stage for enhancing future bilateral partnership. However, the success of the trade agreement largely depends on complementarity between the export supply of one country to the import demand of the other country. It is generally understood that complementarity in the trade structure of the countries facilitates more export and import between them and there is scope for mutual benefit from this increased trade.

India's Revealed Comparative Advantage Analysis and Trade Potential

Analysing the key products where India has comparative advantage and matching it with EFTA's import demand for these products are necessary for TEPA to be successful. Quantification of comparative advantage will help in identification of products where exports from India have been performing well, as also those where success has been limited, although opportunities are significant.

Revealed Comparative Advantage (RCA) is a measure which have been used extensively to help assess a country's export potential/competitiveness. It helps in identifying categories of exports in which an economy has a comparative advantage by way of comparison of the country's trade scenario with the world scenario. It can also provide useful information about potential trade prospects with new partners. The basic assumption underlying the concept of revealed comparative advantage is that the trade profile reflects the inter-country differences in terms of relative costs as well as non-price aspects.

As per Balassa's (1965) measure, RCA index for country I for commodity j is:

$$\boxed{RCA_{ij} = (x_{ji}/X_i) / (x_{jw}/X_w)}$$

Where,

- x_{ji} : Exports of Commodity 'j' from Country/Region 'i'
- X_i : Total Exports from Country/Region 'i'
- x_{jw}: Total Exports of Commodity 'j' from World
- X_w: Total Exports from World

The RCA index ranges from 0 to infinity, with 1 as the break-even point. That is, an RCA value of less than 1 means that the product does not have a comparative advantage, while a value above 1 indicates that then product has a comparative advantage.

Since the RCA analysis is used in regard to one country's/region's exports profile with reference to the world, the above formula of revealed comparative advantage has been modified to assess India's competitiveness in bilateral trade relations with EFTA.

$$\boxed{RCA_{iju} = (x_{iju}/X_{iu}) / (x_{wju}/X_{wu})}$$

Where,

- x_{iju}: India's Exports of commodity 'j' to EFTA
- X_{iu}: India's Total Exports to EFTA
- x_{wju}: World's Exports of commodity 'j' to EFTA
- X_{wu}: World Total Exports to EFTA

The Normalized Revealed Comparative Advantage (NRCA) index demonstrates the capability of revealing the extent of comparative advantage that a country has in a commodity with more precision and consistency. NRCA can be defined in the following manner.

$$\mathbf{NRCA_{iju}= (RCA_{iju}-1/\ RCA_{iju}+1)}$$

NRCA ranges from -1 to 1, with 0 as the breakeven point. That is, an NRCA value of less than 0 and greater than -1, means that the product has no export comparative advantage, while a value above 0 and less than 1, indicates that the product has a comparative advantage. The extent of comparative advantage/disadvantage can be gauged from the proximity of the NRCA values to the extreme data points, viz. +1 and -1.

The export competitiveness of India has been mapped with respect to EFTA's demand. This has been undertaken with a view to outline a market-specific approach for exporters. An overarching analysis has been attempted to identify products from the industries for which India has existing capabilities in exporting to EFTA. These products are the potential export growth drivers from India to EFTA and could suitably be targeted. The section also attempts to identify the products that India could focus on, to realize potentially higher values of exports to EFTA, especially when considering that the India already possesses manufacturing capabilities for these products. The objective of the exercise is to construct a product market matrix for products in demand in EFTA, so that necessary actions and policies can be formulated in the right direction to enhance exports of these potential products from India to EFTA.

Following are the considerations in the analysis:

- **Time Period:** The time period considered for the analysis is 2013-2023.
- **Product Limit:** Only those products at 6-digit HS code level, with a minimum export value of US$ 500,000 from India to EFTA are considered in the analysis.
- **Parameters in Consideration:** The analysis in this section considers two major determinants of the India's performance in EFTA, namely, the NRCA for products, and the Average Annual Growth Rate (AAGR) of EFTA's global imports.

Based on these three considerations, a four-quadrant matrix is prepared for product identification. The four quadrants imply the following:

Product Champions (Product Import AAGR of EFTA > World Import AAGR of EFTA; Positive NRCA): These products have the maximum potential, as EFTA's import demand for these products has shown robust AAGR over the period 2013-2023, while India's exports of these products to EFTA are also competitive, reflected in positive NRCA values for such products. These are the products with maximum export potential to EFTA and India needs to further expand its exports of these products in order to take advantage of its competitive position and achieve a greater market share in EFTA.

Underachievers (Product Import AAGR of EFTA > World Import AAGR of EFTA; Negative NRCA): India does not have required competitiveness in these products although their import demand has grown in EFTA significantly over the period under consideration. India can strive towards building capacities and capabilities in these identified products. These are the products in which India can diversify in the medium to long term to continue being a strategic trade partner to EFTA and further expand its bilateral ties with EFTA.

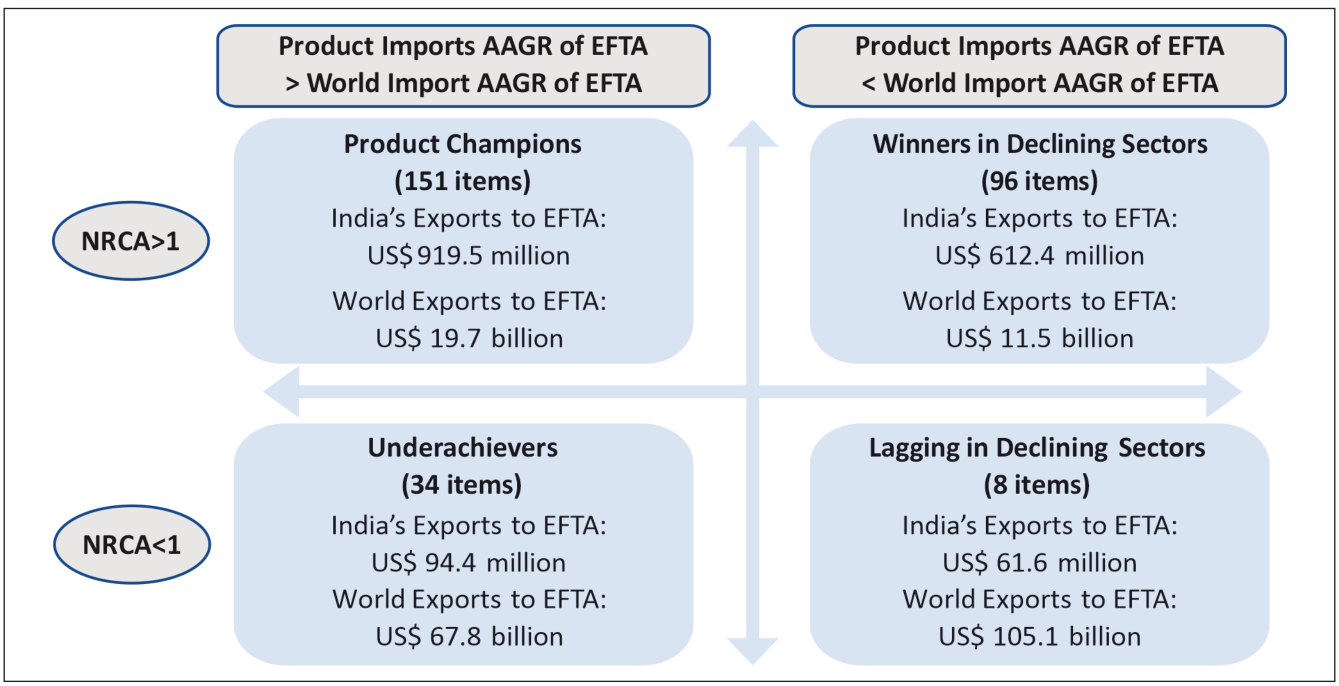
Winners in Declining Sectors (Product Import AAGR of EFTA < World Import AAGR of EFTA; Positive NRCA): India has competitiveness in these products, even though EFTA's import AAGR for these products has been declining. These products may not have much demand in the future, and hence, scarce resources from these sectors could be diverted to other sectors where demand expectations are positive.

Lagging in Declining Sectors (Product Import AAGR of EFTA < World Import AAGR of EFTA; Negative NRCA): India does not have competitiveness in these products, and these sectors have also registered weak import demand in EFTA during the period under consideration.

Product Identification Based on Competitiveness

To identify the products based on their export competitiveness in EFTA, the four-quadrant analysis has been undertaken based on the HS Code classifications at 6-digit level, whilst calculating their NRCA and mapping them against the AAGR of global imports of EFTA for all products. The quadrants are drawn by comparing the AAGR of global imports of EFTA for all products during 2013-2023 (which was 1.6%), to the NRCA of India's exports to EFTA during the same period **(Chart 3.2)**. This exercise aims to identify those products with imports in EFTA having performed better than the overall average of EFTA for all products during 2013-2023, implying that the share of such products in EFTA's import basket has witnessed an increase, a reflection of their rising demand and dynamism. At 6-digit HS Code, with minimum exports of US$ 500,000 from India to EFTA, 289 products have been identified with the total exports from India to EFTA amounting to US$ 1.7 billion, while the total world imports by EFTA in the same products stood at US$ 204.2 billion in 2023.

Chart 3.2: Identification of Products with Export Potential from India to EFTA, 2023



Source: ITC Trade Map and Exim Bank Research

Out of the 289 items at the HS 6-digit level, 151 items fell into the category of the product champions. The combined exports of these items from India to EFTA were US$ 919.5 million in 2023, representing approximately 54.1% of India's exports to EFTA in 2023. Major product champions are provided in **Table 3.13**.

Table 3.13: List of Top Export Products in Product Champions Category from India to EFTA (HS 6-digit level)

HS Code	Product Label	India's Exports to EFTA (US$ million)	Share in India's Total Exports to EFTA (%)	Global Imports of EFTA (US$ million)	Share in Global Imports of EFTA (%)
292429	Cyclic amides, incl. cyclic carbamates, and their derivatives; salts (excl. ureines)	84.8	4.5	248.7	0.1
292800	Organic derivatives of hydrazine or of hydroxylamine	83.2	4.4	275.1	0.1
284390	Inorganic or organic compounds of precious metals, whether or not chemically defined	75.0	4.0	190.1	-
890690	Vessels, incl. lifeboats (excl. warships, rowing boats and other vessels of heading 8901)	67.6	3.6	210.4	-
110610	Flour, meal and powder of peas, beans, lentils and the other dried leguminous vegetables	59.6	3.2	1.0	-
710692	Silver, incl. silver plated with gold or platinum, semi-manufactured	48.3	2.6	34.9	-
294200	Separate chemically defined organic compounds	29.4	1.6	19.7	-
901580	Instruments and appliances used in geodesy, topography, hydrography, oceanography, hydrology	28.2	1.5	286.1	0.1
291620	Cyclanic, cyclenic or cycloterpenic monocarboxylic acids, their anhydrides, halides, peroxides	17.3	0.9	33.6	-
291429	Cyclanic, cyclenic or cycloterpenic ketones, without other oxygen function (excl. cyclohexanone)	17.2	0.9	80.0	-
870410	Dumpers for off-highway use	16.9	0.9	130.6	-
230990	Preparations of a kind used in animal feeding (excl. dog or cat food put up for retail sale)	16.0	0.8	967.0	0.2
292419	Acyclic amides, incl. acyclic carbamates, and their derivatives, and salts (excl. meprobamate)	13.7	0.7	94.9	-
911490	Clock or watch parts	12.5	0.7	335.4	0.1
320416	Synthetic organic reactive dyes; preparations based on synthetic organic reactive dyes	12.5	0.7	18.6	-
710391	Rubies, sapphires and emeralds, worked, whether or not graded, but not strung, mounted or set	12.4	0.7	762.5	0.2
560811	Made-up knotted fishing nets of man-made textile materials (excl. landing nets)	11.7	0.6	62.3	-
841112	Turbojets of a thrust > 25 kN	10.9	0.6	216.3	-
293319	Heterocyclic compounds with nitrogen hetero-atom[s] only, containing an unfused pyrazole ring	10.7	0.6	114.0	-
291899	Carboxylic acids with additional oxygen function and their anhydrides, halides, peroxides	10.0	0.5	73.3	-

Note: - signifies marginal

Source: ITC Trade Map and Exim Bank Research

The total number of products in winners in declining sectors category is 96, with India's exports amounting to US$ 612.4 million and constitute a share of 36% of India's exports to EFTA in 2023. These are the products in which India has attained a significant share in EFTA's import basket, but EFTA's import demand for these products has been falling in the last decade **(Table 3.14)**.

Table 3.14: List of Top Export Products in Winners in Declining Sectors Category from India to EFTA (HS 6-digit level)

HS Code	Product Label	India's Exports to EFTA (US$ million)	Share in India's Total Exports to EFTA (%)	Global Imports of EFTA (US$ million)	Share in Global Imports of EFTA (%)
710239	Diamonds, worked, but not mounted or set (excl. industrial diamonds)	267.4	14.1	2,074.4	0.4
293399	Heterocyclic compounds with nitrogen hetero-atom[s] only (excl. those containing unfused)	125.1	6.6	1,227.4	0.3
293339	Heterocyclic compounds with nitrogen hetero-atom[s] only, containing an unfused pyridine ring	22.9	1.2	242.9	0.1
293499	Nucleic acids and their salts, whether or not chemically defined; heterocyclic compounds	18.3	1.0	810.5	0.2
292249	Amino-acids and their esters; salts (excl. those with > one kind of oxygen function)	9.3	0.5	64.5	-
911430	Dials for clocks or watches	9.2	0.5	133.7	-
630419	Bedspreads of all types of textile materials (excl. knitted or crocheted, bedlinen, quilts)	9.1	0.5	5.1	-
630492	Articles for interior furnishing, of cotton (excl. knitted or crocheted, blankets and travelling)	8.8	0.5	13.8	-
293090	Organo-sulphur compounds (excl. thiocarbamates and dithiocarbamates, thiuram mono-, di)	8.6	0.5	71.1	-
293369	Heterocyclic compounds with nitrogen hetero-atom[s] only, containing an unfused triazine ring	7.1	0.4	33.6	-
482390	Paper, paperboard, cellulose wadding and webs of cellulose fibres, in strips or rolls	4.0	0.2	99.1	-
841199	Parts of gas turbines	3.9	0.2	472.4	0.1
640391	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather	3.8	0.2	400.5	0.1
841391	Parts of pumps for liquids	3.4	0.2	235.4	-
294190	Antibiotics (excl. penicillins and their derivatives with a penicillanic acid structure, salts)	3.2	0.2	169.6	-
292690	Nitrile-function compounds (excl. acrylonitrile, 1-cyanoguanidine "dicyandiamide", fenproporex)	3.0	0.2	84.7	-
847990	Parts of machines and mechanical appliances	3.0	0.2	690.3	0.1
420329	Gloves, mittens and mitts, of leather or composition leather (excl. special sports gloves)	2.9	0.2	41.5	-
80610	Fresh grapes	2.9	0.2	184.6	-
293220	Lactones	2.9	0.2	85.7	-

Note: - signifies marginal

Source: ITC Trade Map and Exim Bank Research

This was followed by underachievers, consisting of 34 items, with India's exports amounting to US$ 94.4 million to EFTA. These products constitute a marginal share of 5.6% in India's total exports to EFTA. These are the products in which import demand in EFTA is rising, but India does not have the required competitiveness in the export of these items **(Table 3.15)**.

Table 3.15: List of Top Export Products in Underachievers Category from India to EFTA (HS 6-digit level)

HS Code	Product Label	India's Exports to EFTA (US$ million)	Share in India's Total Exports to EFTA (%)	Global Imports of EFTA (US$ million)	Share in Global Imports of EFTA (%)
711319	Articles of jewellery and parts, of precious metal other than silver	36.7	1.9	9,353.6	2.0
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes	15.5	0.8	36,898.5	7.8
732690	Articles of iron or steel (excl. cast articles or articles of iron or steel wire)	5.1	0.3	1,355.5	0.3
730890	Structures and parts of structures, of iron or steel (excl. bridges and bridge-sections)	3.8	0.2	2,045.7	0.4
901839	Needles, catheters, cannulae and the like, used in medical, surgical, dental or veterinary	3.0	0.2	788.5	0.2
853890	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537,	2.6	0.1	695.8	0.1
854442	Electric conductors for a voltage <= 1.000 V, insulated, fitted with connectors	2.2	0.1	661.5	0.1
293379	Lactams (excl. 6-hexanelactam "epsilon-caprolactam", clobazam "INN", methyprylon "INN")	2.2	0.1	558.5	0.1
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excl. knitted)	2.1	0.1	738.8	0.2
392690	Articles of plastics and articles of other materials of heading 3901 to 3914	1.9	0.1	1,602.5	0.3
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excl. pressure-reducing valves)	1.7	0.1	1,287.0	0.3
330300	Perfumes and toilet waters (excl. aftershave lotions, personal deodorants and hair lotions)	1.2	0.1	362.4	0.1
903180	Instruments, appliances and machines for measuring or checking, not elsewhere specified	1.2	0.1	436.6	0.1
630790	Made-up articles of textile materials, incl. dress patterns	1.1	0.1	290.6	0.1
640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather	1.1	0.1	803.4	0.2
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution	1.0	0.1	1,416.6	0.3
300390	Medicaments consisting of two or more constituents mixed together for therapeutic or prophylactic	0.9	-	260.6	0.1
902790	Microtomes; parts and accessories of instruments and apparatus for physical or chemical analysis	0.9	-	367.7	0.1

HS Code	Product Label	India's Exports to EFTA (US$ million)	Share in India's Total Exports to EFTA (%)	Global Imports of EFTA (US$ million)	Share in Global Imports of EFTA (%)
846693	Parts and accessories for machine tools for working material by removing material of headings	0.8	-	410.4	0.1
901890	Instruments and appliances used in medical, surgical or veterinary sciences	0.8	-	1,745.2	0.4

Note: - signifies marginal

Source: ITC Trade Map and Exim Bank Research

The high range of exports under the category of declining sectors highlight the need for diversification to other sectors as well as industries which have greater scope for exports in the future. If the scarce resources are not diverted, then excess supply to these sectors facing limited demand in EFTA would result in further fall in the prices in the future. Thus, a significant shift needs to be made from the declining sectors to the product champions in the short run and underachievers in the medium to the long run, in order to make efficient utilization of resources and further enhance exports from India to EFTA. Further, the analysis suggests strengthening the existing products in the category of product champions in order to exploit the full potential of these products which are already showing a robust growth in EFTA market, whilst India's exports also hold a comparative advantage in them.

India's Services Trade with EFTA

India's services trade relations with EFTA, which includes Switzerland, Norway, Iceland and Liechtenstein, lag behind other developed economies. The services entities in EFTA and India, though are utilising the existing complementarities and have provided services through various modes of supply, there exists a huge potential which could be tapped with the TEPA.

India's Services Exports to Iceland

India's major services exports to Iceland consist of telecommunications, computer and information services, professional and management consulting services, technical, trade-related and other business services and travel, among others **(Table 3.16)**.

Table 3.16: India's Services Exports to Iceland (US$ million)

Product/Sector	2014	2022	2023	% Share in 2023
India's Services Exports to Iceland	**32.2**	**19.3**	**27.1**	**100.0**
Government goods and services	0.1	0.02	0.02	0.1
Commercial services	32.1	19.3	27.1	99.9
Manufacturing services on physical inputs owned by others	0.002	0.01	0.01	0.04
Maintenance and repair services	0.4	0.7	0.3	1.1
Transport	2.7	1.3	1.6	6.0
Travel	3.6	1.9	3.9	14.3

Product/Sector	2014	2022	2023	% Share in 2023
Construction	0.1	1.8	0.9	3.3
Insurance and pension services	0.2	0.1	0.1	0.5
Financial services	2.4	1.4	1.7	6.3
Charges for the use of intellectual property	2.7	0.9	1.3	4.6
Telecommunications, computer and information services	5.7	4.2	8.3	30.5
Research and development services	3.9	1.3	1.7	6.3
Professional and management consulting services	7.4	3.7	5.2	19.3
Technical, trade-related and other business services	3.1	1.7	1.7	6.4
Personal, cultural and recreational services	0.1	0.3	0.3	1.2

Source: WTO-OECD BaTIS Database and Exim Bank Research

India's Services Imports from Iceland

India's major services imports from Iceland consist of travel, transport and telecommunications, computer and information services, among others **(Table 3.17)**.

Table 3.17: India's Services Imports from Iceland (US$ million)

Product/Sector	2014	2022	2023	% Share in 2023
India's Services Imports from Iceland	**15.4**	**22.2**	**25.2**	**100.0**
Government goods and services	1.4	1.5	1.5	5.9
Commercial services	14.0	20.7	23.7	94.1
Manufacturing services on physical inputs owned by others	0.0004	0.0002	0.0002	0.001
Maintenance and repair services	0.2	0.5	0.6	2.4
Transport	6.3	5.1	6.5	25.7
Travel	4.7	8.4	9.4	37.2
Construction	-	0.1	0.1	0.6
Insurance and pension services	0.2	0.3	0.4	1.5
Financial services	0.3	0.4	0.6	2.6
Charges for the use of intellectual property	0.7	1.0	1.0	4.0
Telecommunications, computer and information services	0.8	3.5	3.2	12.7
Research and development services	-	-	-	0.1
Professional and management consulting services	0.1	0.2	0.3	1.0
Technical, trade-related and other business services	0.4	0.6	0.9	3.5
Personal, cultural and recreational services	0.2	0.6	0.7	2.8

Note: - not available/negligible

Source: WTO-OECD BaTIS Database and Exim Bank Research

India's Services Exports to Norway

India's major services exports to Norway consist of telecommunications, computer and information services, professional and management consulting services and technical, trade-related and other business services, among others **(Table 3.18)**.

Table 3.18: India's Services Exports to Norway (US$ million)

Product/Sector	2014	2022	2023	% Share in 2023
India's Services Exports to Norway	**562.2**	**1,003.7**	**1,017.3**	**100.0**
Government goods and services	0.6	0.7	0.7	0.1
Commercial services	561.6	1,002.9	1,016.7	99.9
Manufacturing services on physical inputs owned by others	0.1	1.7	1.7	0.2
Maintenance and repair services	3.0	5.1	4.2	0.4
Transport	69.0	103.2	80.9	8.0
Travel	81.7	82.1	98.5	9.7
Construction	3.6	6.6	7.4	0.7
Insurance and pension services	3.5	5.1	4.4	0.4
Financial services	10.9	15.9	17.1	1.7
Charges for the use of intellectual property	1.1	1.6	1.8	0.2
Telecommunications, computer and information services	194.6	447.8	441.7	43.4
Research and development services	5.5	13.3	14.6	1.4
Professional and management consulting services	54.1	172.6	192.3	18.9
Technical, trade-related and other business services	127.9	134.0	138.2	13.6
Personal, cultural and recreational services	6.6	14.0	13.9	1.4

Source: WTO-OECD BaTIS Database and Exim Bank Research

India's Services Imports from Norway

India's major services imports from Norway consist of transport, travel and technical, trade-related and other business services, among others **(Table 3.19)**.

Table 3.19: India's Services Imports from Norway (US$ million)

Product/Sector	2014	2022	2023	% Share in 2023
India's Services Imports from Norway	**434.1**	**584.6**	**626.7**	**100.0**
Government goods and services	1.3	2.0	1.8	0.3
Commercial services	432.7	582.6	624.8	99.7
Manufacturing services on physical inputs owned by others	0.004	0.5	0.5	0.1
Maintenance and repair services	8.6	15.6	11.6	1.9
Transport	243.2	315.4	307.1	49.0
Travel	66.1	79.8	100.0	16.0
Construction	3.4	5.4	6.2	1.0

Product/Sector	2014	2022	2023	% Share in 2023
Insurance and pension services	5.5	10.8	9.8	1.6
Financial services	14.5	17.2	16.2	2.6
Charges for the use of intellectual property	3.9	5.7	8.0	1.3
Telecommunications, computer and information services	18.1	43.8	59.4	9.5
Research and development services	0.3	0.6	0.8	0.1
Professional and management consulting services	10.0	14.1	18.1	2.9
Technical, trade-related and other business services	56.7	68.0	80.1	12.8
Personal, cultural and recreational services	2.3	5.8	7.1	1.1

Source: WTO-OECD BaTIS Database and Exim Bank Research

India's Services Exports to Switzerland

India's major services exports to Switzerland consist of telecommunications, computer and information services, professional and management consulting services and transport services, among others **(Table 3.20)**.

Table 3.20: India's Services Exports to Switzerland (US$ million)

Product/Sector	2014	2022	2023	% Share in 2023
India's Services Exports to Switzerland	**2,731.6**	**5,491.0**	**6,172.4**	**100.0**
Government goods and services	1.6	2.0	2.2	0.04
Commercial services	2730.0	5489.0	6170.2	100.0
Manufacturing services on physical inputs owned by others	7.9	62.8	65.3	1.1
Maintenance and repair services	9.4	11.7	19.9	0.3
Transport	366.3	380.5	533.3	8.6
Travel	47.5	40.4	59.1	1.0
Construction	5.6	7.4	6.9	0.1
Insurance and pension services	7.7	9.3	20.0	0.3
Financial services	43.3	59.3	67.5	1.1
Charges for the use of intellectual property	14.7	105.7	146.8	2.4
Telecommunications, computer and information services	1,255.2	2,462.9	2,647.3	42.9
Research and development services	156.7	404.4	438.2	7.1
Professional and management consulting services	525.6	1,621.6	1,813.8	29.4
Technical, trade-related and other business services	250.8	256.9	281.0	4.6
Personal, cultural and recreational services	39.3	66.0	71.1	1.2

Source: WTO-OECD BaTIS Database and Exim Bank Research

India's Services Imports from Switzerland

India's major services imports from Switzerland consist of transport services, charges for the use of intellectual property and telecommunications, computer and information services, among others **(Table 3.21)**.

Table 3.21: India's Services Imports from Switzerland (US$ million)

Product/Sector	2014	2022	2023	% Share in 2023
India's Services Imports from Switzerland	**1,372.5**	**2,100.1**	**2,166.9**	**100.0**
Government goods and services	23.3	34.1	36.7	1.7
Commercial services	1,349.3	2,066.0	2,130.2	98.3
Manufacturing services on physical inputs owned by others	1.3	1.1	1.0	-
Maintenance and repair services	34.5	56.2	73.7	3.4
Transport	272.1	598.1	562.3	25.9
Travel	382.7	222.2	269.1	12.4
Construction	9.8	10.5	5.5	0.3
Insurance and pension services	42.2	99.8	156.6	7.2
Financial services	57.1	49.8	37.1	1.7
Charges for the use of intellectual property	203.6	460.0	417.8	19.3
Telecommunications, computer and information services	151.4	279.6	304.9	14.1
Research and development services	14.5	11.3	13.9	0.6
Professional and management consulting services	75.1	122.1	132.8	6.1
Technical, trade-related and other business services	94.2	125.5	119.1	5.5
Personal, cultural and recreational services	10.7	29.7	36.5	1.7

Note: - negligible

Source: WTO-OECD BaTIS Database and Exim Bank Research

India's Bilateral Investment Relations with EFTA

FDI is an important aspect of the economic relations between India and EFTA. According to DPIIT, the EFTA countries have been major investors in India, with a cumulative FDI inflow of over US$ 11.8 billion between April 2000 to December 2024. Switzerland is the largest investor among the EFTA countries, followed by Norway and Liechtenstein.

Similarly, Indian companies have also invested in EFTA, particularly in sectors such as IT, pharmaceuticals, and automotive. In recent years, Indian IT companies have expanded their operations in the EFTA countries, providing software development and consulting services. Overall, the economic relations between India and EFTA have been mutually beneficial, with significant potential for further growth and cooperation in the future.

India's Investments in EFTA

EFTA includes some of the major developed economies such as Switzerland, Norway and Iceland, offering an attractive investment arena. To get a more meaningful understanding on the trends in Indian overseas investments, this study has drawn upon the data collated by the Financial Times through its online database tracking cross-border greenfield investment, viz. fDi Markets. According to Financial Times' fDi Markets, during 2014 - 2023, total envisaged capital investment of India in EFTA stood at a cumulative amount of US$ 1.3 billion, through 29 projects and creating 1,634 jobs in the region **(Table 3.22)**. Indian investments in EFTA rose to US$ 254.7 million in 2020, before falling to US$ 198.9 million in 2021 and US$ 22.3 million in 2023.

Table 3.22: Indian Foreign Direct Investments in EFTA, 2014-2023

Year	Capital Expenditure (US$ million)	No. of Projects	No. of Jobs Created	No. of Companies
2014	543.0	4	184	4
2015	13.9	2	128	2
2016	143.1	1	113	1
2017	38.6	3	233	3
2018	59.9	3	83	3
2019	24.2	3	69	3
2020	254.7	3	154	3
2021	198.9	4	186	3
2022	36.9	2	308	2
2023	22.3	4	176	4
Total	**1,335.5**	**29**	**1,634**	**25**

Source: fDi Markets online database and Exim Bank Research

Switzerland was the largest recipient of investments from India into EFTA, with a massive share of 95.6% **(Table 3.23)**. Other recipient of Indian investments was Norway (4.4%).

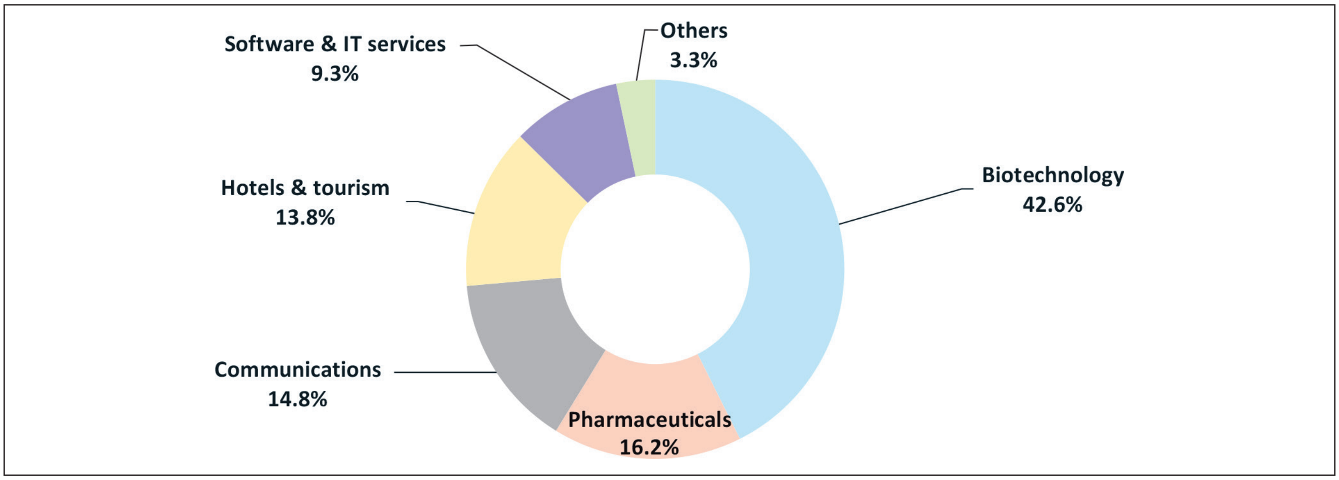
Table 3.23: Indian FDI Recipient Countries in EFTA, 2014-2023

Destination Country	Capital Expenditure (US$ million)	No. of Projects	No. of Jobs Created	No. of Companies
Switzerland	1,277.1	23	1,085	20
Norway	58.4	6	549	6
Total	**1,335.5**	**29**	**1,634**	**25**

Source: fDi Markets online database and Exim Bank Research

In terms of capital investments, the largest share has been in biotechnology sector (42.6% of Indian investments to EFTA), pharmaceuticals (16.2%), communications (14.8%), hotel & tourism (13.8%) and software & IT services (9.3%) (**Chart 3.3**).

Chart 3.3: Major Sectors Attracting Indian Investments in EFTA, 2014-2023



Source: fDi Markets online database and Exim Bank Research

EFTA's Investments in India

In the recent times, India has emerged as an attractive FDI destination stemming from its liberal policy for sectors like insurance, defence, pharmaceuticals, e-commerce and health services, among others. India was the 9th largest FDI destination for investments flowing out of EFTA during 2014-2023. India accounted for US$ 10.5 billion of FDI receipts from EFTA, coming through 235 projects and resulting in 56,477 jobs during 2014-2023.

Owing to various government initiatives, FDI inflows from EFTA to India averaged around US$ 602.5 million between 2014-2017. Envisaged FDI inflows peaked at US$ 2.1 billion in 2018, supported by increased FDI investment limits in critical sectors. Investment inflows witnessed a decline in 2021 resulting from the distorted economic scenario due to the pandemic. Investment inflows to India recovered in 2022 at US$ 1.2 billion and US$ 1.4 billion in 2023 **(Table 3.24)**.

Table 3.24: EFTA's Foreign Direct Investments in India, 2014-2023

Year	Capital Expenditure (US$ million)	No. of Projects	No. of Jobs Created	No. of Companies
2014	962.5	34	5,712	27
2015	398.2	14	3,023	11
2016	596.5	19	4,780	19
2017	452.7	20	4,030	13
2018	2,123.8	36	11,443	23
2019	1,265.0	22	7,588	13
2020	1,832.6	12	4,639	10
2021	240.6	11	836	11
2022	1,181.9	22	7,591	15
2023	1,410.2	45	6,835	28
Total	**10,463.9**	**235**	**56,477**	**133**

Source: fDi Markets online database and Exim Bank Research

Switzerland was also the largest investor in India, accounting for 85.5% of the total FDI flowing from EFTA to India between 2014-2023 **(Table 3.25)**. Investments were made in 208 projects, generating more than 50 thousand jobs. Other major investors are Norway (US$ 1.5 billion) and Liechtenstein (US$ 42.9 million).

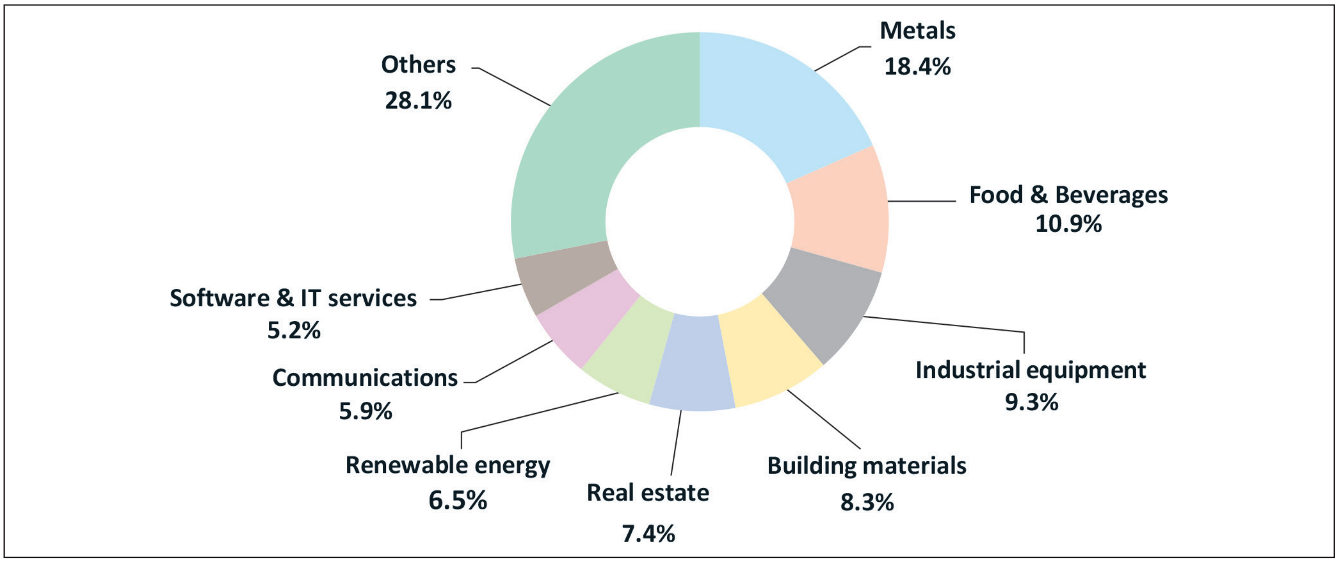
Table 3.25: Source Countries for FDI from EFTA to India, 2014-2023

Source Country	Capital Expenditure (US$ million)	No. of Projects	No. of Jobs Created	No. of Companies
Switzerland	8,951.4	208	51,005	111
Norway	1,469.6	26	5,095	21
Liechtenstein	42.9	1	377	1
Total	**10,463.9**	**235**	**56,477**	**133**

Source: fDi Markets online database and Exim Bank Research

The strength of EFTA as a partner lies in the diversity of its sectoral engagement with India. While in terms of investments, the larger share has been in the sectors of metals (18.4%), food and beverages (10.9%), industrial equipment (9.3%), building materials (8.3%) and real estate (7.4%), among others during 2014-2023 **(Chart 3.4)**.

Chart 3.4: Major Sectors Attracting EFTA's Investment in India, 2014-2023



Source: fDi Markets online database and Exim Bank Research

Chapter 4

Barriers in India-EFTA Trade

Trade Customs duties on merchandise imports are called tariffs. Tariffs give a price advantage to locally produced goods over similar goods which are imported, and they raise revenues for governments.

Tariff on India's Imports from EFTA Countries

In the current analysis, tariffs at 6-digit HS code from WITS is taken into consideration for 2023. Since the India-EFTA Trade and Economic Partnership Agreement (TEPA) is still not in force, the effectively applied tariff (AHS) on the EFTA countries is the same as the most favoured nation (MFN) tariffs. Data in the previous chapters are from ITC Trade Map and there would be minor discrepancies in the data analysed in the current section, which is based on WITS.

Table 4.1 disintegrates the simple average of the effectively applied tariff by India on imports from Switzerland. There are 122 tariff lines (at 6-digit HS code) with total imports of US$ 94.4 million in 2023, having effectively applied tariff rates of 0%. There are 29 tariff lines (at 6-digit HS code) that has effectively applied tariff rates of 1%-5%, amounting to total imports of US$ 6.4 million in 2023. There are 972 tariff lines under the 5%-10% effectively applied tariff rate, which correspond to over 3% of the total imports in 2023, amounting to US$ 590.6 million. There are 3,198 tariff lines under 10%-15% band of AHS, which correspond to 92.5% of imports in 2023, amounting to US$ 18,038.4 million.

Table 4.1: Effectively Applied Tariff on India's Imports from Switzerland in 2023

Effectively Applied Tariff Rates (%)	No. of Tariff Lines	Total Imports (US$ million)	Share in Total Imports (%)
0	122	94.4	0.5
01-05	29	6.4	0.03
05-10	972	590.6	3.0
10-15	3,198	18,038.4	92.5
15-20	646	196.5	1.0
20-150	885	574.3	2.9
Not Defined	293	6.2	0.03
Total	**6,145**	**19,506.8**	**100.0**

Source: WITS database and Exim Bank Research

Subsequently, under the 15%-20% effectively applied tariff rate, there are 646 tariff lines, which correspond to around 1% of the total imports in 2023, amounting to US$ 196.5 million. 885 tariff lines face effectively applied tariff equal to or above 20% (highest is 150%), with the total import share of 2.9% in 2023. For 293 tariff lines, AHS remains undefined, which corresponds to 0.03% of imports in 2023.

Table 4.2 disintegrates the simple average of the effectively applied tariff (AHS) by India on imports from Norway for 2023. There are 81 tariff lines (at 6-digit HS code) that has effectively applied tariff rate of 0%, which amounted to total imports of US$ 3 million in 2023. There are 436 tariff lines under the 5%-10% effectively applied tariff rate, which corresponds to over 30.7% of the total imports in 2023, amounting to US$ 236.8 million.

There are 700 tariff lines under 10%-15% band of AHS, which corresponds to 56.9% of imports in 2023, amounting to US$ 438.6 million. Subsequently under the 15%-20% effectively applied tariff rate, there are 293 tariff lines, which corresponds to over 8.9% of the total imports in 2023, amounting to US$ 68.8 million. The 15%-20% effectively applied tariff rate corresponds to 8.9% of imports in 2023. 159 tariff lines face effectively applied tariff of equal to or above 20% (highest tariff of 40%), with total import share of 2.7% in 2023.

Table 4.2: Effectively Applied Tariff on India's Imports from Norway in 2023

Effectively Applied Tariff Rates (%)	No. of Tariff Lines	Total Imports (US$ million)	Share in Total Imports (%)
0	81	3.0	0.4
01-05	21	3.2	0.4
05-10	436	236.8	30.7
10-15	700	438.6	56.9
15-20	293	68.8	8.9
20-40	159	21.1	2.7
Total	**1,690**	**771.5**	**100.0**

Source: WITS database and Exim Bank Research

India's trade with Iceland is minimal, with imports amounting to US$ 5.4 million in 2023 **(Table 4.3)**. For 43 tariff lines (at 6-digit HS Code), effectively applied tariff rate ranges from 0%-10%, accounting for 5.6% of imports in 2023. There are 224 tariff lines facing an effectively applied tariff rate of more than or equal to 10% (highest tariff of 100%), with corresponding 94.4% imports in 2023.

Table 4.3: Effectively Applied Tariff on India's Imports from Iceland in 2023

Effectively Applied Tariff Rates (%)	No. of Tariff Lines	Total Imports (US$ million)	Share in Total Imports (%)
0-10	43	0.3	5.6
10-100	224	5.1	94.4
Total	**267**	**5.4**	**100.0**

Source: WITS database and Exim Bank Research

Tariff on EFTA's Imports from India

Table 4.4 disintegrates the simple average of the effectively applied tariff by Switzerland on Indian exports. In comparison to India, the effectively applied tariff is very low in the case of Switzerland, with it being a developed region. There are 4,485 tariff lines (at 6-digit HS code) on which Switzerland imposes the effectively applied tariff of 0%, with imports amounting to US$ 2.5 billion in 2023. These products constitute 86.5% of Switzerland's imports from India in 2023. There are 806 tariff lines with imports amounting to US$ 396.8 million for which effectively applied tariff is not defined.

Table 4.4: Effectively Applied Tariff on Switzerland's Imports from India in 2023

Effectively Applied Tariff Rates (%)	No. of Tariff Lines	Total Imports (US$ million)	Share in Total Imports (%)
0	4,485	2,537.2	86.5
Not Defined	806	396.8	13.5
Total	**5,291**	**2,934.0**	**100.0**

Source: WITS database and Exim Bank Research

Table 4.5 disintegrates the simple average of the effectively applied tariff charged by Norway on imports from India. There are 3,126 tariff lines (at 6-digit HS code) on which Norway imposes the effectively applied tariff of 0%, with imports amounting to US$ 789.7 million in 2023. These lines constitute 95.1% of Norway's imports from India in 2023. There are 45 tariff lines with imports amounting to US$ 3.2 million for which the effectively applied tariff rate is under the 1%-10% band. 60 tariff lines face effectively applied tariff, of more than or equal to 10% (highest tariff of 277%), which corresponds to over 4.2% of Norway's imports from India in 2023. So cumulatively, 95.4% of Norway's imports from India faces effectively applied tariff of less than 10%. There are 124 tariff lines with imports amounting to US$ 2.9 million for which effectively applied tariff is not defined.

Table 4.5: Effectively Applied Tariff on Norway's Imports from India in 2023

Effectively Applied Tariff Rates (%)	No. of Tariff Lines	Total Imports (US$ million)	Share in Total Imports (%)
0	3,126	789.7	95.1
01-10	45	3.2	0.4
10-277	60	34.9	4.2
Not Defined	124	2.9	0.3
Total	**3,355**	**830.7**	**100.0**

Source: WITS database and Exim Bank Research

Table 4.6 disintegrates the simple average of the effectively applied tariff imposed by Iceland on imports from India. There are 2,289 tariff lines (at 6-digit HS code) on which Iceland imposes the effectively applied tariff of 0%, with imports amounting to US$ 38.3 million in 2023, These lines constitute 96% of Iceland's imports from India in 2023. There are 113 tariff lines with imports amounting to US$ 0.8 million, for which the effectively applied tariff rate is under the 1%-10% band. 174 tariff lines face effectively applied tariff, of more than or equal to 10% (highest tariff of 42.8%), which corresponds to over 1% of Iceland's imports from India in 2023. So cumulatively, 98% of Iceland's imports from India faces effectively applied tariff of less than 10%. There are 8 tariff lines with imports amounting to US$ 0.4 million, for which effectively applied tariff is not defined.

Table 4.6: Effectively Applied Tariff on Iceland's Imports from India in 2023

Effectively Applied Tariff Rates (%)	No. of Tariff Lines	Total Imports (US$ million)	Share in Total Imports (%)
0	2,289	38.3	96.0
01-10	113	0.8	2.0
10-43	174	0.4	1.0
Not Defined	8	0.4	1.0
Total	**2,584**	**39.9**	**100.0**

Source: WITS database and Exim Bank Research

Chapter 5

India-EFTA Trade and Economic Partnership Agreement

India and EFTA inked the momentous Trade and Economic Partnership Agreement (TEPA) on March 10, 2024, after rigorous discussions for 16 years and 21 formal rounds of negotiations. The pact marked India's newest addition to its series of FTAs, demonstrating India's dedication to trade liberalization amidst complex geopolitical dynamics. The TEPA marks India's first trade deal with a European bloc showing a sign of positivity and a potential gateway for finalizing future and ongoing negotiations with other countries such as the UK and the EU. As the name suggests, the TEPA aims at deeper economic engagements with India and the EFTA countries.

The agreement comprises of 14 chapters with main focus on market access related to goods, rules of origin, trade facilitation, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, investment promotion, market access on services, trade and sustainable development and other legal and horizontal provisions. The agreement extends beyond traditional trade parameters, delving into fostering mutual recognition agreements in professional services and ensuring commitments at the level of Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Major Commitments under TEPA

For the first ever time in the history of FTAs, the TEPA includes a legal commitment about promoting target-oriented investment and creation of jobs. EFTA has committed to promote investments with the aim to increase the stock of Foreign Direct Investments by US$ 100 billion in India in the next 15 years, and to facilitate the generation of 1 million direct employment in India, through such investments. The underlining factor is that the investments do not cover Foreign Portfolio Investments (FPIs), signifying the permanent nature of the prospective investments.

A closer look at the legal text reveals that for the promised investments and jobs to materialise, two conditions need to be met: India growing at a fast rate of 9.5%, and the return on EFTA investments in India exceeding 16% annually over the 15-year timeline. If not, both sides may lower their level of ambitions. If EFTA is not able to achieve the desired investment commitment, India could take appropriate remedial measures, such as limiting their preferential treatment for trade in goods and curbing their access to the Indian market in a proportionate manner after 18 years. The investment chapter is not subject to dispute resolution and is overall, a statement of positive intent, and its benefits will be dependent on the private sector's responsiveness to the TEPA.

EFTA has offered substantial concessions on 92.2% of its tariff lines which covers 99.6% of India's exports. EFTA's market access offer covers 100% of non-agriculture products and tariff concession on processed agricultural products (PAP). India has offered concessions on 82.7% of its tariff lines which covers 95.3% of EFTA's industrial exports to India (excluding gold). Switzerland will also have tariff-free access to the Indian market for selected agricultural products after a transition period of up to ten years. Gold, constituting 80% of merchandise imports from EFTA, along with dairy, soy, coal and certain sensitive agricultural items, have been kept in exclusion list.

As per the TEPA, India is obligated to phase out tariffs on a majority of products within a span of seven to ten years. This is expected to increase revenue and exports in iron, steel and machinery products like clocks, watches, smartphones and bicycle equipment, among others. Additionally, it is also expected to boost exports of fresh and processed premium food products like coffee, chocolates, avocados, olive oil, biscuits and seafood such as tuna and salmon. Apart from these, India has also agreed to reduce tariffs on cut and polished diamonds (over the next 5 years) and wines (over the next 10 years) that could be beneficial for EFTA. India's interests in generic medicines and concerns related to evergreening of patents have been fully addressed.

In the services sector, India has offered 105 sub-sectors to EFTA and secured commitments in 128 sub-sectors from Switzerland, 114 from Norway, 107 from Liechtenstein and 110 from Iceland. Services offers from EFTA include better access through digital delivery of Services (Mode 1), commercial presence (Mode 3) and improved commitments and certainty for entry and temporary stay of key personnel (Mode 4).

The TEPA has provisions for Mutual Recognition Agreements in Professional Services like nursing, chartered accountants and architects, among others. In terms of services trade, India stands to gain from Norway's pledge to grant access to yoga instructors and practitioners of traditional medicine from India. Additionally, both Norway and Switzerland have agreed to permit highly skilled Indian professionals to move as intra-corporate transferees for periods of four and three years, respectively, upon obtaining the necessary work permits. There are distinct annexures in TEPA focusing on financial services and telecom services, aimed at establishing regulations and facilitating the smooth provision of these services.

The TEPA includes new provisions regarding sustainable development, particularly in its Trade and Sustainable Development (TSD) chapter. This chapter, a first for India in any FTA, addresses environmental and labour concerns. The TSD chapter refers various multilateral environmental agreements and labour conventions, emphasizing a balanced approach to rights and obligations. Notably, it acknowledges the differentiated responsibilities of developed and developing countries under agreements such as the UN Framework Convention on Climate Change and the Paris Agreement. The TEPA's emphasis on sustainable development and environmental protection reflects a commitment to responsible trade practices. By fostering transparency, efficiency and harmonization of trade procedures, the TEPA sets the stage for inclusive growth and equitable development.

Legal Provisions under TEPA

The TEPA requires that a product must fulfil at least one of the following origin criteria in order to qualify for preferential trade with reduced tariffs.

- The product has been wholly obtained in one of the parties (India/EFTA).

or

- Non-originating materials used in the working or processing of that product have undergone sufficient working or processing in one of the parties.

Preferential origin of products need to be confirmed by a proof of origin. For this purpose, the parties to the agreement has different options:

- An origin declaration completed by an approved exporter established in an EFTA State or India.
- A movement certificate EUR.1 issued by a customs authority of an EFTA state.
- Indian exporters can use 'EFTA-India Certificate of Origin' issued by the designated Indian authority or issued under the self-declaration of origin process.

Envisaged Benefits and Potential under India-EFTA TEPA

The prospective investments channelled through the TEPA are expected to drive the objectives of "Make in India" and Atmanirbhar Bharat by promoting domestic manufacturing across various sectors including infrastructure, manufacturing, pharmaceuticals, chemicals and food processing, among others. Despite India's efforts to boost local production in sectors like medical devices and pharmaceuticals, there is room for growth. EFTA's keen interest in joint ventures presents opportunities for India to reduce its dependency on Chinese imports. While certain clauses like data exclusivity are not part of the agreement, both pharmaceutical and medical devices sectors stand to gain significantly, contributing to import diversification strategies for both EFTA and India.

The Intellectual Property Rights (IPR) commitments within the TEPA are aligned with TRIPS standards, indicating a high level of commitment to IPR protection. The IPR chapter, particularly with Switzerland, renowned for its stringent IPR standards, underscores the strength of India's IPR regime.

In the services sector, the TEPA offers significant potential for India to integrate into the EU markets via EFTA. Switzerland, with over 40% of its global services exports directed towards the EU, can serve as a strategic gateway for Indian companies seeking to expand their market reach. Bilateral trade in services between EFTA and India could significantly benefit post TEPA. For Mode 1 and Mode 4, the commitment under the agreement is likely to emerge as a medium for India to gain wider market access in EFTA, especially for the services in Mode 1 category like KPOs and BPOs. To complement the cross-border trade in services enabled by Mode 1, improved commitments around Mode 4 could allow services delivered through the movement of workers as service providers. The latter could bolster the participation of India's skilled professionals across domains like engineering, architecture and information technology, in EFTA's labour market and facilitate higher remittances to India.

A key notable point and a departure from the agreement with Australia is that India has not extended the MFN status to the EFTA countries in financial services. Apart from financial services, the agreement also holds significant implications for IT services, business services and education services. With provisions for improved access and certainty in service delivery, the TEPA opens up new avenues for collaboration and expansion for India.

EFTA's commitment to promote investments with ambitious goals would open new arenas of investment opportunity. The investments would be of mutual benefit to both India and EFTA. These will provide EFTA with lucrative investment opportunity in India while also adding to India's capabilities. Increased investments also lead to better integration of market, as well as facilitate transfer of skills and technology.

To sum up, India and EFTA economic engagement hold significant promise for fostering economic collaboration and mutual benefit. Both parties have a shared interest in enhancing trade and economic ties. The TEPA has the potential to create a robust framework for cooperation, stimulating economic growth and facilitating the exchange of goods and services to the mutual advantage of India and the EFTA countries.

The TEPA is anticipated to attract substantial investments from the EFTA countries, leveraging the influence of prominent investors such as the Norwegian Sovereign Wealth Fund and Switzerland's considerable investments in India. The influx of investments could potentially mitigate India's anticipated trade deficits with the EFTA countries following the implementation of the agreement and promises security and returns amidst concerns of a global recession. It is imperative for both sides to maintain a constructive dialogue for timely ratification to establish a comprehensive and mutually beneficial trade and economic partnership.

Potential Sectors to Benefit from India-EFTA TEPA

India has emerged as an unmatched destination for investors stemming from its lucrative market, strong consumer base, skilled technical workforce and favourable investor policies. The 2024 Kearney FDI Confidence Index ranked India fourth among the emerging markets, emphasizing investor inclination towards investing in India[2]. India remains one of the most popular FDI destinations in the world. According to the UNCTAD's World Investment Report 2024, India was the third-highest recipient of FDI projects in greenfield projects and the second-highest recipient of FDI in international project finance deals.

According to a report released by EY-CII, titled "Vision – Developed India: Opportunities and Expectations of MNCs", 71% of Multinational Companies (MNCs) consider India as an important destination for their global expansion. The optimism is driven by both the short-term prospects – a majority of MNCs feel that the Indian economy will perform significantly better in 3-5 years and in the long term, with 96% of respondents being positive overall about India's potential. The report underscores that India has optimistic growth prospects for foreign investments, with a potential to attract FDI flows of US$ 475 billion in just the next 5 years[3].

Even during the pandemic year of 2020-21, India was able to attract highest ever annual total FDI inflows of US$ 82 billion, 10% more than the previous financial year inflow of US$ 74.4 billion[4]. During FY 2023-24, total FDI inflows in the country were recorded at US$ 71 billion and total FDI equity inflows stood at US$ 44.4 billion. With a share of 25%, Mauritius was the largest FDI equity inflow source, followed by Singapore (23%), USA (9%), Netherlands (7%) and Japan (6%) during the same time period. Services sector (including finance, banking, Insurance, non-fin/ business, outsourcing, R&D, courier, tech. testing and analysis and others) accounted for 16% share amongst sectors in terms of total FDI equity inflow during FY 2023-24. It was followed by computer software and hardware (15%), trading (6%), telecommunications (6%) and automobile industry (5%), among others.

Although India remains a preferred FDI destination, the country still has vast potential for investment by the foreign investors. FDI flows are intended to play a meaningful role in attaining the US$ 5 trillion economy target and also attracting at least US$ 100 billion annually in gross FDI. India presents a myriad of opportunities for inbound FDI as one of the fastest-growing economies in the world. The country's robust economic growth,

2 https://www.kearney.com/service/global-business-policy-council/foreign-direct-investment-confidence-index
3 https://www.ey.com/en_in/news/2022/10/indias-focus-on-reforms-and-economic-growth-will-boost-fdi-to-us-dollor-475-billion-in-the-next-5-years
4 Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry

burgeoning middle class and strategic position as a technology and innovation hub has made it an attractive destination for foreign investors.

In the TEPA with special emphasis on investment, EFTA has committed to promote investments with the aim to increase the stock of FDI by US$ 100 billion in India in the next 15 years, and to facilitate the generation of 1 million direct employment in India, through such investments. The investments do not cover FPIs. EFTA and India stand to benefit significantly from a strategic investment partnership, with EFTA potentially enjoying substantial returns on investments made in India.

- **Capital/Engineering Goods**

India's capital goods manufacturing sector provides a robust foundation for its involvement in various industries, including engineering, construction, infrastructure and consumer goods. The primary export subsectors within this industry, heavy electrical and power equipment, earthmoving and mining machinery and process plant equipment, collectively make up 85% of the country's capital goods exports. The target production size of capital goods is expected to be US$ 112 billion by 2025[5].

EFTA companies could invest in new manufacturing facilities or enter into joint venture with existing units for production, research and development and marketing in India. This could lead to a significant increase in investment in the capital goods sector and at the same time EFTA may gain from India's vast market size and improved access to global export destinations in Asia. EFTA companies are often at the forefront of new technologies in the capital goods sector. FDI could help to improve the quality and competitiveness of India's capital goods industry.

The Machinery, Electrical engineering and Metals (MEM) in Switzerland generates roughly 5% of annual GDP and 50% of its manufacturing value added. The MEM sector is Switzerland's second largest exporter, accounting for a quarter of total exports. Currently, there are about 108 firms only from Switzerland which manufacture in India. Out of this, 68% of the companies export their products and 74 companies use India as a manufacturing and export hub for other markets. Companies from Norway and Iceland could help to increase India's exports of capital goods by providing access to new markets and expertise. This could help to boost India's foreign exchange earnings and economic growth.

- **Pharmaceuticals**

The Indian healthcare sector has become one of India's largest sectors, both in terms of revenue and employment. It has experienced rapid change in recent years and has become significantly more visible over the last decade, with a renewed focus from the government and growing market demand for healthcare services and products. During the adverse times of coronavirus pandemic, through its enormous vaccine production capacity, India proved that it is the real ''Pharmacy of the world". India houses 60,000 generic brands across 60 therapeutic categories, accounting for 20% of global generic drug exports by volume. Not surprisingly, eight of the top 20 global generic companies are based in India.

According to India's recent Economic Survey, the compound annual growth rate (CAGR) of import of bulk drugs between FY22 and FY24 was 2.3%, as compared to the CAGR of 5.9% in their export. India has become a net exporter of bulk drugs. During FY24, the exports of drugs and pharmaceuticals amounted to US$ 27.9 billion, with the sector accounting for 3% of total FDI inflows to India.

[5] Invest India, National Investment Promotion and Facilitation Agency, 2023

The pharmaceutical industry in India is currently valued at US$ 50 billion and is expected to reach US$ 130 billion by 2030. The PLI schemes for bulk drugs and pharmaceuticals have reinforced the stability of bulk drug imports and strengthened the resilience of India's supply chain. The scheme for promotion of bulk drug parks, which will provide easy access to world class common infrastructure facilities to bulk drug units located in these parks, intensifies the competitiveness of the domestic bulk drug industry.

India's medical device industry is a rapidly growing sector, with exports increasing at a CAGR of 14% annually since FY 2019-20. However, high manufacturing costs due to infrastructure gaps, supply chain issues, finance, design limitations and limited R&D hinder its competitiveness. To boost domestic medical device manufacturing and attract investment, India launched PLI scheme with a total outlay of ₹ 3,420 crore for the period 2020-21 to 2027-28. This aims to level the playing field for Indian manufacturers by addressing challenges like infrastructure, supply chain and R&D. With a wide base of scientists, bio-medical engineers and a growing innovation ecosystem in the country, the India MedTech sector is poised to grow rapidly.

EFTA companies are leaders in the development and production of biopharma products, such as vaccines, monoclonal antibodies and gene therapies. In Switzerland, the chemicals and pharmaceuticals industry generate approximately 7% of Switzerland's GDP, making it a key sector of the economy and a top performer in terms of exports.

Switzerland's expertise combined with India's high-end R&D in pharmaceuticals could help to boost India's biopharma sector and make India a global hub for biopharma manufacturing. EFTA companies are also major producers of pharmaceutical ingredients, which are used in the manufacture of finished pharmaceutical products. In medical devices, there is a requirement of standards, and joint ventures with EFTA companies could help Indian manufacturers to match the EU's diagnostic equipment standards. This expertise could help to boost India's pharmaceutical ingredients' manufacturing capabilities, expands its global reach and make India a more self-sufficient pharmaceutical manufacturing hub.

- **Clean energy**

The Indian government has introduced several policies supporting clean energy deployment in support of reaching 500 GW of non-fossil fuel power generation capacity by 2030. In the Union Budget 2023-24, the government has allocated US$ 4.3 billion for investments to meet energy transition objectives and reach net-zero carbon emissions by 2070.

The Ministry of New and Renewable Energy (MNRE) offers production linked incentives (PLI) under the National Program on High Efficiency Solar PV Modules, prioritizing fully integrated manufacturing units from polysilicon to solar PV modules. The initial US$ 617 million PLI scheme was oversubscribed and was expanded by US$ 2.3 billion in the 2023-24 budget. In the Union Budget 2024-25, the PLI scheme for renewable energy had been allocated US$ 177.1 million for advanced battery storage and US$ 2.24 billion under Tranche-II for high-efficiency solar PV modules. The Ministry of Heavy Industry (MHI) has also launched initiatives for electric vehicle manufactures. The government has set goals for the electrification of 30% of private cars, 70% of commercial vehicles and 80% of two and three wheelers, such as motorbikes and auto rickshaws by 2030.

Additionally, the MHI created a funding mechanism for public-private-partnerships for battery energy storage systems with the capacity of 4,000 MWh. The reduction of basic customs duties on automotive parts would also benefit manufacturers of chargers for electric vehicles. The government also launched a US$ 2.4 billion

National Green Hydrogen Mission in January 2023, which will support renewable hydrogen production, electrolyser manufacturing, hydrogen export hubs and R&D, seeking to produce 5 MMT (million metric tons) of green hydrogen by 2030.

EFTA countries are at the forefront of the development of clean energy technologies. EFTA companies are world leaders in the development and deployment of renewable energy technologies, such as solar, wind and hydroelectric power. EFTA's FDI could help India to transition to a more sustainable energy mix by investing in new renewable energy projects in India to help the country meet its ambitious renewable energy targets.

EFTA countries are predominant users of renewable energy. In Norway, 98% of the electricity production come from renewable energy sources. Hydropower is the source of most of the production. Similarly in Switzerland, renewable energy is used to produce 80% of electricity.

EFTA companies also have expertise in energy efficiency technologies, such as energy-efficient lighting, appliances and buildings. They could invest in new energy efficiency technologies in India to help the country reduce its energy consumption and save money. EFTA companies are also active in the development and production of clean transportation solutions, such as electric vehicles and public transportation systems. They could invest in new clean transportation solutions in India to help the country reduce its reliance on fossil fuels.

- **Food Processing**

Agriculture and its allied sectors are the foremost sources of livelihood in India, playing a crucial role in the nation's economy. Their contribution to the economic framework is undeniably substantial. A considerable portion of agricultural output, due to the perishable nature of the commodities, is dependent on the food processing industry. This sector is essential for ensuring timely revenue realization and for reducing post-harvest losses, thus enhancing the overall efficiency and profitability of agriculture and allied industries. The integration between agriculture and food processing not only stabilizes income for farmers but also adds significant value to the agricultural produce, underscoring the interdependence and importance of both sectors in sustaining economic stability and growth.

The growing trend for processed foods in metros may be mirrored in Tier-II and Tier-III cities in the coming years. The Ministry of Food Processing Industries (MoFPI) has come up with various incentive schemes for attracting investments in the sector. In 2021, the PLI Scheme, with an outlay of Rs. 10,900 crores were approved for the food processing sector, to be implemented from FY22 to FY27. The Scheme consists of three components: incentivizing manufacturing in four food product segments (ready to cook/ ready to eat foods; processed fruits & vegetables; marine products and mozzarella cheese), promoting innovative/organic products of SMEs, and incentivising branding and marketing abroad for promoting Indian brands in the global market.

India's food processing industry presents promising prospects for foreign investments. The agro-export sector has witnessed a surge in exports of processed food products, with India becoming a significant player in the global market. The government's focus on promoting exports further enhances investment appeal. There is a growing emphasis on incorporating advanced technologies in the food processing industry, providing opportunities for investments and collaboration in automation, quality control and sustainable practices.

The increasing awareness of health and wellness is driving demand for healthier food options, creating opportunities for EFTA's investment in the production of organic and health-focused processed foods. The establishment of Mega Food Parks with state-of-the-art infrastructure and facilities, supported by government initiatives, provides an attractive investment environment.

EFTA entities have a significant presence in Indian food processing sector. Nestle, the largest investor in Indian processing sector, established its presence in India around 1912 and since then it has been part of India's consumer market, registering presence with variety of product segments. Nestle is a commendable example of success for other countries planning to invest in India. The favourable regulatory environment in combination with expanding market size, could make India as EFTA's favourable destination for investment outflows.

- **Civil Aviation**

India has emerged as one of the rapidly developing aviation markets in the world. However, there exists huge growth opportunities, bearing in mind that air travel is still exclusive for majority of the country's population, of which nearly 40% is the upwardly mobile middle class, which will be a major consumer in the coming days.

The global recovery in air travel has been mirrored in India and the sector holds immense potential. There are plans to create 33 new domestic cargo terminals and 15 new flight schools and there is an increased focus on unmanned aircraft systems. Boeing estimated that India requires an additional 2,500 passenger aircraft to meet this rapidly growing demand.

In order to expand the evolving civil aviation sector, Indian Government has introduced incentives like privatization and modernization of airports, boost to the regional connectivity scheme - UDAN, incentivization of maintenance, repair and overhaul (MROs) operations, etc. Investment by foreign entities is anticipated to yield lucrative results for the economy. Besides passenger traffic, expanding air cargo operations offer opportunities for investment to foreign investors. Subsequently, with PLI Scheme for drones introduced in September 2021 and given their reach, versatility and ease of use, especially in India's remote and inaccessible areas, the policy reforms will likely catalyse super-normal growth in the forthcoming drone sector. EFTA's FDI has the potential to play a significant role in the development of India's civil aviation sector. By investing in new aircraft, airport infrastructure, airlines and aviation training, EFTA companies can help to make India a global hub for civil aviation.

- **Defence**

According to the Stockholm International Peace Research Institute, the five largest military spenders in 2023 were USA, China, Russia, India and Saudi Arabia, together accounting for 61% of global military spending. India is a forerunner in defence spending. India has the third largest armed forces in the world and plans to spend billions of dollars on defence articles over the next several years. India's resolve to drastically reduce its reliance on imports is perhaps the biggest strategic development related to the defence sector. India largely depends on imports for its defence needs and 12.9% of the 2024-25 general budget was meant for the defence sector.

Russia has been a traditional defence partner of India, however, over time there has been an increase in collaboration with USA and Europe. With the opening up of the defence sector to the private corporations and the approving of 100% FDI, India offers a big opportunity to foreign entities to enter Indian markets through fully owned subsidiaries and also start production and work jointly with Indian private firms. As state-owned Indian defence firms are looking for resources and technology, foreign firms can find it easier to access India's huge defence sector.

- **Single-Brand Retailing and E-Commerce**

India has a rapidly evolving retail and e-commerce sector. With improved per capita income and expanding consumer base, the sector offers lucrative opportunity for foreign investors. Kearney's Global Retail Development Index (GRDI) ranks 40 developing countries on a scale of 0-100; the higher the ranking, the more profitable for an investor to enter a country. India was ranked first worldwide in attractiveness of its retail sector in GRDI 2023[6]. With improved digital and transportation connectivity, accessibility has improved for e-commerce users. Increasing population and subsequently expanding urbanization offers immense opportunities for retail and e-commerce. Fast Moving Consumer Goods (FMCG) is one of the fastest growing sections of retail, with consumers demanding range of products and a shift in consumer taste and preferences calls for increased investments with profitable yield. EFTA companies have a strong track record in food and grocery retail. They could invest in new stores, supply chain infrastructure and logistics facilities in India to improve the availability and quality of food and grocery products for Indian consumers.

EFTA companies are also leaders in apparel and fashion retail. They could invest in new stores and supply chain infrastructure in India to offer Indian consumers a wider range of choices and lower prices. Subsequently, EFTA companies are active in the electronics and appliances retail sector. They could invest in new stores and supply chain infrastructure in India to make electronics and appliances more affordable and accessible to Indian consumers. EFTA companies could also invest in home goods and furniture retail in India to offer Indian consumers a wider range of choices and lower prices.

Overall, EFTA's FDI has the potential to play a significant role in the development of India's single and multi-brand retail sector. By investing in new stores, supply chain infrastructure and logistics facilities, EFTA companies can help to improve the selection, quality and affordability of goods available to Indian consumers.

[6] https://www.kearney.com/global-retail-development-index

Chapter 6

Way Forward and Recommendations

The evolving trading partnership and complementarity explored in previous chapters highlight the crucial bilateral relationship between India and EFTA. In recent times, the India-EFTA relationship has gained new momentum, with the signing of the TEPA on March 10, 2024, which will further deepen this economic collaboration. India and EFTA need to leverage this agreement for increased trade and investment relations and elevate this partnership to unprecedented levels. The following policy catalysts are briefly discussed to further enhance bilateral cooperation.

Enhancing Trade based on Trade Potential

India needs to expand its production and trade in products in which it has comparative advantage with EFTA. This would help in expansion of trade and improve trade balance with EFTA. The study has identified potential items of exports which could be targeted by Indian exporters. In the short term, it is suggested to strengthen the existing products in the category of Product Champions to exploit the full potential of the products which are already showing a robust growth in EFTA market, where India's exports also hold a comparative advantage. In the medium to long run, efforts and investments are to be enhanced in Underachievers category products to develop capacities in these products, which will help in coping with the demands of EFTA market in a more competitive manner.

Value Chain Integration

Value chain linkages between India and the EFTA countries are particularly prominent in sectors such as pharmaceuticals, information technology, renewable energy, automotive, textiles and financial services. India's pharmaceutical industry, the third largest in the world by volume[7] is known for its cost-effective manufacturing capabilities, complementing EFTA's advanced research and development in medical technology. For instance, India's pharmaceutical exports to the EFTA countries have been growing, contributing significantly to the supply of affordable medicines in Europe[8]. This synergy would enhance the production and distribution of high-quality healthcare products.

[7] IBEF Report on Pharmaceuticals
[8] Pharmaceutical Export Promotion Council of India

In the IT sector, India's extensive software development and IT services expertise, accounting for around 55% of the global outsourcing market[9], align with EFTA's innovation in digital technologies, creating a dynamic ecosystem for tech-driven solutions. The collaboration in renewable energy is strengthened by India's vast renewable resources, being the fourth-largest wind power producer globally[10], and EFTA's cutting-edge technology in sustainable energy systems. This partnership could promote joint efforts in clean energy projects, such as the Swiss-Indian collaboration on solar technology (Swiss Federal Office of Energy), contributing to global sustainability goals.

The automotive sector could also benefit from this partnership, with India's manufacturing strength and EFTA's engineering excellence driving innovation in electric vehicles and smart transportation solutions. In textiles, India's rich tradition in fabric production and EFTA's focus on high-quality, sustainable materials could create a complementary relationship that boosts both markets. For example, India's textile exports to EFTA countries include a significant share of organic and sustainable fabrics, catering to the growing demand for eco-friendly products in Europe[11]. Furthermore, the financial services sector sees mutual benefits as India's growing fintech landscape and EFTA's established financial institutions could collaborate on innovative financial products and services. This collaboration enhances economic integration and growth, with Swiss banks, for instance, investing in and partnering with Indian fintech startups. These value chain linkages could not only boost bilateral trade but also foster innovation and economic growth in both regions.

Data Adequacy Agreement

A data adequacy agreement between India and EFTA would be a significant step towards facilitating seamless data flow and bolstering trade relations. EFTA prioritizes high standards of data protection, ensuring that personal data transferred from the EFTA countries to non-EFTA countries are adequately protected. For India, achieving data adequacy status with EFTA would require demonstrating that its data protection regulations are on par with EFTA's stringent requirements. This would likely involve enhancements to India's existing data protection framework, aligning more closely with international standards like the General Data Protection Regulation (GDPR) of the EU. Such an agreement would have broad implications for bilateral trade and investment.

By enabling unrestricted data flow, businesses operating in technology, finance, healthcare and other sectors reliant on data transfer could operate more efficiently and with greater legal certainty. This would likely result in increased investment and collaboration in digital services, e-commerce and IT-enabled services between India and the EFTA countries. Furthermore, a data adequacy agreement could set a precedent for India's data protection standards, potentially easing similar agreements with other countries/regions and fostering a more robust digital economy.

In addition, the agreement would support India's ambitions of becoming a global hub for data centers and digital services by enhancing its attractiveness to international businesses. It would also signal a commitment to high standards of data privacy, which could improve consumer trust and business confidence. Thus, a data adequacy agreement between India and EFTA would represent a mutually beneficial alignment of regulatory standards, promoting economic growth and innovation.

[9] NASSCOM Strategic Review
[10] Global Wind Energy Council
[11] Textile Ministry, Government of India, Export Promotion Council for Handicrafts

Unification of Payment System

The unification of payment systems between India and the EFTA countries could offer significant benefits, mirroring the India-Singapore agreement that linked India's Unified Payments Interface (UPI) with Singapore's PayNow. This integration enhances cross-border transactions by making them faster and more cost-effective. A similar system with the EFTA countries would streamline financial transactions, reducing costs and complexity for both businesses and consumers. It would facilitate seamless remittances and payments, fostering stronger economic ties and promoting investment in fintech innovations. Additionally, promoting collaboration between fintech companies from India and EFTA could drive innovation and position both regions as leaders in global financial technology. Establishing a framework for continuous evaluation and optimization of this system would ensure its ongoing effectiveness and adaptability.

Local Currency Settlement

A local currency settlement system between India and the EFTA countries would significantly enhance trade and investment by facilitating transactions in the respective local currencies, thereby reducing reliance on major currencies like the US dollar. Such a system allows businesses in India and the EFTA countries to settle trade invoices and financial transactions in their domestic currencies, streamlining cross-border trade and mitigating exchange rate risks.

For Indian businesses, this system would simplify payments and receipts with EFTA partners, potentially lowering transaction costs and exposure to currency fluctuations. It would also promote bilateral trade by making transactions more straightforward and reducing the need for currency conversion. The EFTA countries would benefit similarly, gaining a more stable and predictable environment for trade with India. Additionally, implementing a local currency settlement system could enhance economic stability and strengthen financial ties between India and EFTA.

Collaboration in Research and Development

In a rapidly evolving global landscape, research and development (R&D) activities are critical for economic growth and competitiveness. Recognizing this, the TEPA would facilitate technological collaboration and access to leading technologies in fields such as precision engineering, health sciences, renewable energy, innovation and R&D. This presents a significant opportunity for India to leverage the expertise of the EFTA countries, which are globally recognized for their innovation and research capabilities.

Switzerland, Norway, and Iceland hold prominent positions on the World Innovation Index 2024, ranking 1st, 21st and 22nd, respectively, while India is ranked 39th. This reflects their strong commitment to fostering a dynamic and innovative environment, supported by favorable R&D policies. The EFTA countries have developed robust frameworks that encourage both public and private sector investment in research, which India can benefit from through strategic collaboration.

Switzerland is a prime example of an effective R&D ecosystem, investing over 3% of its GDP in research activities. With total R&D spending amounting to approximately 23 billion Swiss francs and a significant 69% funded by the private sector, Switzerland showcases the critical role of industry in driving innovation. This private sector involvement, totalling about 15.5 billion Swiss francs, underscores the industry's commitment to maintaining competitiveness and leading in technological advancements.

India can emulate Switzerland's model by fostering greater private sector participation in R&D initiatives. Through the TEPA, Indian industries can partner with Swiss companies, gaining access to cutting-edge technologies and best practices in R&D management, particularly in sectors like health sciences, advanced manufacturing, digital technology and communications and renewable energy where Switzerland excels.

Norway and Iceland also offer substantial opportunities for R&D collaboration. Norway's strengths in ICT, climate, environment, aquaculture, welfare, education and biotechnology coupled with Iceland's innovation in fisheries and energy sector, present diverse avenues for cooperation. By engaging with Norwegian and Icelandic research institutions and industries, India can enhance its own R&D capabilities and foster innovation in critical sectors.

Such partnerships could include joint ventures, knowledge exchange programs and collaborative research projects, strengthening of intellectual property framework and leverage academic and research institution.

Mutual Recognition Agreements

Addressing the non-tariff barriers could significantly increase trade between India and the EFTA countries. Sanitary and phytosanitary measures (SPS) and technical barriers to trade (TBT) are the major non-tariff barriers that Indian exporters face in the EFTA markets. Thus, mutual recognition agreement (MRA) between varied institutions in the partner countries will impart greater acceptance of exports in each other's markets. Such an agreement would allow for the mutual recognition of product standards, certifications and conformity assessments between the two regions. This means that goods certified in one region would be accepted in the other without the need for additional testing or certification, thus streamlining trade processes and reducing compliance costs for businesses.

To effectively counter non-tariff barriers, the MRA could focus on harmonizing regulatory standards and enhancing cooperation between relevant institutions. For instance, regulatory bodies and standardization organizations in both India and EFTA would need to collaborate to align their technical requirements and certification processes. This cooperation would facilitate smoother market access for products, ensuring that businesses can enter new markets without facing duplicative or conflicting regulatory hurdles.

These MRAs would also establish a framework for ongoing dialogue and resolution of trade issues related to standards and regulations. This would help address emerging challenges and ensure that the agreement adapts to changing trade dynamics and technological advancements.

Other Areas for Collaboration

The EFTA countries are global leaders in innovations and technologies, in addition to being major global investors. EFTA countries also have a strong advanced manufacturing base, with high-end technology. Opportunities for collaboration exist in renewable energy, in particular hydro and geothermal energy, food processing technology, biotechnology, information technology, start-ups, gaming and health related technologies.

Switzerland is a world leader in pharmaceuticals, biotechnology, machinery, banking and insurance. Switzerland is one of the world's leading financial centers for asset management, insurance and trading platform for commodities. There is a high density of international and local financial service providers in the country. Several Swiss and Indian start-ups are collaborating to create solutions for climate change and human health.

Liechtenstein, like Switzerland, is highly industrialized and specialized in capital-intensive and R&D driven technology products.

Norway has companies specialised in high-end electronic equipment. Iceland is a fishing super-power. Iceland's capabilities in fishing and fish processing could be useful in Indian fisheries sector, particularly in deep-water fishing. Another area of interest is ship and shipbuilding. India's maritime trade with Norway dates back to 1600. While Norway has the technical expertise in maritime sector and India has huge potential for development of maritime sector and large pool of trained seafarers, making both countries natural complementary partners. India is the second largest provider of seafarers to Norwegian ships. India and Norway are part of Green Voyage 2050 project, where both parties agreed on willingness, devotion, partnership and capacity building for achieving common goals. India has started supplying 'green ships' to the traditional shipbuilding nation of Norway. India has been delivering fully electric cargo ferries and environment-friendly diesel-electric vessels to Norway, as well as building container vessels fuelled by green hydrogen for Norway.

Conclusion

As the India-EFTA TEPA has ventured into many unexplored territories with first time provisions on investments, trade and sustainable development, it looks like a win-win scenario for both the parties, with India benefitting on services and a greater investment from EFTA while EFTA getting access to various merchandise goods at lower duties allowing them to be more competitive and increase presence in India. The agreement is expected to be operationalized by the end of 2025. The TEPA presents a unique opportunity to forge a stronger, more integrated partnership between India and the EFTA countries, with the businesses from both regions are expected to thrive in an era of sustainable and innovation-driven growth.

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As part of its endeavour in enriching the knowledge of Indian exporters and thereby to enhance their competitiveness, India Exim Bank periodically conducts research studies. These research studies are broadly categorized into three segments, viz. sector studies, country studies and macro-economic related analysis. These studies are published in the form of Occasional Papers, Working Papers and Special Publications. The research papers that are brought out in the form of Working Papers are done with swift analysis and data collation from various sources. The research papers under the series provide an analytical overview on various trade and investment related issues.

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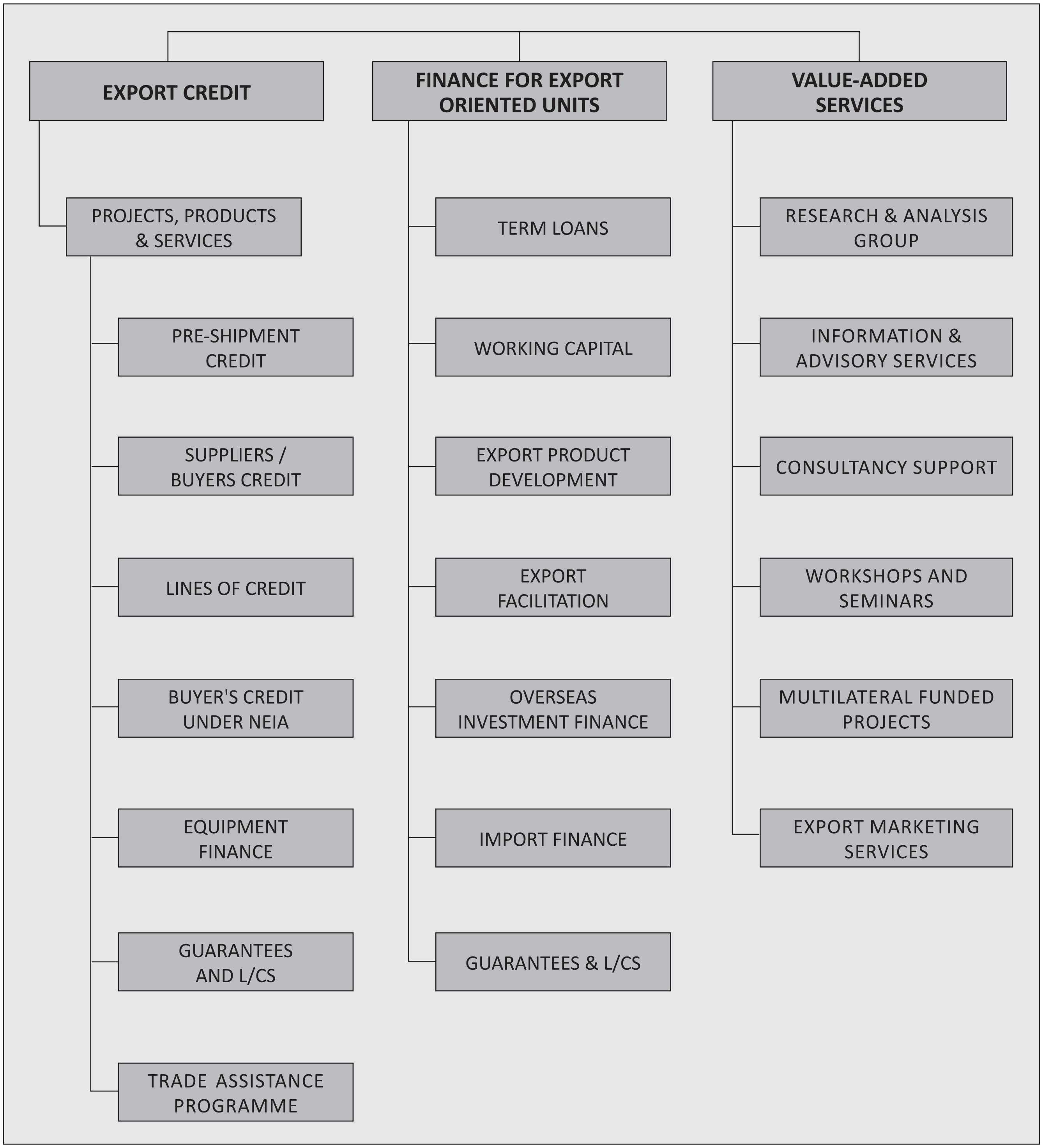

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