



CENTRE for  
INTERNATIONAL  
RESEARCH



Confederation of Indian Industry

# India EUROPE

Catalyzing Cooperation

FEBRUARY 2023



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# Introduction

India and Europe have enjoyed significant historical ties, bonded by trade and movement of people across the centuries. India finds mention in historical texts of the continent and its wealth and culture was appreciated in Europe. Since India gained Independence in 1947, it has forged close links with all European nations and looks to strengthen its trade and investment ties with the region further. The two sides share commitment to democracy, rule of law, and open economies, and enjoy strong institutions and legal frameworks.

For Indian industry, Europe has been a preferred market and investment destination, particularly the larger economies of the continent. The current scenario of shared global challenges and also its own robust growth journey urges

India to seek a wider economic engagement that spans more countries of the region as well as more dimensions of interaction. A closer connect between European and Indian businesses would bring together two of the largest economies of the world and provide new opportunities for tapping markets and driving investments, thereby leading to faster growth of both sides.

The two sides can also develop close cooperation in areas of global interest, such as climate change and sustainability, technology advance, energy, education and healthcare. Increasingly, economic relations will go beyond trade and investment to encompass these issues, which will influence trade and investment patterns, create new supply chains, and

For Indian industry, Europe has been a preferred market and investment destination, particularly the larger economies of the continent.

## India and European nations can leverage emerging issues and seize new opportunities together.

incorporate new models of doing business. With a strong existing understanding and mutual interest, India and European nations can leverage these emerging issues together for new solutions to global challenges as well as for seizing arising opportunities with mutual cooperation.

This report undertakes the following studies:

- Overview of trade and investment relations
- Identification of specific products that key European nations can source from India based on a statistical analysis
- Potential areas of investment
- Cooperation in sustainable development
- Other areas of cooperation

It also outlines a set of suggestions on the way forward for deepening bilateral economic ties.

The report is prepared in conjunction with the India Europe Business and Sustainability Conclave organized by the Confederation of Indian Industry (CII) between 28 February – 1 March 2023 in New Delhi. The 42 countries studied in the report include the member nations of the European Union, member nations of European Free Trade Association (EFTA) and Other European Countries (OEC) and are mentioned in the Annex.





# Bilateral Relations

The part of Europe studied in the report comprises of the significant trade bloc of the European Union, the United Kingdom, and EFTA members Iceland, Liechtenstein, Norway, and Switzerland. Other countries of the European continent covered in the report include Albania, Bosnia-Herzegovina, North Macedonia, Serbia, Montenegro, Andorra, Holy See, Moldova, Monaco, and San Marino.

With the EU, which includes the major part of Europe, India's historical relationship was strengthened when India established diplomatic relations with the European Economic Community in 1962, and reached a new milestone in 1994 with a cooperation agreement to deepen the relationship

across various political and economic dimensions. The first India-EU Summit was held in June 2000 and signaled wider engagement across a range of areas including trade and investment.

The 5th India-EU Summit in 2004 upgraded the relationship to a Strategic Partnership and in 2020, the 15th India-EU Summit held virtually developed the India-EU Strategic Partnership Roadmap for 2025. The roadmap outlined five domains: foreign policy and security cooperation; trade and economy; sustainable modernisation partnership; global governance; and people-to-people relations.

India-EU Strategic Partnership 2025 outlined five domains: foreign policy and security cooperation; trade and economy; sustainable modernisation partnership; global governance; and people-to-people relations.



The large economies of the EU stand among India's top trading partners and enjoy close investment relations in both directions.

A high level dialogue on trade and investment at the ministerial level was instituted. Other notable agreements included the agreement on science and technology, and a declaration on resource efficiency and circular economy.

Similarly, before the 16th India–EU summit in 2021, the Indo–Pacific Strategy highlighted Europe's interest in the region. The India–EU Leaders' Meeting in 2021 agreed on commencing negotiations for a free trade agreement, connectivity engagement, and cooperation in digital and emerging technologies.

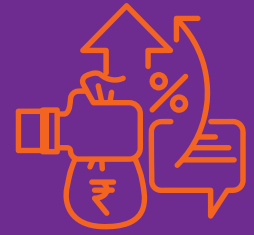
The large economies of the EU stand among India's top trading partners and enjoy close investment relations in both directions. The multidimensional relations with France, Germany, Italy, and the Netherlands, as well as smaller countries embrace strategic bilateral ties and expanding cooperation in areas such as defence, research, technology, energy, space, education, climate change and environment, maritime domain, and so on.

With the UK, India has a strong economic engagement and is the second largest investor in the country. Political relations

have remained intensive and the two sides have agreed to fast-track negotiations for a free trade agreement, following the exit of the UK from the EU.

In the EFTA, the large economies of Switzerland and Norway are close partners for India, being among their most preferred trading countries in the region. Norway has been active in the sustainability endeavour of India and the two countries have developed cooperation in research, maritime and shipping and transfer of technology. With Switzerland, India has cooperation mechanisms for science and technology, financial sector, and defence and has deep ties in areas such as tourism, railways, and climate change and environment.

While other European countries are smaller economies, India aims to expand interaction with them through mutually beneficial cooperation across a range of domains. India is particularly keen to explore partnerships in technology and sustainability as well as people-to-people links through tourism in both directions, better connectivity, and cultural engagement.



# Indian Economy: Status & Prospects



## ECONOMY



**USD 3.5 trillion**  
economy,  
5th largest  
economy



Highest ever  
exports at  
**USD 660 billion**  
in 2021-22



**522 million**  
working population  
with median  
age of 29 years



**USD 84 billion**  
of FDI in 2021-22

By 2047



To grow to  
**\$32 trillion**  
GDP size by 2047



Manufacturing  
to grow to  
**USD 6.2 trillion**



Exports of goods and  
services to grow to  
**USD 8 trillion**



## REFORMS



Corporate tax rate  
reduced to  
**15%**  
for new units, 22%  
for existing, among  
lowest in world



Production Linked  
Incentives of  
**USD 26 billion**  
in 14 sectors



Ease of doing  
business – jump of  
**79 positions**  
in World Bank EODB  
ranking



Business Reform  
Action Plan (BRAP) for  
**300+**  
reforms for state  
governments



**National  
Single  
Window  
System**  
for central and  
state government  
approvals



**India Industrial  
Land Bank** for  
land availability





## INFRASTRUCTURE



### Gati Shakti

GIS based technology platform for multimodal connectivity



### National Logistics Policy

to reduce logistics costs



### e-Rupee

first official digital currency launched



**11** industrial corridors with 32 projects underway to develop industrial cities with plug and play infrastructure



## TECHNOLOGY



**1.3 billion** unique digital identities (Aadhar)



#2 in mobile phone users.

**750 million** smartphone users



**#1** in fintech adoption rate



**74 billion** digital transactions of **USD 1.6 trillion** in 2022



**2.2 billion** covid vaccinations through CoWin app



**Among lowest data** cost in world



3rd largest startup ecosystem with **107 unicorns**



Global VC investment grew **285%** in 2020-21



Exponential rise in tech led startups – **143x rise** in total funds raised in edtech startups from 2014-21; **684x rise** in agri tech startups



Fortune **500 companies** own 180 innovation centers in India



Jumped **41 positions** in Global Innovation Index



## NET ZERO BY 2070



**4th largest**  
producer of  
RE and solar power



Best performance in  
climate change performance  
index 2023 among  
**G20 countries**



**LIFE**  
being promoted for adoption  
of environment-conscious  
lifestyle



## SOCIAL SECTOR



**487 million**  
bank accounts opened



**30 million**  
houses built



**3.2 million**  
free healthcare  
treatment



**20 million**  
houses built under  
Housing for All



**90 million**  
free gas connections  
for women



## HEALTHCARE



Fastest to administer  
**1 billion**  
vaccines



**25 million**  
vaccines in a single day



**CoWIN**  
as free digital  
public good



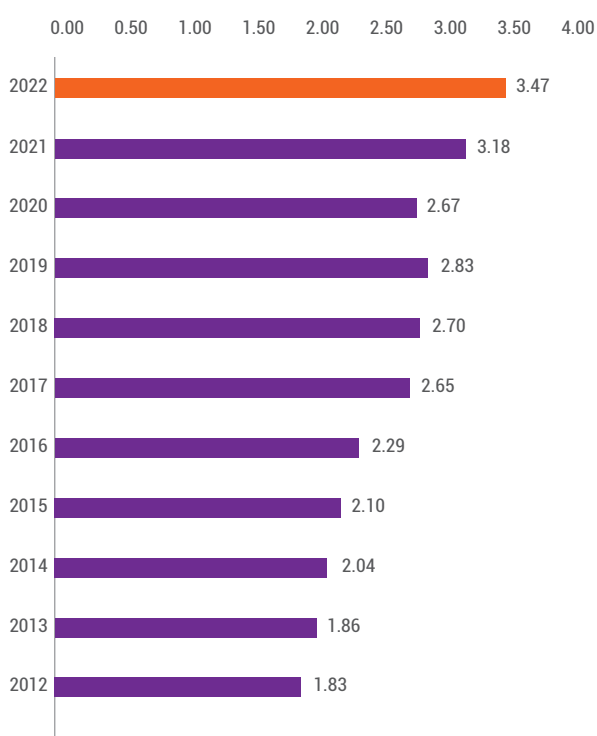
**200 million**  
vaccines to 100 countries



**0.5 million**  
PPEs manufactured per day

The country achieved a strong rebound from the pandemic-induced slowdown with a growth rate of 8.7% in 2021-22 and, as per the national statistics office, it is expected to touch 7% in 2022-23.

Chart 1: India's Nominal GDP (US\$ trillion)



Source: World Economic Outlook, October 2022

India's ascent to one of the fastest growing major economies in the last decade or so has been rapid. Its nominal GDP has risen at a sharp pace from US\$ 1.24 trillion in 2007 to US\$ 3.18 trillion in 2021 and US\$ 3.47 trillion<sup>1</sup> in 2022. In real terms on a domestic currency basis, the country achieved a strong rebound from the pandemic-induced slowdown with a growth rate of 8.7% in 2021-22 and, as per the national statistics office, it is expected to touch 7% in 2022-23.

India's GDP is expected to grow at the rate of 6.1% in 2023, the fastest among the emerging market and other developing economies in the world, as per the International Monetary Fund's (IMF's) World Economic Outlook (WEO) January 2023 projections. India is currently the fifth largest economy in the world and with improving global conditions, it is projected to notch up the pace to 6.8% in FY 2024<sup>2</sup>.

### India's reforms

India's accelerated growth pace is driven by an intensive economic reform agenda.

<sup>1</sup> World Economic Outlook Estimates

<sup>2</sup> IMF's World Economic Outlook January 2023 Report



India represents one of the most open economies for FDI in the world with most sectors open to 100% FDI under the automatic route.

Over the past few years, notable wide-ranging policies including the implementation of Goods and Services Tax (GST), Insolvency and Bankruptcy Code, and liberalization of FDI norms, among others, have hastened India's climb up the economic ladder by opening many new avenues for investment. India today is positioned as a large and growing market, a favored investment destination and a focal point for the global economy.

India represents one of the most open economies for FDI in the world with most sectors open to 100% FDI under the automatic route. The Government is continuously working on making the FDI policy more facilitative and congenial. Towards this goal, the foreign investment proposals are now being handled and approved by the respective ministry rather than the Foreign Investment Promotion Board as earlier. FDI norms have been progressively relaxed including in sectors such as contract manufacturing, single brand retail and construction. Also, sectors such as defence production, insurance and coal mining have been opened up recently.

Owing to the many FDI reforms taken by the Indian Government to further simplify and liberalize the FDI framework, India has emerged as a preferred investment destination globally. The country received significant FDI flows even amidst the Covid-19 pandemic and FDI flows increased by 23% post Covid<sup>3</sup>. India's FDI flows increased from US\$ 74.4 billion in 2019-20 to US\$ 82 billion in 2020-21. Notwithstanding the disruptions caused by the pandemic and other global developments, India received the highest annual FDI inflows of US\$ 84.84 billion in FY 2021-22<sup>4</sup>.

As per the UNCTAD World Investment Report (WIR) 2022, India improved its rank to 7th as one of the top 20 host economies for 2021<sup>5</sup>. India has witnessed robust FDI flows coming in from key global tech majors over the years, reflecting its positive medium to long-term growth prospects. India's attractiveness as an investment destination has also grown in the wake of many notable reforms introduced by the Government under the ambit of the Atmanirbhar (self-reliance) Economic Stimulus Package to combat the fallout of the pandemic.

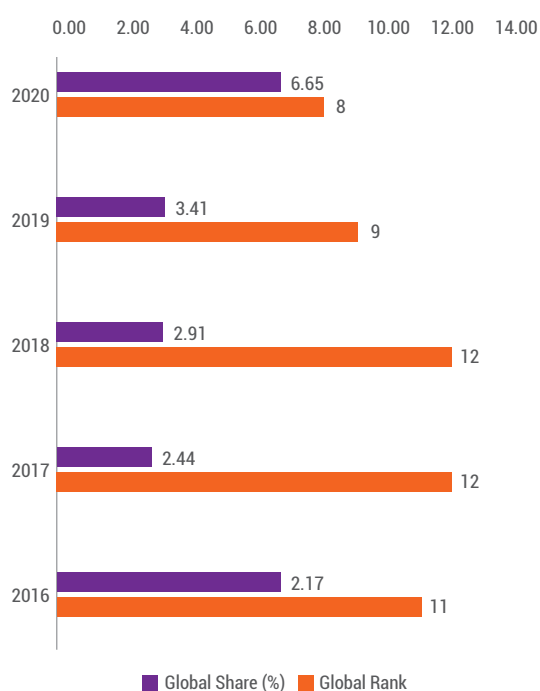
<sup>3</sup> <https://pib.gov.in/PressReleasePage.aspx?PRID=1826946>

<sup>4</sup> <https://pib.gov.in/PressReleasePage.aspx?PRID=1845719>

<sup>5</sup> [https://unctad.org/system/files/official-document/wir2022\\_en.pdf](https://unctad.org/system/files/official-document/wir2022_en.pdf)

The Government of India has taken comprehensive steps towards improving EoDB by way of measures such as promoting digitalization, rationalizing business procedures, and simplifying legislation.

Chart 2: India's Share and Rank in Global FDI Flow



Source: UNCTAD Global Investment Report 2022

To attract investments, Ease of Doing Business (EoDB) has been taken up in mission mode through sustained efforts and initiatives undertaken by the central and state governments since 2014, for faster and simpler procedures and clearances. The Government of India has taken comprehensive steps towards improving EoDB by way of measures such as promoting digitalization, rationalizing business procedures, and simplifying legislation, covering the entire life cycle of businesses from start to exit.

Interventions such as the National Single Window System, a digital platform for time bound and fast approvals, the India Industrial Land Bank (IILB) which is a one-stop repository of all industrial infrastructure-related information, and annual Business Reform Action Plan (BRAP) which ranks states based on business reforms, among many other initiatives are aimed at promoting a friendly and conducive business environment in India.

The Government and the central bank announced stimulus during 2020 for mitigating the impact of the pandemic at Rs 29.87 trillion or around 15% of GDP.

Key reforms:

- Goods and Services Tax (GST), 2017
- Insolvency and Bankruptcy Code
- Four Labour Codes
- Lowering of corporate income tax
- FDI liberalization, including insurance, defence manufacturing, etc.
- Disinvestment of government-owned enterprises
- Ease of Doing Business – National Single Window System, India Industrial Land Bank, Business Reform Action Plan, trade facilitation
- Decriminalization of business laws
- Removing outdated laws from statute books

*And many others....*

Cumulative stimulus announced by the government and the central bank during 2020 for mitigating the impact of the pandemic was worth Rs 29.87 trillion or around 15% of GDP. It was one of the largest packages globally and played a key role in keeping the Indian economy shielded from global fluctuations. Many transformational reforms which formed a part of the package such as liberalization of FDI norms, changing definition of micro, small and medium enterprises, and labour reforms, among others paved the way for setting in a robust recovery process.

The Production Linked Incentives (PLI) scheme was introduced for as many as 14 sectors with an intention to incentivize and boost domestic manufacturing, as well as attract foreign manufacturers to move base to India.

The PLI schemes offer financial incentives of Rs 2 trillion (US\$ 30 billion) over a period of 5 years through an incentive of 4–6% on additional production over a base year.



The capital expenditure outlay of Rs. 10 trillion maintains a focus on public capex to drive growth for the third consecutive year, with an increase of 33% from last year and amounts to 3.3% of India's GDP.

Mobile phones, key starting materials and active pharmaceutical ingredients and medical devices were the first three sectors to be included under the scheme. Other sectors are advance cell chemistry battery, electronic/technology products, automobiles & auto components, pharmaceutical drugs, telecom & networking products, textile products, food products, high efficiency solar PV modules, white goods (air conditioner and LED), specialty steel and drones.

Corporate tax rates have been brought to Asian levels with the rate at 15% for new manufacturing investments by resident companies. For other businesses too, the corporate tax rate has been reduced while several reforms have taken place in simplification of laws and procedures relating to taxation.

The measures announced in the Union Budget 2023-24 focused on enhancing inclusive development with a major focus on infrastructure and investments.

The Government's announcement of enhancing the capital expenditure outlay of Rs. 10 trillion maintains a focus on public capex to drive growth for the third consecutive year, with an increase of 33% from last year and amounts to 3.3% of India's GDP. This is expected to immensely bolster India's growth and economic prospects through a multiplier effect in the economy.

Key Government initiatives for entrepreneurship development:

- **Make in India**
- **PLI schemes for 14 sectors**
- **Startup India**
- **Skill India**
- **Digital India**
- **New Education Policy**
- **Capex for infrastructure**



# India's Trade Profile

India's exports increased from US\$ 292 billion in 2020-21 to around US\$ 422 billion in 2021-22<sup>6</sup>. As of 2021-22, its two largest markets are North America and EU, accounting for around 20% and more than 15% of India's total export basket respectively. North America and EU are closely followed by the Northeast Asian countries at the third place, with a share of around 12%.

The West Asian region including the Gulf Cooperation Council (GCC) countries and the ASEAN also enjoy significant shares, at more than 10%.

The USA is India's top export partner in North America as well as in overall terms, in 2021-22,

with total exports valued at US\$ 76.11 billion and a share of 18.04% in India's total exports. The United Arab Emirates (UAE) is India's second largest export partner with total exports to the region valued at US\$ 28.04 billion and a share of 6.64%.

China is India's largest export partner in the North-east Asian region, with total Indian exports to China valued at US\$ 21.25 billion and a share of 5.04%.

In the EU, Netherlands (US\$ 12.54 billion), Belgium (US\$ 10.08 billion) and Germany (US\$ 9.88 billion) are India's biggest export markets with shares of 2.97%, 2.39% and 2.34% respectively.

**In the EU, the Netherlands, Belgium, and Germany are India's biggest export markets.**

<sup>6</sup> <https://tradestat.commerce.gov.in/eidb/default.asp>

Indian exports to the world increased from around US\$ 300 billion in 2012-13 to US\$ 422 billion in 2021-22, registering a CAGR of 3.8%.

As an externally oriented economy with exports of goods and services comprising almost 19% of its GDP, India has entered into a multitude of free trade agreements since 1998. These include comprehensive agreements covering trade, investments and services trade with ASEAN, Japan, South Korea, Singapore and Malaysia. FTAs or preferential agreements are also instituted with Sri Lanka, Nepal, South Asian Association for Regional Cooperation (including 8 countries which are its neighbours), Africa, Chile, Argentina, MERCOSUR, and others.

Most recently, India signed an Economic Cooperation and Trade Agreement (ECTA) with Australia on April 2, 2022. On February 18, 2022, India also signed a Comprehensive Economic Partnership Agreement (CEPA) with the United Arab Emirates (UAE), which will provide enhanced market access for India in both goods and services.

### India's Trade: Last 10 Years

India's total goods trade, exports and imports, have increased steadily and substantially over the last ten years, between 2012-13 and 2021-22. Total trade increased from US\$ 791 billion in 2012-13 to US\$ 844 billion in 2018-19. Notwithstanding the pandemic and other global disruptions, Indian trade continued to grow consistently and reached US\$ 1035 billion in 2021-22, an increase of around 51%, year on year, mainly on account of India's surging exports.

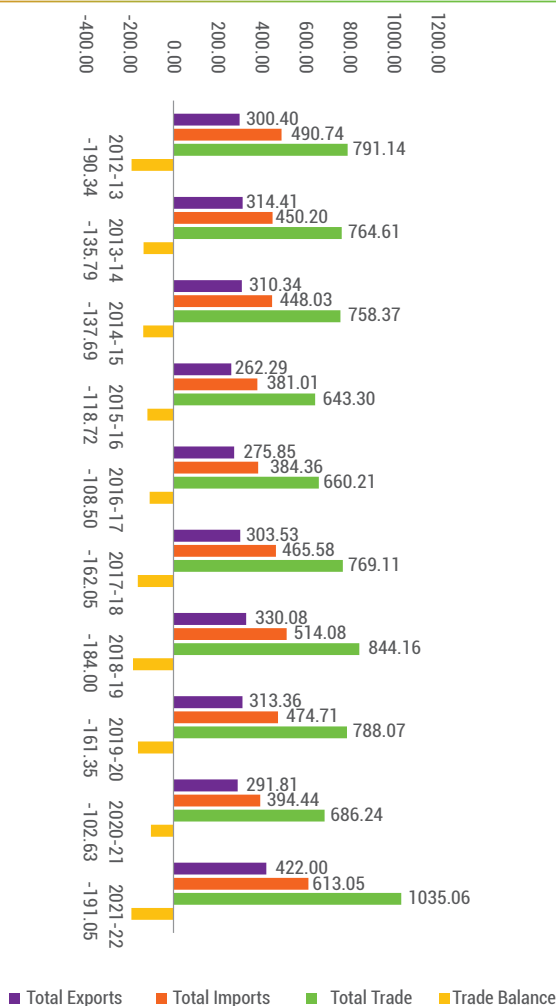
Indian exports to the world increased from around US\$ 300 billion in 2012-13 to US\$ 422 billion in 2021-22, registering a Compound Annual Growth Rate (CAGR) of 3.8%. Indian exports strongly bounced back post 2021 and increased from US\$ 292 billion in 2020-21 to US\$ 422 billion in 2021-22, recording a growth rate of 45%.

Indian imports increased from US\$ 491 billion in 2012-13, moderating at US\$ 466 billion during 2017-18, before rising again in 2018-19. In 2021-22, Indian imports stood at US\$ 613 billion. During the last decade, Indian imports recorded a CAGR of 2.5%.



The top Indian exports during 2021-22 were mineral fuels, gems & jewellery, and machinery.

Chart 3: India's Trade: Last 10 Years (US\$ billion)



Source: CII calculations based on Ministry of Commerce and Industry data

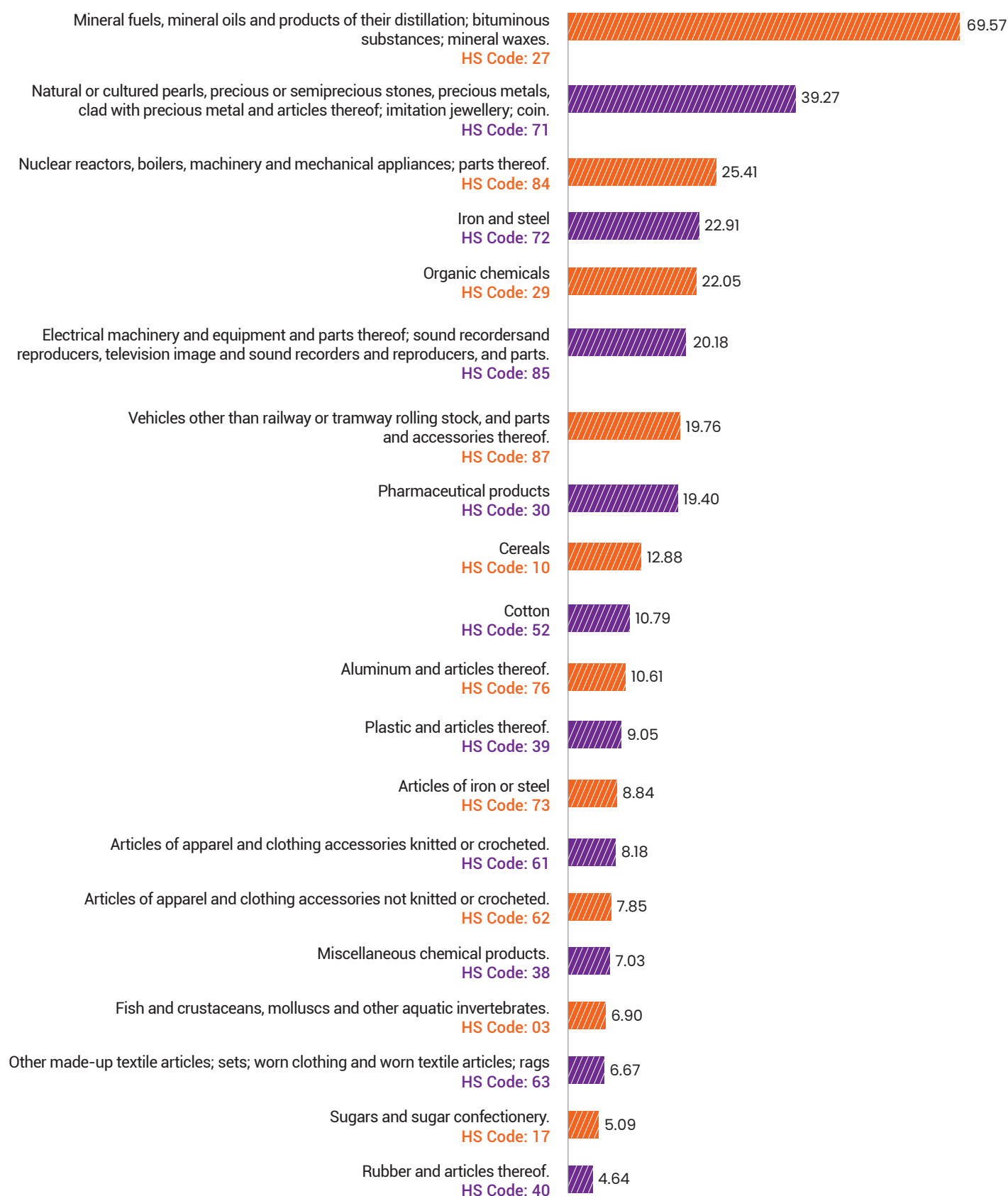
### Top Exports

The top Indian exports during 2021-22 (Table 1) belonged to the broad HS 2-digit level categories of mineral fuels and oils (HS 27); gems and jewellery (HS 71); machinery and mechanical appliances (HS 84); iron and steel (HS 72) and organic chemicals (HS 29), among others.

Mineral fuels and oils was the top export with an export value of US\$ 70 billion, accounting for around 17% of India's total exports, followed by gems and jewellery, with an exported value of US\$ 40 billion, accounting for 9.31% of India's total exports. The top twenty exports together accounted for around 80% of India's total exported value.

Other top exports during the same period featured in the categories of electrical machinery and equipment (HS 85); vehicles other than railway or tramway (HS 87); pharmaceutical products (HS 30); cereals (HS 10) and cotton (HS52), among others.

Table 1: India's Top 20 Exports in 2021-22 (US\$ billion)



Source: Export Import Databank, Ministry of Commerce and Industry

India's top imported item, mineral fuels and oils, recorded a total import value of US\$ 195 billion, accounting for 32% of India's total imported value.

### Top Imports

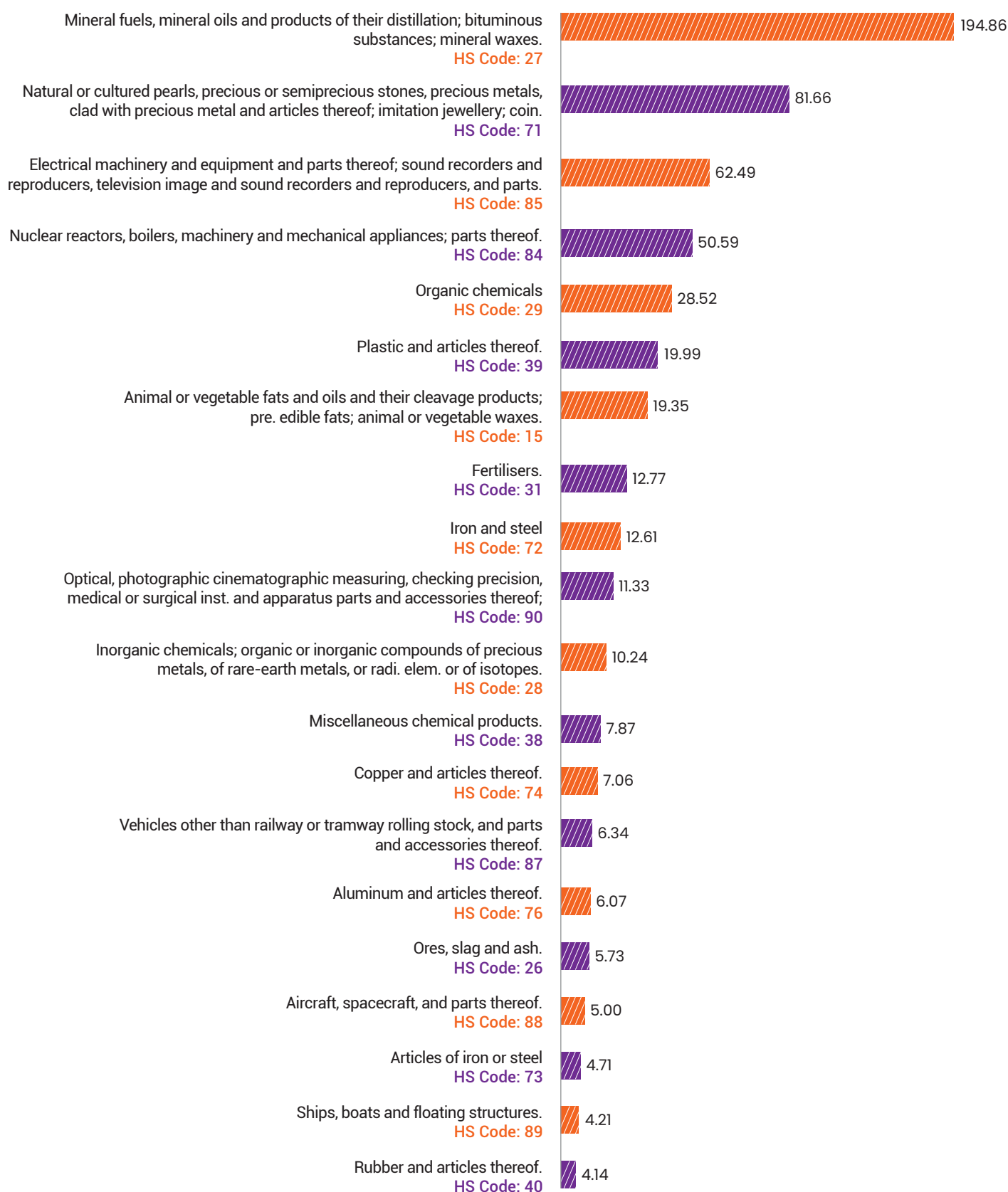
Top Indian imported items (Table 2) during 2021-22 featured in the categories of mineral fuels and oils (HS 27); gems and jewellery (HS 71); electrical machinery and equipment (HS 85); machinery and mechanical appliances (HS 84) and organic chemicals (HS 29).

India's top imported item, mineral fuels and oils, recorded a total import value of US\$ 195 billion, accounting for 32% of India's total imported value. The next top import item, gems and jewellery, accounted for more than 13% of India's total imported value. India's other top imports were in the categories of plastic and articles thereof (HS 39); animal/vegetable fats and oils (HS 15); fertilisers (HS 31); iron and steel (HS 72) and optical photographic and medical instruments (HS 90), among others.





Table 2: India's Top 20 Imports in 2021-22 (US\$ billion)



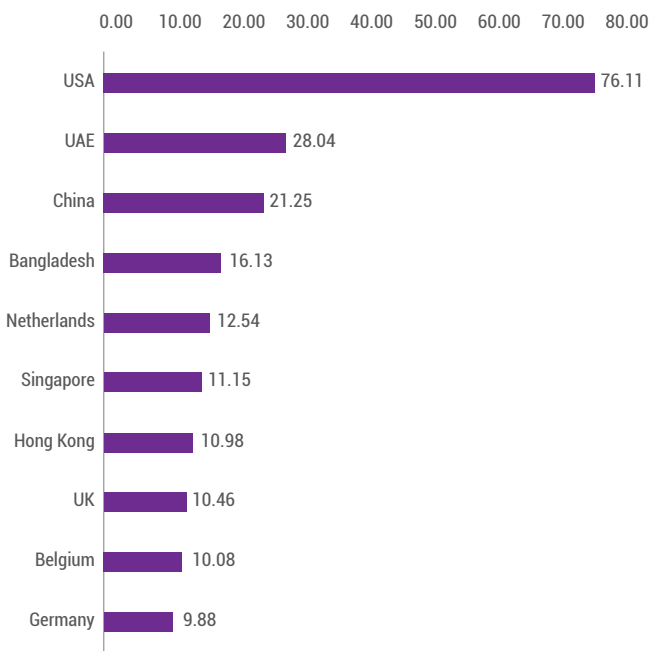
Source: Export Import Databank, Ministry of Commerce and Industry

The US was India's top export destination in 2021-22.

### Top Export Destinations

The US was India's top export destination during 2021-22, with total exports to the US valued at US\$ 76.11 billion. UAE, China, Bangladesh and Netherlands were India's other largest export destinations during the same period.

Chart 4: India's Top Export Destinations in 2021-22 (US\$ billion)

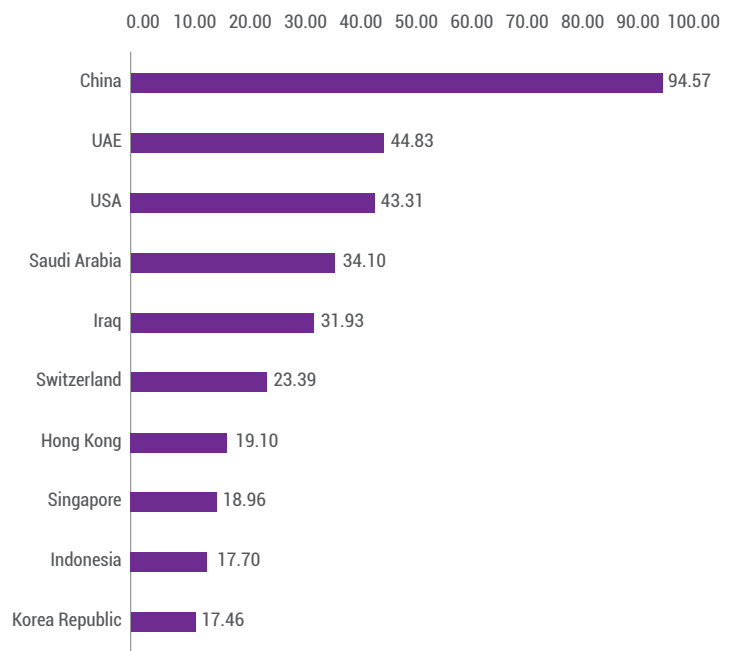


Source: Export Import Databank, Ministry of Commerce and Industry

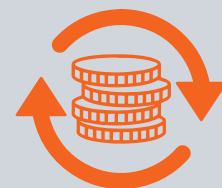
### Top Import Sources

China was India's largest source for imports during 2021-22, with total imports valued at US\$ 94.57 billion. Saudi Arabia was India's fourth largest import partner during the same period. The UAE, USA, Iraq and Switzerland were other significant import sources.

Chart 5: India's Top Import Sources in 2021-22 (US\$ billion)



Source: Export Import Databank, Ministry of Commerce and Industry



# European Economy: Status and Prospects

One of the largest economies in the world, the GDP of the European economy was estimated at US\$ 24.22 trillion in 2022, accounting for around 25% of global GDP. In this section, the European economy refers to the 42 countries under consideration. European economic policies focus on developing knowledge and innovation, promoting a more resource efficient and green economy, and encouraging greater inclusive growth and development through job creation.

Within the larger European region studied here, the European Union (EU) is considered to be a cornerstone of European stability and prosperity. The EU's economic policy is geared towards creating a stable and prosperous Euro Zone by enhancing competitiveness among the member states.

Post the pandemic and on account of the various bold and innovative reforms undertaken by the European governments and other institutions, the European economy is on a recovery path. Europe's economic growth has been more resilient in 2022, with the Euro area recording a growth of 3.5% in 2022.

However, on account of major global headwinds, particularly the energy crisis arising from the Russia-Ukraine war and the associated uncertainty and high inflation, growth for the Euro area is expected to slow down and was projected to grow at 0.7% in 2023, as per IMF projections. As per WEO forecasts, growth for the Euro zone is projected at 1.6% in 2024.

Post the pandemic and on account of the various bold and innovative reforms undertaken by the European governments and other institutions, the European economy is on a recovery path.

Table 3: World Economic Outlook Projections (% change)

| Region                                | Estimate   | Projections |            |
|---------------------------------------|------------|-------------|------------|
| <b>Euro Area</b>                      | <b>3.5</b> | <b>0.7</b>  | <b>1.6</b> |
| Germany                               | 1.9        | 0.1         | 1.4        |
| France                                | 2.6        | 0.7         | 1.6        |
| Italy                                 | 3.9        | 0.6         | 0.9        |
| Spain                                 | 5.2        | 1.1         | 2.4        |
| <b>United Kingdom</b>                 | <b>4.1</b> | <b>-0.6</b> | <b>0.9</b> |
| <b>Emerging and Developing Europe</b> | <b>0.7</b> | <b>1.5</b>  | <b>2.6</b> |

Source: IMF World Economic Outlook Update, January 2023

UK posted a growth of around 4.1% in 2022. However, on account of tighter monetary and fiscal policies for controlling the escalating inflation as a result of war, growth figures have been revised to -0.6% in 2023, which is expected to improve to 0.9% in 2024, as global financial conditions improve.

Emerging and developing Europe posted an overall growth of 0.7% in 2022. However, the group is expected to grow robustly as growth projections for 2023 and 2024 are estimated at 1.5% and 2.6%, respectively.

Emerging and developing Europe is expected to grow at 1.5% rate estimated in 2023.



# Europe's Trade Profile

Chart 6: Europe's Trade: Last 10 Years (US\$ trillion)



Source: CII Calculations based on International Trade Centre Data

In the 42 countries under consideration, total trade increased from US\$ 14 trillion in 2012 to US\$ 16.06 trillion in 2021. Their total exports increased from US\$ 6.83 trillion in 2012 to US\$ 8.11 trillion in 2021. Imports on the other hand, increased from US\$ 6.65 trillion to US\$ 7.95 trillion over the last decade.

The trade balance stood at US\$ 0.15 trillion in favour of the region in 2021.

## Top Exports

The top exports for Europe in 2021 are in the broad HS-2-digit categories of machinery and mechanical appliances (HS 84); vehicles other than railway or tramway (HS 87); mineral oil and fuels (HS 27); electrical machinery and equipment (HS 85) and pharmaceutical products (HS 30), among others.

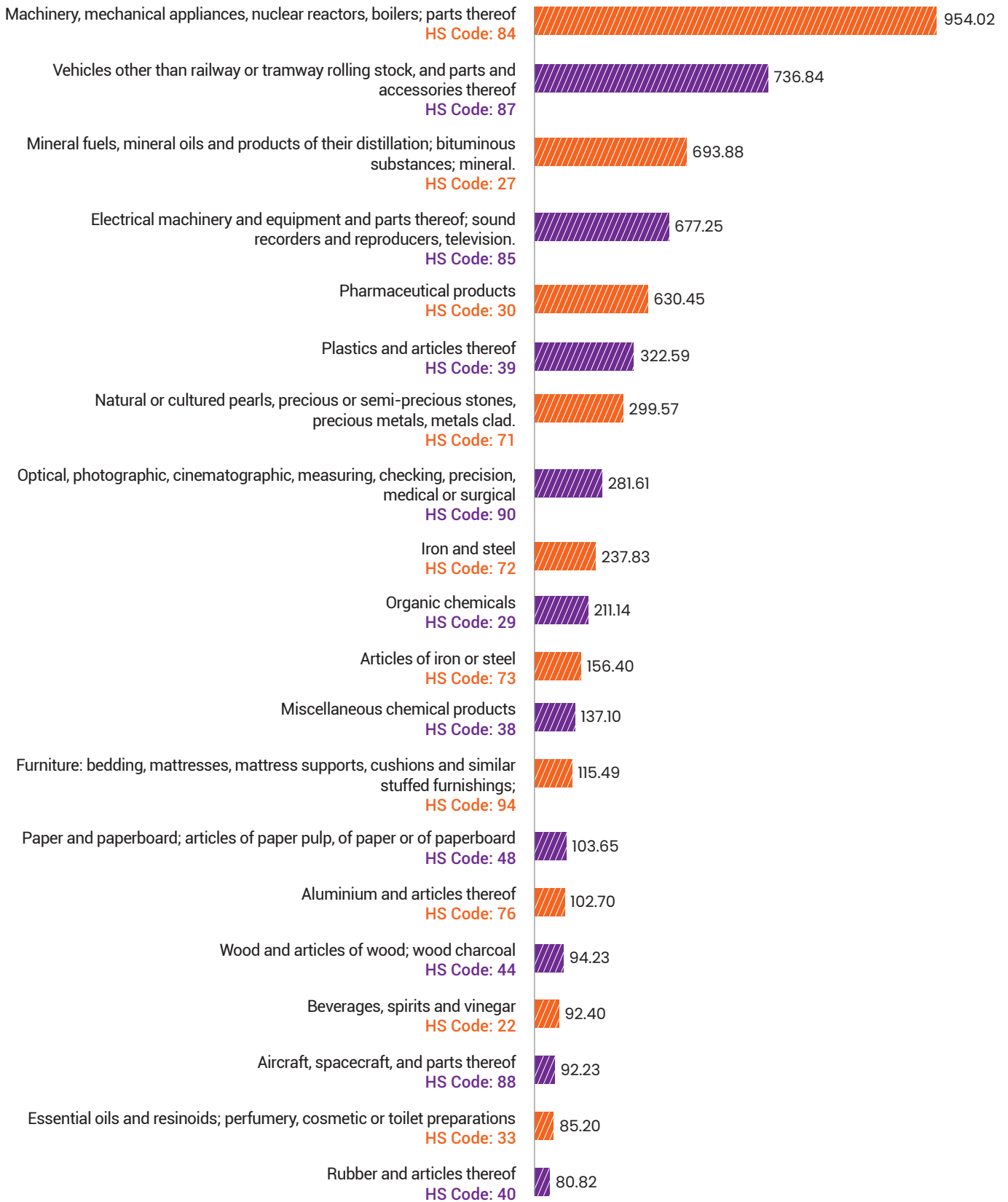
Machinery and mechanical appliances were the top exported commodity in 2021, recording a total exported value of US\$ 954 billion and accounting for around 12% of the total. The top 20 exports together accounted for almost 77% of total exported value.

Other top exports were in the categories of plastic and articles thereof (HS 39); gems and jewellery (HS 71); iron and steel (HS 72); organic chemicals (HS 29) and aluminum and articles thereof (HS 76), among others.

Imports increased from US\$ 6.65 trillion to US\$ 7.95 trillion over the last decade.



Table 4: Europe's Top 20 Exports in 2021 (US\$ billion)



Source: International Trade Centre

The top imported item in 2022 was machinery and mechanical appliances and registered a value of around US\$ 900 billion and accounted for around 11.32% of total imports.

### Top Imports

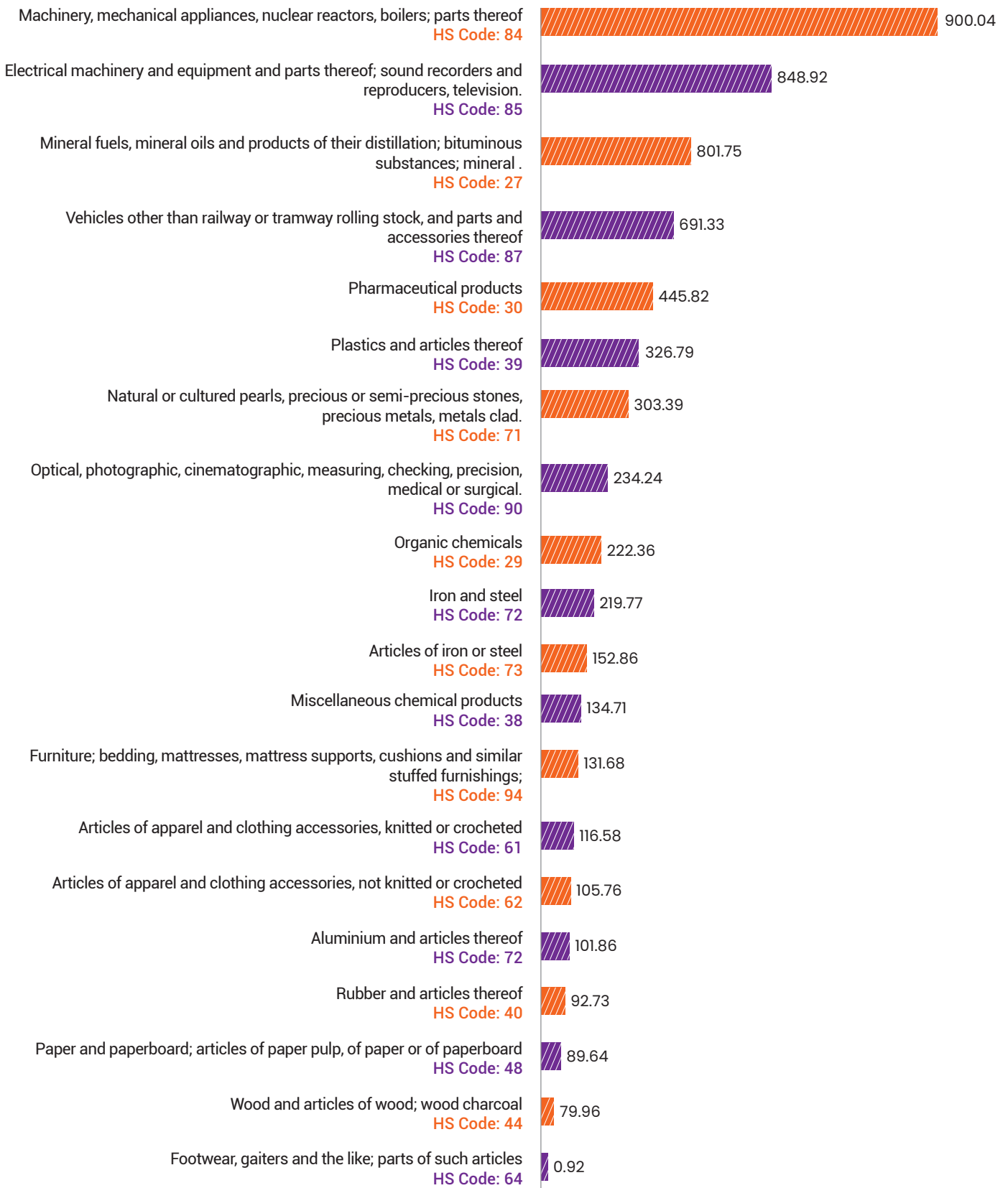
In 2021, Europe's top imports were in the broad HS 2-digit categories of machinery and mechanical appliances (HS 84); electrical machinery and equipment (HS 85); mineral fuels and oils (HS 27); vehicles other than railway or tramway (HS 87); and pharmaceutical products (HS 30).

The top imported item in 2022 was the category of machinery and mechanical appliances and registered a value of around US\$ 900 billion and accounted for around 11.32% of total imports. The top twenty imports together accounted for more than 77% of the total.

Other top import items were in the categories of plastic and articles thereof (HS 39); gems and jewellery (HS 71); optical, photographic and medical instruments (HS 90); organic chemicals (HS 29) and iron and steel (HS 72), among others.



Table 5: Europe's Top 20 Imports in 2021 (US\$ billion)

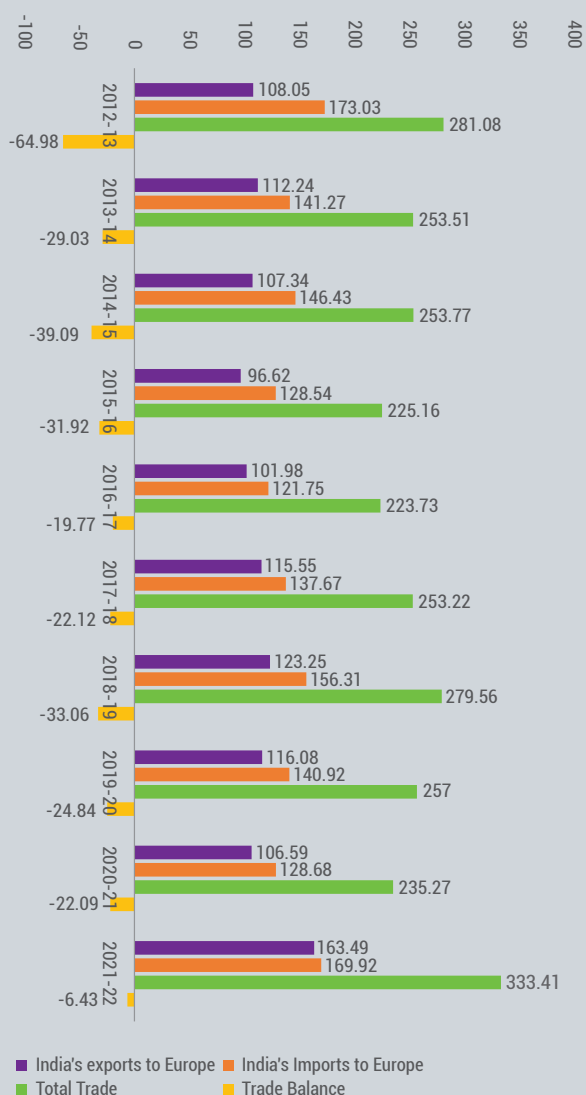


Source: International Trade Centre



# India-Europe Trade

Chart 7: India-Europe Trade (US\$ billion)



Source: CII calculations based on Ministry of Commerce and Industry data

Total trade between India and the 42 countries of Europe studied in the report stood at US\$ 281 billion in 2012-13 which fell to US\$ 235.27 in 2020-21, owing to the disruptions caused by Covid-19 to international trade.

However, with economies recovering, the regions experienced a revival in trade, which stood at US\$ 333.41 billion in 2021-22. Between 2017-18 and 2021-22, trade between the two regions grew at a CAGR of 4.5%.

Indian exports to Europe have increased significantly over the last decade. In 2012-13, total Indian exports to Europe stood at around US\$ 108 billion. Post the pandemic, Indian exports to Europe have significantly increased to US\$ 163.5 billion in 2021-22, recording a CAGR of 4.7%.

Over time, Indian imports from Europe have significantly fluctuated. In 2012-13, Indian imports from Europe stood at US\$ 173 billion and reached US\$ 156.31 billion in 2019-20. Post the pandemic, Indian imports have been rising again and stood at around US\$ 170 billion in 2021-22.

Indian exports to Europe stood at around US\$ 163.5 billion in 2021-22.

Mineral fuels was India's top export to Europe and recorded an export value of US\$ 7.33 billion in 2021.

### India's Top Exports to Europe

The top products exported by India to Europe are in the broad HS 2-digit level categories of mineral fuels and oils (HS 27); iron and steel (HS 72); organic chemicals (HS 29); machinery and mechanical appliances (HS 84) and electrical machinery and equipment (HS 85).

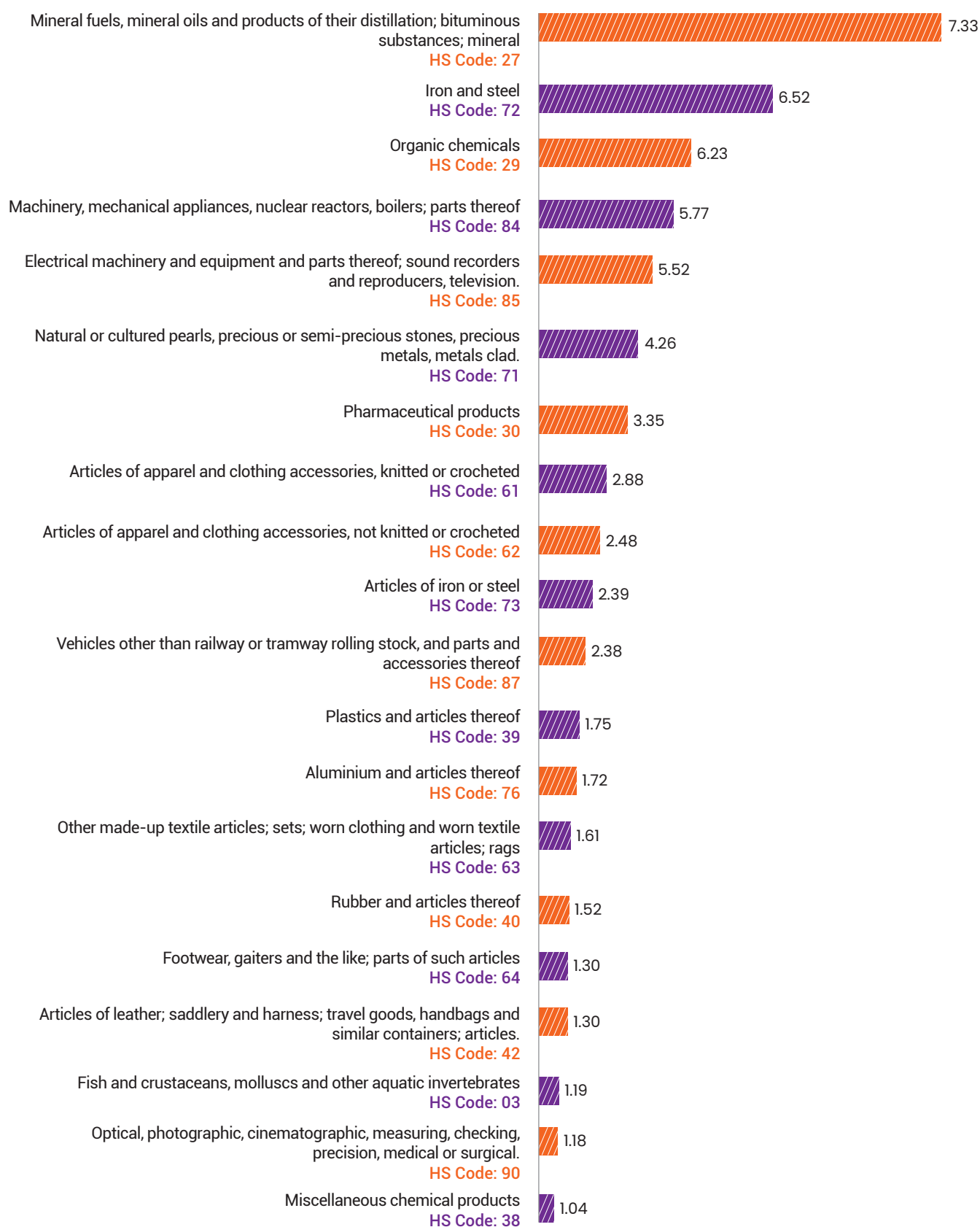
Mineral fuels and oils was India's top export to Europe and recorded an export value of US\$ 7.33 billion in 2021.

Other top exports from India to Europe were in the categories of gems and jewellery (HS 71); pharmaceutical products (HS 30); articles of apparel and clothing accessories, knitted or crocheted (HS 61); articles of iron and steel (HS 73), among others.





Table 6: India's Top 20 Exports to Europe in 2021 (US\$ billion)



Source: International Trade Centre

India's top imported item from Europe belonged to the broad HS 2-digit category of gems and jewellery (HS 71) in 2021 and recorded a value of US\$ 35.68 billion.

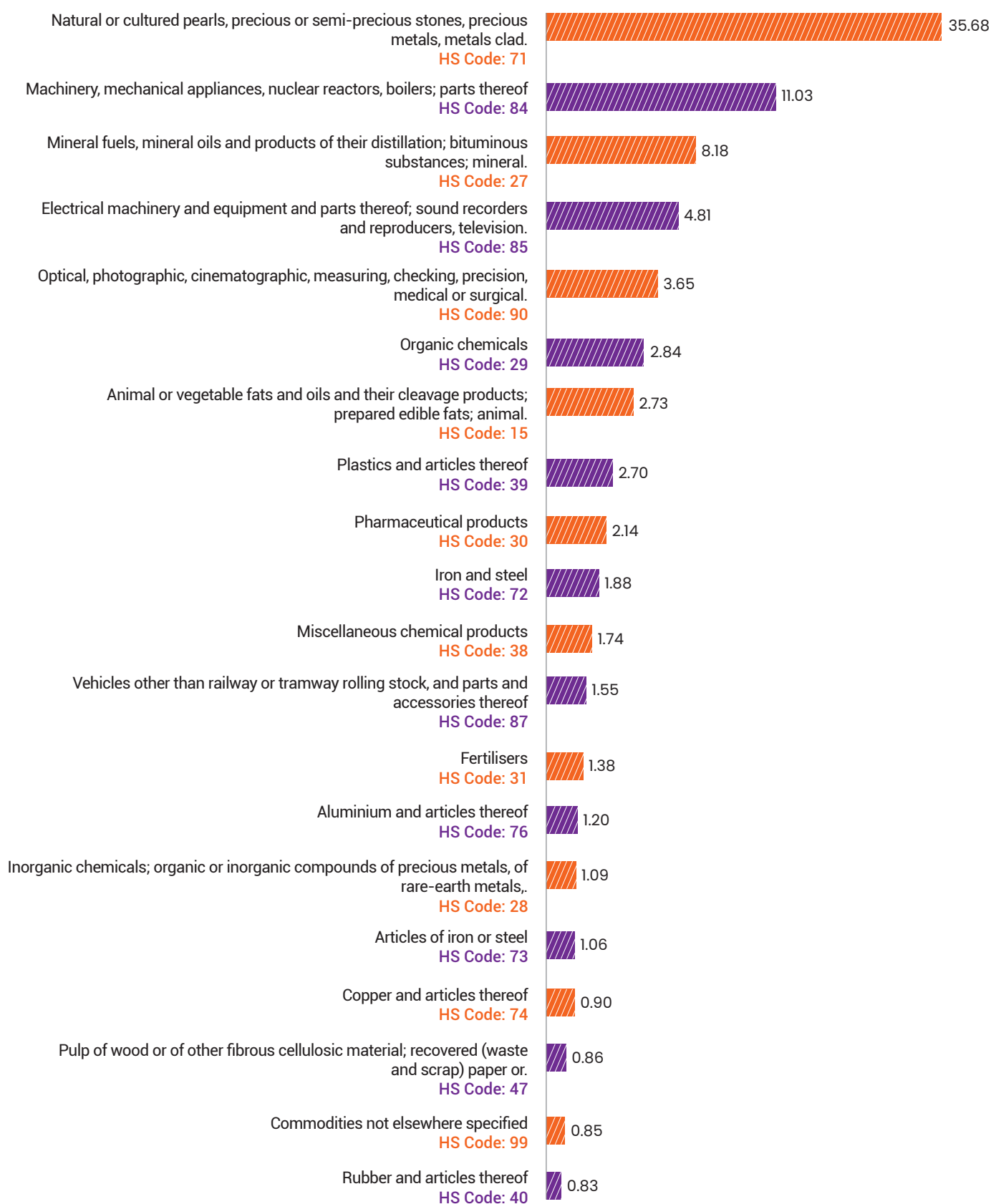
### India's Top Imports from Europe

On the import side, India's top imported item from Europe belonged to the broad HS 2-digit category of gems and jewellery (HS 71) in 2021 and recorded an export value of US\$ 35.68 billion.

Other top imports from India featured in the categories of machinery and mechanical appliances (HS 84); mineral fuels and oils (HS 27); electrical machinery and equipment (HS 85); optical, photographic and medical equipment (HS 90), among others.



Table 7: India's Top 20 Imports from Europe in 2021 (US\$ billion)



Source: International Trade Centre

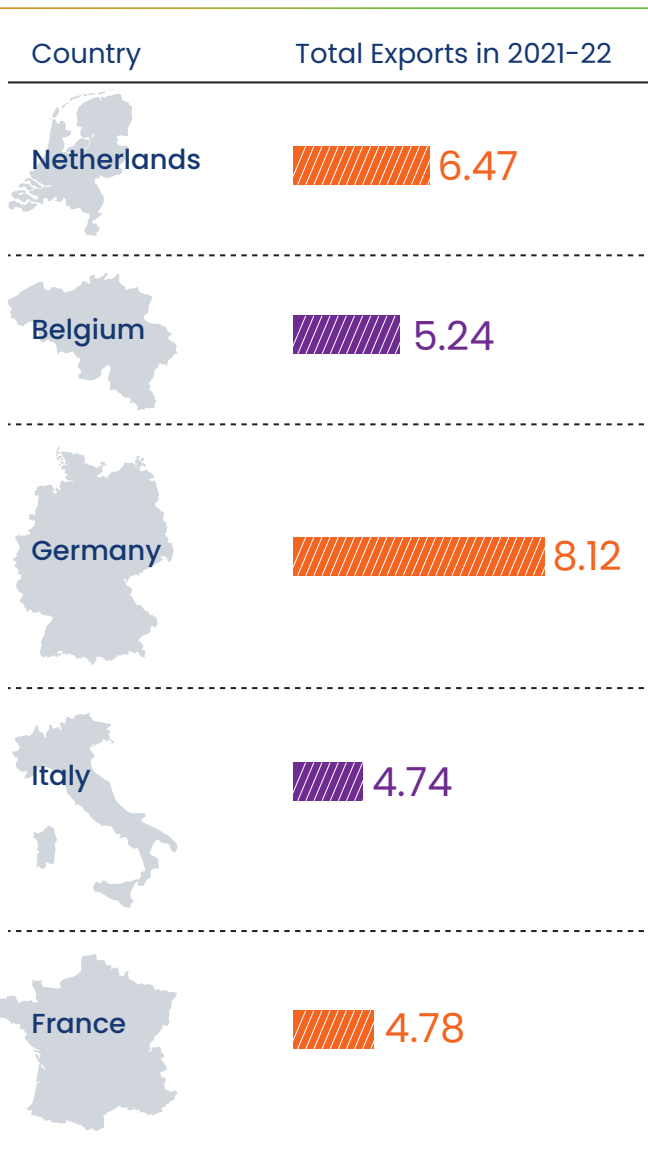
### Regional Trade

Among the EU countries, Netherlands, Belgium, Germany, Italy and France are India’s top export destinations (Table 8). Netherlands was India’s top export destination in 2021-22. Total Indian export to Netherlands was valued at US\$ 6.47 billion in 2021-22.

Among other European countries (non-EU), UK was India’s top export destination in 2021-22, with an exported value of US\$ 10.46 billion.

In the EFTA, Switzerland was India’s top export market in 2021-22, with a total export value of US\$ 1.35 billion.

Table 8: India’s Top Export Destinations in EU (US\$ billion)



Netherlands was India’s top export destination in 2021-22. Total Indian export to Netherlands was valued at US\$ 6.47 billion in 2021-22.

Source: Ministry of Commerce and Industry

## The third round of EU-India FTA negotiations took place in India between 28 November to 2 December 2022.

### India-EU FTA

India and the EU re-launched the FTA negotiations on 27 June 2022 at New Delhi. The negotiation would be conducted under three broad tracks – FTA, Geographical Indications (GIs), and Investment Protection.

Under the FTA track, the main issues to be covered during negotiation rounds are tariff liberalization, trade remedies, customs & trade facilitation, standards including sanitary and phytosanitary measures and technical barriers to trade (SPS and TBT), investment market access, services sector liberalization, e-commerce, public procurement, competition policy, intellectual property rights, sustainability, transparency, dispute settlement, and cooperation and capacity building.

Under GIs track, the EU has a large number of GIs from agricultural sector. On the other hand, India's GIs are majorly in handicrafts. Both sides would explore the possibility of broad-based negotiations under GIs.

Under the IP track, negotiating a Bilateral Investment Protection Agreement with India is the topmost priority for the EU. Both sides are expected to create a sound, transparent, open, non-discriminatory and predictable regulatory and business environment for companies, and to unlock the untapped potential of two-way economic cooperation between the EU and India.

Till February 2023, three rounds of negotiations were completed. Both sides have discussed different chapters on trade in goods, trade in services including digital trade, environment & sustainability, and Intellectual Property, among other issues, along with Geographical Indications and investment protection.

The trade agreement with EU would help India in further expanding and diversifying its exports of goods and services, including securing the value chains. Both sides are aiming for the trade negotiations to be broad-based, balanced, and comprehensive, based on the principles of fairness and reciprocity.



India-UK launched the first round of negotiations in January 2022 with an aim to facilitate trade in goods & services.

### India-UK FTA

Since the initiation of the talks ensuing from the Roadmap 2030 in January 2022, seven rounds of discussions have been held up to February 2023, reflecting the keen interest of both countries in an early conclusion of the agreement. That the process has continued despite political changes in the UK demonstrates the overall sentiments in ensuring that such an agreement takes shape.

India-UK launched the first round of negotiations in January 2022 with an aim to facilitate trade in goods & services, predictability, and transparency between the two partner countries. In December 2022, the UK Trade Secretary and Indian Commerce & Industry Minister launched the sixth round of discussions on this platform. India has set its priority to seek opportunities for the services sector through more study and work visas and permits.

Both sides have exchanged their request list of products for tariff reduction and elimination. The list for tariff reduction requested by UK includes auto & auto components, whiskey, pharma & medical

devices, agriculture & allied products, machinery, chemicals & plastics, and spirits. The list of tariff reduction requested by India includes textiles and apparel, pharma, chemicals, leather and footwear, gems and jewellery and plastics.





# Products of High Potential for Sourcing from India: Select Europe Economies

Potential product baskets are identified for export by India to select economies in Europe including France, Germany, Italy, Netherlands and the UK. These five countries are considered as some of the largest economies in Europe and also rank high in terms of their GDP per capita. Thus, the identified products across these regions could be considered as a representative basket for the European region as a whole as well.

Promoting these focus products could bring mutual benefits to both sides by expanding trade and investment prospects.

The identified products are based on the data and methodology adopted in the CII paper "Towards a new India-EU Economic Agreement: Identifying India's Export Potential to Select EU Economies".

Promoting focus products could bring mutual benefits to both sides by expanding trade and investment prospects.

## The CII paper identified 35 products from India as high potential exports to France.

The potential export products were determined with the help of an innovative methodology, which considered different factors that represented both the manufacturing capabilities and the export potential of the identified products. The former takes into account factors such as India's total world exports, India's global share and partner country's total imports of the products, while the latter adopts the help of competitiveness indices such as the Revealed Comparative Advantage (RCA) Index and the Export Specialization (ES) Index, for assessing the relative advantage or competitiveness of products<sup>7</sup>.

The ES index, while assessing export potential, also considers market specific characteristics rather than world export shares (as used in the more conventional RCA index) and is therefore extremely useful in identifying products relevant to specific markets.

Data on the various variables for construction of the indices and other filters

for identifying the potential export products were sourced from the International Trade Centre at the 4-digit HS Code level. For methodology and other details, pls see the CII paper.

### France

France is among India's top 26 trading partners. In 2021-22, bilateral trade was estimated at more than US\$ 12 billion.

The CII paper identified a total of 35 products from India as high potential exports to France, based on the ES index analysis.

The high potential exports from India featured in the broad HS 2-digit categories of gems and jewellery (HS 71); cereals (HS 10); organic chemicals (HS 29); iron and steel (HS 72) and fish and crustaceans, molluscs etc. (HS 03), among others.

The top 5 Indian products with high potential at the 4-digit level to France are presented in Table 9.


<sup>7</sup> For details on data and methodology pls see <https://www.cii.in/PublicationDetail.aspx?enc=mOgXebAxmPO47I4sjvS+HiAji6AVu1SqxPFtO4OsULb63+wbF3O7tjclMheHPrtftM35j+LCoBSum40ouPj+u9wvyCw6iAoSi8Lss/VCRCQlrkYaaY/OJFKrGs1a881/YK6PT8092Ibjf7b5JaVSRfp6mrcjW9ptPfmeYxwL3xZssiBcA4h7sdX8iLXh8ooB>

A total of 46 potential exports was identified from India for the German market based on the ES index and other factors.

Table 9: India-France Potential Exports

|   |   |
|---|---|
|    | Diamonds, whether or not worked, but not mounted or set (excluding unmounted stones for pick-up)<br><b>Product Code: 7102</b> |
|  | Rice<br><b>Product Code: 1002</b>   |
|  | Cyclic hydrocarbons<br><b>Product Code: 2902</b>  |
|  | Ferro-alloys<br><b>Product Code: 7202</b>   |
|  | Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine<br><b>Product Code: 0306</b>    |

Table 10: India-Germany Potential Exports

|   |  |
|---|--|
|    | Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal<br><b>Product Code: 7113</b> |
|  | Cyclic hydrocarbons<br><b>Product Code: 2902</b>   |
|  | Synthetic organic colouring matter, whether or not chemically defined; preparations based on<br><b>Product Code: 3204</b>    |
|  | Tracksuits, ski suits, swimwear and other garments, n.e.s. (excluding knitted or crocheted)<br><b>Product Code: 6211</b>     |
|  | Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth<br><b>Product Code: 3808</b>    |

Italy was India's top 24<sup>th</sup> trading partner in 2021-22.

### Germany

Germany is India's 11th largest trading partner. A total of 46 potential exports was identified from India for the German market based on the ES index and other factors as detailed above.

The top Indian exports identified for the German market belonged to the broad HS 2-digit categories of gems and jewellery (HS 71); organic chemicals (HS 29); tanning or dyeing extracts (HS 32); articles of apparel and clothing accessories, not knitted or crocheted (HS 62) and miscellaneous chemical products (HS 38), among others.

The top 5 Indian exports identified with high potential to Germany at the 4-digit HS code are presented in Table 10 above.

### Italy

Italy was India's top 24th trading partner with total bilateral trade between the sides recorded at around US\$ 13 billion in 2021-22.

For Italy, around 20 products with high potential for export from India were identified. The top 5 performers and top 5 products with high potential are presented in Table 11.

The high potential exports from India to Italy featured in the broad HS 2-digit level categories of gems and jewellery (HS 71), fish and crustaceans, molluscs etc. (HS 03); mineral oils and fuels (HS 27) and tanning or dyeing extracts (HS 32), among others.

Table 11: India-Italy Potential Exports



Diamonds, whether or not worked, but not mounted or set (excluding unmounted stones for pick-up)

Product Code: 7102



Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal

Product Code: 7113



Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine

Product Code: 0306



Petroleum oils and oils obtained from bituminous minerals (excluding crude); preparations containing

Product Code: 2710



Synthetic organic colouring matter, whether or not chemically defined; preparations based on

Product Code: 3204



A total of 29 products with high potential from India were identified for India-Netherlands bilateral trade.

### Netherlands

Netherlands is India's 19th largest trading partner. Total trade between the two sides stood at US\$ 17 billion in 2021-22.

A total of 29 products with high potential from India were identified for India-Netherlands bilateral trade. The top five products classified as top performers and products with high potential are presented in Table 12.

The top five products with high export potential from India to the Netherlands market featured in the broad HS-2-digit level categories of fish and crustaceans, molluscs etc. (HS 03); miscellaneous chemical products (HS 38); other made-up textile articles (HS 63); organic chemicals (HS 29) and iron and steel (HS 72), among others.

Table 12: India-Netherlands Potential Exports



Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine

Product Code: 0306



Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth

Product Code: 3808



Bedlinen, table linen, toilet linen and kitchen linen of all types of textile materials

Product Code: 6302



Cyclic Hydrocarbons

Product Code: 2902



Ferro-alloys

Product Code: 7202

Trade between the two regions has significantly increased over the last few years. Bilateral trade between the two sides reached around US\$ 130 billion in 2021-22.

## UK

The UK was India's top 17th trading partner in 2021-22. Trade between the two regions have significantly increased over the last few years. Bilateral trade between the two sides reached around US\$ 17.48 billion in 2021-22.

UK is a substantial market for India in terms of exports and presents many trade and investment opportunities.

The CII paper identified around 31 products with high potential from India to the UK market. The top 5 identified products at the HS 4-digit level for the UK market are presented in Table 13.

Top Indian exports with high potential to UK belonged to the broad HS 2-digit level categories of gems and jewellery (HS 71); fish and crustaceans, molluscs etc. (HS 03); aluminum and articles thereof (HS 76) and miscellaneous chemical products (HS 38), among others.

Table 13: India-UK Potential Exports



Diamonds, whether worked, but not mounted or set (excluding unmounted stones for pick-up)

Product Code: 7102



Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine

Product Code: 0306



Unwrought aluminium

Product Code: 7601



Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal

Product Code: 7113



Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth

Product Code: 3808

India-UK FTA would immediately lower tariffs on the UK side for over 5000 product lines where GSP is applicable.

## Way forward

With Europe and India representing dynamic large economies and robust consumer markets, there is high potential for trade to increase. It may be noted that bilateral trade is not commensurate with the decadal economic and trade growth of either of the regions and it may be inferred that the two sides have underperformed when it comes to trade with each other.

While the EU, the largest of the areas in Europe, is India's third largest trading partner after the US and China, India is the EU's 10<sup>th</sup> largest trading partner. It accounts for just about 2% of EU trade in goods, which is not as per its size as the 5th largest economy in the world. With non-EU countries being smaller economies, except for the UK, this perspective can be taken to apply to all of the European countries studied here.

Bilateral trade in services with the EU aggregated to Euro 30.4 billion in 2020, which again is below expectations for two large service-oriented economies.

The FTAs under negotiation by India with the UK and the EU promise to accelerate its trade with the continent, when in force. The two sides must also build supportive measures to raise trade levels.

### i. Continue discussions on FTAs

The progress on the India-UK FTA is encouraging and demonstrates the commitment of both governments to expand bilateral trade. It is hoped that the pace would continue so that the FTA can be concluded at the earliest. This would immediately lower tariffs on the UK side for over 5000 product lines where GSP is applicable.

Similarly, the India-EU FTA would also usher in gains for both sides upon tariff liberalization. The sectors on the Indian side that would gain include textiles and apparel, chemicals, machinery and equipment, electronics and so on. So far, three rounds of discussions have been held and the commitment from both sides appears to be strong, raising hopes for an early conclusion.

Indian industry would welcome both FTAs and in preparation for this, India can look at raising awareness on potential opportunities among its trading community.

India can look to expand its trade with other countries in the region, which together imported about US\$ 900 billion from the world.

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## ii. Encourage economic relations in other European regions

As per data from International Trade Centre, Europe as a whole imported about US\$ 80 billion worth of goods from India. The EU accounted for the lion's share of this at US\$ 70 billion. India can look to expand its trade with other countries in the region, which together imported about US\$ 900 billion from the world. The EFTA countries can see larger trade with India as well, particularly Switzerland and Norway where India's exports stood at US\$ 1.2 billion and US\$ 0.4 billion respectively. Both are heavily globalized countries with strong global trade engagement.

India's exports to Turkiye more than doubled over 2021-22, which is very positive. However, the recent earthquake in Turkiye has devastated its economy temporarily and India must contribute to its rebuilding.

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## iii. Build closer linkages of businesses of both sides

Despite close political contact among the European countries and India, businesses of the two sides need to interact much more intensively with each other. There is inadequate participation in each other's major trade shows, business conferences and investor meets. With costs being a key reason for India's low participation in European discussion platforms, targeted strategies such as sectoral and regional delegations from Europe to India could help. Governments including at the state level in both the regions should aim to expand interactions and provide financial support, either directly or through local hospitality, sharing of exhibition costs, or credit mechanisms to their businesses. This is particularly necessary for increasing engagement beyond the large European economies.

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#### iv. Address non-tariff barriers

Many European markets in the EU bloc appear to have dual non-tariff barriers, one as part of the EU and the other as their own national standards. Multiple standards in different countries for the same product and different labeling and conformity requirements raise the costs of doing business with Europe. Exports of marine, agricultural, chemicals and pharma products, apart from others, from India are impacted by these requirements. Obtaining the certifications is often cumbersome as certifying bodies are not available or take too long to provide these.

It is important to ensure that SPS and TBT requirements can be met easily by Indian exporters for the European markets. For this, the Indian Government in cooperation with European governments could consider setting up information portals. In addition, facilities for obtaining certifications in different language requirements could be considered for key export items.

EU also notes that India's trade and regulatory environment can be improved and is working with India to expand trade through the EU-India High Level Dialogue on Trade and Investment which was instituted in 2021.

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#### v. Trade in services

Data for trade in services is not readily available. As per EU sources, bilateral trade in services amounted to Euro 27.5 billion in 2020<sup>8</sup>. The two sides were evenly balanced till 2017, enjoying a steadily growing flow of services in both directions.

Before the pandemic struck, India's services exports to the EU crossed Euro 17.8 billion, while its imports from the EU reached Euro 14.8 billion in 2019. The trade balance in favour of India expanded as EU sourced more services from India.

Telecommunications, computer and information services were the largest exports from the EU to India and grew to occupy over 45% share in India's imports of services from the region in 2020.

It is important for both sides to step up services engagement and explore new sectors for trade. Tourism from Europe can be greatly expanded, given the right infrastructure and language facilities in India. R&D outsourcing to India by global companies has been viewed favorably, particularly since India's vaccine prowess was widely known during the pandemic. The two sides can also look at investment-led services trade growth by promoting investment flows in both directions.

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In general, to expand trade relations with India, Europe should consider India's rapidly growing economy, robust and growing consumer markets, large labour force, technological and innovation strengths, and its new economic policies. Initiatives such as the new Trade and Technology Council, Digital Investment Forum and the Trade and Investment Dialogue would go a long way towards deepening this mutual understanding and catalyzing business activity.

<sup>8</sup> [https://www.eeas.europa.eu/sites/default/files/documents/EU-India-%20a%20broad%20trade%20and%20investment%20relationship\\_0.pdf](https://www.eeas.europa.eu/sites/default/files/documents/EU-India-%20a%20broad%20trade%20and%20investment%20relationship_0.pdf)



# Investment trends

Bilateral investments have been healthy in both directions, yet there is significant potential for increasing investment flows. The top European destination for job-creating investments from India was UK, accounting for 27% of total Indian investments in Europe, followed by Germany (20%), the Netherlands (9%), and France (7%).

## EU

There are over 6,000 EU<sup>9</sup> companies in India, providing direct and indirect employment to over six million people. With the establishment of an investment facilitation mechanism for EU investments in India in 2017, there is a renewed focus on facilitating ease of doing business norms for EU investors in India.

This ensures that that the two governments work in tandem to come up with solutions to the challenges faced by investors.

The EU is one of the largest sources of FDI for India with inflows from the EU to India standing at US\$ 98.5 billion from April 2000-June 2022. On the other hand, for Indian investments, EU is considered to be one of the top destinations, with total outflows valued at US\$ 37.2 billion during the same period.

The main sectors for EU investments in India include services (14%), Information Communication and Technology (ICT) (9%), automotive industry (9%), trading (7%) and chemicals (5%)<sup>10</sup>.

The EU is one of the largest sources of FDI for India with inflows from the EU to India standing at US\$ 98.5 billion from Apr 2000-June 2022.

<sup>9</sup> <https://commerce.gov.in/about-us/divisions/foreign-trade-territorial-division/foreign-trade-europe/>

<sup>10</sup> [https://www.eeas.europa.eu/delegations/india/eu-india-broad-trade-and-investment-relationship\\_en?s=167](https://www.eeas.europa.eu/delegations/india/eu-india-broad-trade-and-investment-relationship_en?s=167)



France is the 11<sup>th</sup> largest foreign investor in India with an overall investment of US\$ 10.31 billion from April 2000 to June 2022.

## UK

The UK is the 6th largest investor in India , with a cumulative investment of approximately US\$ 31.92 billion in 2000–22. In 2021–22, India received investments from the UK of US\$ 1.64 billion. In the services sector, the UK is one of the largest markets in Europe for Indian IT services<sup>11</sup>. According to the CII–Grant Thornton report Britain Meets India, there are around 618 British companies in India, which employ around 4,66,640 people.

## Germany

There are more than 1700 German companies active in India, providing around 400,000 direct and indirect jobs. Germany is the 7th largest foreign direct investor in India and Germany's total foreign direct investment in India from 2000 until 2022 amounted to around US\$ 13.6 billion<sup>12</sup>. On the other hand, there are more than 200 Indian companies operating in Germany. Indian investments in Germany have increased over the last few years. Indian companies have invested over US\$ 7 billion in Germany, especially

in sectors of IT, automotive, pharma and biotech<sup>13</sup>.

The constantly increasing number of business and employment visas being issued by the German embassy and consulates in India are proof enough of the strengthening bilateral economic ties.

## France<sup>14</sup>

France has emerged as a major source of FDI for India with more than 1,000 French establishments in India. France is the 11th largest foreign investor in India with an overall investment of USD 10.31 billion from April 2000 to June 2022. The highest FDI equity inflows are in the services sector (18.17%), with cement & gypsum products (9.43%) in the second place, followed by air transport (including air freight) (7.72%), miscellaneous industries (7.38%) and petroleum & natural gas (7.22%). These five sectors represent 49.92% of the total equity inflow from France from April 2000 to June 2022. French companies employ around 300,000 persons in India.

<sup>11</sup> <https://www.thehindu.com/business/india-uk-trade-pact-talks-moving-in-right-direction-commerce-secretary/article66034961.ece>

<sup>12</sup> <https://www.investindia.gov.in/country/germany>

<sup>13</sup> <https://india.diplo.de/in-en/themen/wirtschaft/-/2421012#:~:text=Indian%20corporate%20entities%20have%20invested,Indian%20companies%20operating%20in%20Germany>

<sup>14</sup> <https://www.eoiparis.gov.in/page/india-france-economic-and-commercial-relations-brief/>.

Total FDI inflows from April 2000-September 2022 touched US\$ 3.1 billion with Italy as the 17<sup>th</sup> largest source country in cumulative FDI inflows.

As per the Business France Annual Report 2020, which supports Indian investments in France and French investments in India, there are around 200 Indian businesses in France which employ around 6000 people.

Among Indian investments in 2020, three were in IT services, while the pharmaceuticals/biotechnologies and hospitality sectors were each responsible for two projects.

### Italy

Around 140 large Italian companies are active in India. Top sectors attracting FDI inflows from Italy are automobile industry/transportation, food processing, metallurgical industry, textiles, electrical equipment and others. Total FDI inflows from April 2000-September 2022 touched US\$ 3.1 billion with Italy as the 17<sup>th</sup> largest source country in cumulative FDI inflows.

### Spain<sup>15</sup>

Spain is the 16<sup>th</sup> largest investor in India with cumulative FDI stock of US\$ 3.7 billion (April 2000 - September 2022). There are more than 280 Spanish companies in India mainly in the sectors of metallurgical

industries, renewable energy, automotive, ceramics and infrastructure (highways, transmission lines, tunnels and metro stations). Maharashtra, Tamil Nadu, Gujarat, Andhra Pradesh and Karnataka are the major destinations for Spanish investments in India.

There are about 70 Indian companies in Spain mainly in software & IT services, pharmaceuticals, chemicals and logistics. India is among the top 30 investors in Spain globally and among the top 5 from Asia.

### Norway

More than 100 Norwegian countries have set up offices in India and some 50 more are working through representatives in the country. The Norwegian Pension Fund has a strong presence in India with total investments at about US\$ 9.5 billion in 2019. The two countries are seeking to expand ties in maritime sector, energy, climate and environment and research, high education and global health, apart from business cooperation, as per the Norwegian India Strategy launched in December 2018.

<sup>15</sup> <https://www.eoimadrid.gov.in/commercial-relations.php>

Most of FDI from the EU to India came from the Netherlands and France at Euro 4.3 billion and Euro 2.1 billion respectively.

### Switzerland

The country is the 12th largest investor in India with US\$ 9.5 billion FDI in the country between April 2000–September 2022. Similarly, about 100 Indian companies are present in Switzerland, employing about 40,000 people. The sectors of interest are IT services, pharmaceuticals, and machinery and equipment.

### Way forward

FDI flows from the EU to India went up from Euro 5.2 billion in 2015 to Euro 9 billion in 2020. Most of this came from the Netherlands and France at Euro 4.3 billion and Euro 2.1 billion respectively. Cyprus, Germany and Spain were the other key investors in 2020. However, being a pandemic year, this figure is likely to have expanded since then. At the same time, EU's FDI in other countries and regions such as China and ASEAN is much higher with its stock of investment into ASEAN standing at Euro 314 billion in 2019.

India has made great efforts to ease the process of starting a business in the country and to obtain necessary clearances and

approvals. The National Single Window System aims to integrate all formalities including from state governments on a single portal and is expanding rapidly. Many requirements such as applying for tax cards, approvals, etc are digitalized and available online.

### i. Shelf of projects

India has created a shelf of infrastructure projects where foreign investors can participate through its National Infrastructure Pipeline, totaling close to 9000 projects worth US\$ 1.8 trillion, of which over 2000 projects are underway. Projects uploaded at this portal include a range of infrastructure sectors such as roads and highways, urban transport, water and sanitation, power, telecommunication, education, and state level projects, both large and small. There is need to raise awareness on the existing and upcoming projects and enable European firms to participate in tenders brought out by the project consortia.

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## ii. Investor summits

A concerted effort is required to connect with leading investors in Europe, such as pension houses, venture capital funds, social impact investing funds, and so on. Indian ministers, accompanied by business delegations, should travel to European nations on a regular basis.

Similarly, visits to India by ministers from European nations can be intensified. It is also important to develop relations at the state level, between state governments of India and European countries. Roadshows can be held in Europe for attracting investments in the upcoming industrial parks in India.

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## iii. Small and medium enterprises

There is need to enhance engagement of small and medium enterprises of both sides, including on the virtual platform. Specific handholding programs could be developed for smaller investors keen to access markets or look for technology.

European nations can set up investor desks to facilitate investments from their smaller companies in India. The Indian government already offers investment support to prospective investors who can approach Indian embassies or missions in their respective countries for information and guidance.

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## Potential Sectors of Opportunity

India and Europe are two vital political and economic players in this increasingly multi-polar world, and hence, cooperation between the two can influence major events across the globe. Since 2014, the India–EU partnership has changed from an import-based paradigm to that of cooperation through several instruments. There are various sectors of opportunity for India and Europe.



### Agriculture

India and Europe in the recent past have undertaken several dialogues to strengthen cooperation in agriculture. India is one of the leading producers of wheat, and fruits and vegetables in the world, and will play a major role in ensuring food security, which has become a global challenge. On the other hand, India can significantly benefit from knowledge sharing and technology transfer, by stepping up collaboration in innovative and modern technology, including AI with Europe. Cooperation in this area can lead to greater investments in sustainable farming practices which will enhance agricultural productivity.

During the COP26 climate summit in Glasgow in 2021, India, UK and some EU economies such as Spain and Netherlands signed up for the sustainable agriculture action agenda, by laying out commitments for making farming eco-friendly and sustainable. Collaboration in the areas of agri-tech, food security and sustainable agriculture present significant opportunities for both sides.

The partnership offered collaboration across diverse areas in line with international standards, including promoting fast and effective roll-out of 5G, setting up of a Digital Investment forum, etc.

Emerging areas such as organic farming also hold many opportunities for both. EU is one of the largest destinations for Indian organic produce. Greater dialogue in standards and regulatory requirements can significantly expand the share of India's organic produce in EU.

Hungary has also been a prominent partner for India in this area and during May 2022, the two agreed to explore opportunities in sectors such as agriculture and food processing. The India-Hungary Business Forum provides a useful platform for exploring investment opportunities for business leaders across both sides.



## Digital Transformation

Digital transformation through innovation has become a key tool for countries around the world to foster greater sustainable and inclusive economic growth, as well as combating economic crises such as the Covid-19 pandemic. India and the European economies have taken several initiatives in this area.

During the pandemic, India and the EU leaders established the EU-India Connectivity Partnership with a focus on enhancing mutual cooperation, particularly in the area of digital connectivity and research and innovation. The partnership offered collaboration across diverse areas in line with international standards, including promoting fast and effective roll-out of 5G, setting up of a Digital Investment forum, supercomputer cooperation for public health and climate, cooperation in clinical trials, etc.

The EU India Trade and Technology Council (TTC), launched in April 2022, will help the regions in tackling challenges related to technology and trade, particularly in the areas of security and trust building, through a strategic coordination mechanism. It would also help in operationalizing political decision making, coordination of technical work and ensuring effective implementation, for the sustainable progress of the Indian and the European economies.

India's flagship initiatives such as Digital India and human centric digitalization programmes such as the JAM (Jan Dhan, Aadhar and Mobile) Trinity lays a strong foundation for further developments and cooperation between India and Europe, in building strong, resilient digital economies.

The PLI schemes have been a game changer for the Indian manufacturing sector.



## Manufacturing

One of the key drivers of India's industrial growth has been the Make in India initiative launched by the Government in 2014. This program aims to boost domestic manufacturing and attract foreign investment to the country by creating a favorable business environment, reducing red tape, and providing incentives to investors. This was further boosted when the Indian government launched several Production-Linked Incentive (PLI) schemes. These schemes provide incentives to companies that manufacture goods in India and meet certain performance criteria, such as increasing production capacity or investing in new technology.

For example, the PLI scheme for electronics manufacturing, launched in 2020, aims to make India a global hub for electronics manufacturing and has attracted several large companies to set up manufacturing facilities in the country. Similarly, the PLI scheme for pharmaceuticals aims to increase the production of key drugs in India and reduce the country's dependence on imports.

The PLI schemes have also helped to create a favorable business environment for companies operating in India. By providing incentives for companies to increase

production and invest in new technology, the schemes have helped to improve the competitiveness of Indian manufacturers. This, in turn, has led to job creation and increased exports, helping to boost the country's economy.

Overall, the PLI schemes have been a game changer for the Indian manufacturing sector, helping to create new business opportunities, improve competitiveness, and address key challenges. With several new PLI schemes, including schemes for textiles, food processing, and specialty steel, the outlook for India's manufacturing sector remains positive, and the country is expected to continue to be a major player in the global economy.

In general, the manufacturing sector is a key area for investments, given the high expertise of European economies and the strong consumer markets in India. By investing in India for accessing a wider range of goods and services at a lower cost, European businesses and consumers could benefit from lower prices and reduced inflationary pressures. India is a major exporter of a range of goods and services, including textiles, automotive parts, engineering goods, IT services, and pharmaceuticals, among others.





## Social sector – Education, Skill Development & Health Cooperation

The education and science and technology sectors have emerged as key areas of development cooperation. Both India and Europe have committed themselves to cooperate further through initiatives like the Global Initiative of Academic Networks and Erasmus+. India and the EU have also partnered on various projects related to climate change, resource efficiency, renewable energy and digital cooperation.

Recent data from the International Consultants for Education and Fairs reveals that the number of Indian students studying abroad shall grow more than double to reach 1.8 million outbound students. Reports from the Ministry of External Affairs India showed that more than 600,000 Indians were enrolled in European higher education institutions as of July 2021.

Moving forward, in order to improve the flow of students to and from both regions, it is essential to implement a mutual framework with India in more European countries. The UK-India memorandum of understanding introducing the Europe Technology Platform (ETP) is a significant step in ensuring the flow of education and skill development is seamless between both sides. Europe is one of the biggest collaborators for mutual knowledge exchange and research for India. India's National Education Policy (NEP) has ensured the accessibility of foreign institutions and has given them an open invitation to innovate. These new policies on both sides present an opportune moment to create a world-class educational framework that contributes to the knowledge economies of both India and Europe.

Under the 'Skill India' mission, skill development experts from across India and Europe have joined hands to find ways in which Europe can contribute in providing skill training to Indian youth entering the job market every year. With an aim of creating a platform to bring the best expertise and know-how from Europe to India in the domain of Skill Development, the two regions have collaborated for promoting training, curriculum formulation, certification, up-gradation, tech transfer, migration, joint ventures, labour market information system, etc. which may be required by the sector in focus.

Events, conferences, study tours and roadshows in India and Europe will lead to greater awareness of the sector and development in the vocational and technical education. India and Europe can work together to create a pool of specialists of skill development in both regions and collaborate to increase the participation of youth, women, other disadvantaged and especially people with disabilities through knowledge and Skills Mission of India and arrangements or joint programming either on-site or through an e-learning platform.

Although India and Europe have very different health systems in terms of public-private composition, regulatory frameworks, and policy priorities, several factors in the healthcare sector present areas of potential cooperation between the two. Europe with its ageing population, rising costs, and overburdened public healthcare systems could benefit from India's growing private healthcare sector, emergence of world class corporate hospitals, large pool of medical manpower, and young population across a variety of segments.



# Cooperation in Sustainable Development



## Green Mobility

Green and digital transformation is one of the key foundations of the European Commission's plan for green, smart and affordable mobility. For a smart and sustainable future, the journey involves huge investments in zero emission cars, automated mobility, and zero emissions aircraft, among others.

Transport is a critical area of focus in the India-EU Connectivity partnership. Both India and EU stand to gain significantly from greater collaboration and dialogue in emerging areas such as new air routes, maritime industry, and smart and sustainable mobility.

Ample opportunities also exist in the Electric Vehicles (EV) space between India and European economies. India and UK have been strong partners and given UK's tech expertise and India's prowess in execution and application, there is significant potential for both to step up collaboration in this area.

Emerging areas such as battery technologies, lightweight materials, and engineering services, among many others are also potential sectors of collaboration between India and Europe. Enhancing cooperation in international standards and reciprocal access to markets across these areas can bring significant benefits to both sides.

For a smart and sustainable future, the journey involves huge investments in zero emission cars, automated mobility, and zero emissions aircraft, among others.

The US\$ 215 million loan agreement between the European Investment Bank and the Indian Renewable Energy Development Agency will help the renewables sector.



## Climate Change & Water Partnerships

Both India and Europe have pledged to focus on addressing climate change on a global front and are focussing on international agreements pertaining to the same, such as the Paris Agreement. They have also been significantly investing in many programs including the India-EU water partnership, solar programs, offshore wind initiatives, etc.

With such robust cooperation in the sector, both regions aim to now strengthen the collaboration in all water agreements, such as the India-EU water partnership which was launched in 2016, focusing on areas like river basin management and water governance, e-flows, river rejuvenation, restoration, groundwater use and recharge, water use in irrigation, solar pumping for irrigation, capacity building, and collaboration in

research, innovation and technology. These initiatives aim to bring together both European and Indian organisations, businesses and society at large, thus creating various opportunities to share best practices, business solutions and research and innovation ideas in the water sector in India and Europe.

Both regions have heavily invested in renewable energy, such as the signing of the US\$ 215 million loan<sup>16</sup> agreement between the European Investment Bank and the Indian Renewable Energy Development Agency. Furthermore, other areas of collaboration between India and Europe include the 'green strategic partnership' between India and Denmark, which focusses on climate change, and the India-Nordic Summit which focuses on green technologies that are essential for sustainable and inclusive growth.

<sup>16</sup> <https://www.iewp.eu/about#:~:text=The%20India%2DEU%20Water%20Partnership,of%20the%20Government%20of%20India.>

Both India and Europe are vital stakeholders in the global efforts in working towards a cleaner, greener future.



## Renewable energy

Another key area of development cooperation is in the field of renewable energy, particularly the 2030 Agenda for Sustainable Development. Both India and Europe are vital stakeholders in the global efforts in working towards a cleaner greener future. Together, India and Europe are working on various initiatives related to the Sustainable Development Goals, including the smart cities initiative, clean water and sanitation, and climate action initiatives. In 2016, India and the EU entered into the EU-India Clean Energy and Climate Partnership (CECP)<sup>17</sup> with an aim of promoting access to clean energy and climate-friendly technologies and encouraged research and the development of innovative solutions. Under the aegis of CECP, India and the EU have worked together to facilitate rapid deployment of renewable energy, energy efficiency, collaboration on smart grid and storage technology, and modernize the electricity market.

Other areas of collaboration include activities in offshore wind energy, roof top

solar and solar parks, integration of renewable energy and storage, smart grids, biofuels and energy efficiency in buildings.

Europe and India aim to deepen bilateral cooperation with a joint focus on clean energy and climate change, with special attention on solar energy and green hydrogen. Another important aspect is to advance India-Europe cooperation on Green Hydrogen. International cooperation is a key part of Europe's hydrogen policy and India is a major partner in this respect.

Europe's 'REPowerEU Plan' aims to boost Green Hydrogen Partnerships to facilitate green hydrogen import and support the decarbonisation in its partner countries. Similarly, India's proposed National Green Hydrogen Mission aims to transform the country into a green hydrogen hub and a global leader in exports of the commodity. Green hydrogen is one of the key focus areas of the 2016 EU-India Clean Energy and Climate Partnership.

<sup>17</sup> [https://energy.ec.europa.eu/topics/international-cooperation/key-partner-countries-and-regions/india\\_en](https://energy.ec.europa.eu/topics/international-cooperation/key-partner-countries-and-regions/india_en)



## Circular Economy

The world today is faced with many challenges including the pressures of an ever-increasing population, rapid urbanization, and growing pollution levels, to name a few. All these have necessitated a move towards greater climate action and climate change related interventions.

The move towards a circular economy, or an economy where resources are reused and recycled to extend the life cycle of products has particularly assumed greater relevance in the current setting. Policymakers and Governments around the world have also increasingly attached greater attention to the conversation around circular economy and the sustainable management of resources. Adopting circular economy practices can help generate savings and create a multiplier effect through the economy by creating jobs across sectors such as food, agriculture, construction, and mobility, among others.

Therefore, building global partnerships and international cooperation in the area of circular economy has become an imperative today, as economies adopting such practices have greater potential to achieve their Sustainable Development Goals faster.

The large economies in Europe and India will play a key role in catalyzing the global transition towards a circular economy. By addressing global concerns together, these economies also stand to mutually gain from global cooperation, while also unlocking new business opportunities.

The Indian Government has taken a proactive role in formulating policies and implementing measures to facilitate India's transition from a linear to a circular economy. The Government of India is preparing comprehensive action plans for transitioning towards a circular

economy by focusing on 11 key areas including municipal solid waste and liquid waste, scrap metal, electronic waste, solar panels, toxic and hazardous industrial waste, and agricultural waste, among others.

Europe's Circular Economy Action Plan (CEAP) was adopted in 2015 and provides a focused agenda for achieving a cleaner and more competitive Europe and builds on circular economy actions implemented since 2015. It also aims at accelerating the transformational change required by the European Green Deal, Europe's new agenda for sustainable growth, which aims to improve the well-being and health of citizens and future generations.

The European Commission's objectives also include efforts at the global level and building strong partnerships for maximizing benefits of transition and the circular economy. A focus on sustainable models through international cooperation and Free Trade Agreements also are part of the Commission's objectives for enhancing green transition at the global level.

Nordic countries including Norway, Sweden and Finland have been active partners in India's sustainable development initiatives. Norway has worked with India on grid capacity, oil recovery rates, low carbon efficient growth, and clean energy. In climate change and environment, it has worked on energy efficiency, recycling, waste management, CFC emissions reduction and so on. Sweden and India have worked on industry transition and interacted on climate action as well as specific projects for urban development. The two countries hosted the LeadIT Summit on the sidelines of COP27 for low carbon transition in hard-to-abate industrial sectors.

India has made huge progress in its climate change initiatives.

### Way forward

Much closer cooperation is required between Europe and India on environment and sustainability aspects, given that both sides are committed to energy transition and combating climate change.

India has made huge progress in its climate change initiatives and is a leading economy in terms of meeting its Paris Agreement commitments on non-fossil fuel energy usage. It has outlined a robust plan for climate action including establishing 500 GW of renewable energy, ensuring non-fossil fuel energy constitutes 50% of India's cumulative electric power installed capacity by 2030 (a target it has already met), reducing the carbon intensity of India's economy by 45% by 2030, reducing one billion tons of carbon emissions by 2030, and achieving Net Zero by 2070.

India's renewable energy sector, comprising of wind, solar and biomass energy, is one of the fastest growing in the world and is the 5th largest globally.

There are many opportunities for collaboration with Europe:

- **Waste management and sanitation**
- **Energy efficiency technologies**
- **Finance for sustainability**
- **Water management**
- **Bio energy**
- **Sustainable urban development**

While the two sides have set up several important dialogues and initiatives on climate action, these need to be broadbased with more projects. Technological assistance from European nations will support Indian efforts, along with funding support at low interest rates.

Meanwhile, care must be taken that sustainability efforts do not impact trade and investment activity. It is also important for the private sectors of both sides to be more closely engaged in the joint initiatives which are presently outlined by their governments.





# Conclusion

As two large economies at different ends of the development spectrum, there exists huge potential for cooperation between India and Europe. Trade and investment engagement is central to the future development of both sides and given the evolving geopolitical space, the close and historical friendship of India and Europe stands them in good stead as a rock solid foundation for achieving the next trajectory of growth in these areas.

Both sides must take definitive steps to enhance trade and investment, particularly to reach out to sub-national entities as well as small and medium enterprises. The proposed free trade agreements between India and the EU and between India and the UK will stand as major enablers for propelling trade and investment.

The relationship of the two sides has now matured to go beyond trade and

investment to include technology, science and innovation, space, maritime and defence manufacturing, among others. Cooperation agreements between India and the EU and bilateral agreements with other European countries are setting the pace for expanding such engagement and businesses must be made a robust player in these sectors.

Future cooperation in sustainable development, climate change action, and energy will prove to be central to the overall relationship of the two sides. With both regions having a strong intention to progress on climate change mitigation and build sustainable industries, the cooperation between them has the potential to dramatically move global efforts in the right direction. Therefore, this must be a priority sector of engagement, and should stand as a symbol of joint action between emerging and developed economies to address common challenges.

The proposed free trade agreements between India and the EU and between India and the UK will stand as major enablers for propelling trade and investment.

## Annex

### Europe Country List

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#### EU Countries

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Austria

Belgium

Bulgaria

Croatia

Cyprus

Czech Republic (Czechia)

Denmark

Estonia

Finland

France

Germany

Greece

Hungary

Ireland

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#### EFTA

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Iceland

Liechtenstein

Norway

Switzerland

Italy

Latvia

Lithuania

Luxembourg

Malta

Netherlands

Poland

Portugal

Romania

Slovakia

Slovenia

Spain

Sweden

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#### Other European Countries (OEC)

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Albania

Andorra

Bosnia and Herzegovina

Holy See

Moldova

Monaco

Montenegro

North Macedonia

San Marino

Serbia

United Kingdom









## Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering Industry, Government, and civil society through working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for Industry.

For more than 125 years, CII has been engaged in shaping India's development journey and works proactively on transforming Indian Industry's engagement in national development. The premier business association has around 9000 members, from the private as well as public sectors, and an indirect membership of over 300,000 enterprises from around 286 national and regional sectoral industry bodies.

With 62 offices, including 10 Centres of Excellence in India, and 8 overseas offices in Australia, Egypt, Germany, Indonesia, Singapore, UAE, UK, and USA, as well as institutional partnerships with 350 counterpart organizations in 133 countries, CII serves as a reference point for Indian Industry and the international business community.



With the Indian economy's expanding internationalization, overseas geopolitical and economic developments increasingly impact India's economy and businesses. The CII Centre for International Research (CCIR) supports Indian enterprises in understanding global developments and leverage global opportunities. CCIR is a proactive industry-focused centre for India's global economic engagement to help bridge the information and capability gap faced by businesses in working overseas. Based on strategic perceptions and data, the Centre undertakes deep analysis of the international environment and contributes inputs to Government's foreign trade and economic policies, with the aim of enhancing the role of Indian industry in nation-building. It supports businesses through consulting, information dissemination and training services to explore overseas markets and plan strategies.

### Confederation of Indian Industry

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