Shaping Future FTAs

Lessons from the Investment Provisions in India's TEPA with EFTA

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FDI India Forum

Our sustained engagement with the Indian corporate sector, spanning over four and a half decades—beginning with the Corporate Studies Group (CSG) at the Indian Institute of Public Administration (IIPA), New Delhi, and later at the Institute for Studies in Industrial Development (ISID), New Delhi—has consistently highlighted the need for a specialized platform to examine the less explored dimensions of foreign direct investment (FDI).

The UNCTAD Training Manual on Statistics for FDI and TNC Operations, Volume I (2009) observed that "[A] wider audience is now interested in FDI, but there is not necessarily a good understanding of the concept." More than fifteen years later, this assessment remains strikingly relevant. The forms and modalities of FDI have evolved considerably, particularly with the growing participation of international financial investors who do not conform to the classical definition of FDI. Despite frequent references to greenfield and brownfield investments, their conceptual boundaries remain unsettled, and their empirical measurement continues to pose significant challenges.

The fragmentation of global capital flow data, coupled with the disjunction between statistics on greenfield projects and cross-border acquisitions, further obscures analytical clarity. Many developing economies, while devoting substantial resources to attracting FDI, pay very little attention to critically understanding its composition, motivations, and developmental implications.

Within this context, the prevailing discourse on FDI remains heavily weighted towards its presumed benefits—often at the expense of a balanced assessment. This tendency persists despite a substantial body of scholarship advocating a more nuanced and context-sensitive understanding of FDI, particularly in developing country settings.

It is against this backdrop that the **FDI India Forum** has been conceived—deliberately and unapologetically—as an independent initiative for the systematic study of the underexplored facets of FDI. The Forum seeks to deepen analytical understanding in order to maximize the developmental benefits of FDI while mitigating its potential adverse effects on host economies.

Envisioned as a collaborative and independent endeavour, encouraged by long-standing colleagues and associates, the Forum aims to foster inquiry that transcends conventional narratives. It will promote research, informed debate, and critical reflection on the evolving nature, patterns, and implications of FDI in the contemporary global economy, with a special focus on India.

Acknowledgements

This paper forms part of the study *"A Decade of Record FDI Flows into India: Understanding the Potential Development Impacts and Policy Implications"*, which was undertaken with the support of the New Political Economy Initiative (NPEI) programme at the Indian Institute of Technology, Bombay. The authors gratefully acknowledge the enabling approach and efficient support extended by the entire NPEI team led by the tireless Dr. Anush Kapadia and diligently anchored by Ms. Sonal Raghuvanshi. Dr. Smitha Francis played a particularly important role in involving us in the cluster on Industrial Policy and Structural Transformation (IP&ST) and provided valuable inputs and support at various stages of our engagement with the NPEI.

We benefited immensely from the comments and suggestions by Professor Biswajit Dhar, Dr. Reji K. Joseph and Dr. Beena Saraswathy and the participants in the online presentation in August 2025 in preparation of this paper. However, the responsibility for the interpretations and views expressed is entirely that of the authors.

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Contents

List of Tables

List of Figures

List of Boxes

Abstract

This paper critically examines the investment-related provisions of the India-EFTA Trade and Economic Partnership Agreement (TEPA), signed on 10 March 2024 focusing on its ambitious commitment to mobilise $100 billion in foreign direct investment (FDI) and generate one million direct jobs over 15 years in India.

Using global aggregate FDI flows and India's remittance-level FDI data, this study evaluates the feasibility of meeting TEPA's targets, highlighting discrepancies in FDI measurement, definitional ambiguities, and the predominance of financial over Real FDI. This analysis highlights the limited investment by EFTA countries, particularly Switzerland and Norway, in recent years. The study reveals that a significant portion of reported FDI includes acquisitions and reinvested earnings, rather than fresh equity inflows or greenfield investments. This raises questions about achieving employment targets, especially in the manufacturing sector, given the global employment scale and trends of Swiss companies.

This study critiques the lack of clarity in several provisions of TEPA, which are unexpected and unacceptable in an international agreement, and warns against overreliance on generic FDI inflows. The study wonders whether this was due to the hurry to beat the announcement of India's general elections. Evidence shows that the EFTA did not wish to lose another opportunity, as had happened before the 2014 elections. Nevertheless, the study notes that the EFTA introduced safety clauses to hedge against failure. This was understandable because the EFTA had consented to the commitments only to secure an agreement that would provide tariff-free access to the Indian market. If one goes by TEPA's provisions regarding third-country investments through the EFTA, India would be receiving global FDI flows rather than EFTA investments. The mechanism for applying remedial measures available to India, in case the targets are not met, is good only on paper and not in practice. In effect, they only enable the EFTA to prolong the period of meeting the targets for much longer than 20 years and/or to have the targets revised downwards.

By treating FDI as an end in itself, TEPA ignores the conventional wisdom of bartering market access for technology and other benefits. This study calls for precise definitions, strategic prioritisation of sectors aligned with India's developmental goals, and the establishment of robust monitoring mechanisms. India must proactively shape the operational framework of the Investment Sub-Committee to be set up under TEPA to safeguard its interests and ensure that TEPA delivers tangible benefits to India.

Ultimately, this study positions TEPA as a test case for India's evolving FDI strategy and urges the Indian policymakers to balance quantitative targets with the qualitative outcomes. It advocates for a more nuanced, evidence-based approach to future investment treaties that prioritise technology transfer, joint ventures, and indigenous enterprise development.

We hope this study will serve as a timely input for India's ongoing FTA negotiations with the EU and New Zealand, and for preparing the work plan of the Investment Sub-Committee to be set up under TEPA.

Shaping Future FTAs:
Lessons from the Investment Provisions in India's TEPA with EFTA

K. S. Chalapati Rao
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Section I: Introduction

A targeted increase of $100 billion foreign direct investment (FDI) in India by the four-nation European Free Trade Association (EFTA), along with technology collaboration and the creation of one million jobs, were the highlights of the Trade and Economic Partnership Agreement (TEPA) signed by India and the EFTA on 10 March 2024 just days before the Indian general elections were called. TEPA is the outcome of 21 rounds of negotiations which started in 2008 and is based on the principle of investment promotion, in contrast to traditional investment protection which India has been trying to avoid owing to the major cases of investor-state disputes faced by the country.[1] The agreement was acclaimed as the first of its kind in the history of FTAs, with binding commitments on investment and employment which would provide a template for future FTAs by India.[2] At the time of signing, it was expected to take a year for TEPA to become operational after the due ratification process. A progressive reduction in import duties by India will start immediately thereafter, while the investment target would have to be met over 15 years.

The agreement is expected to support the Make in India and *Atmanirbhar Bharat* initiatives by encouraging domestic manufacturing and providing access to advanced technologies in precision engineering, health sciences, renewable energy, innovation, and research and development.[3] The EFTA countries, which comprise Switzerland, Norway, Liechtenstein, and Iceland, will benefit from the elimination or reduction of import duties by India on many industrial goods, including pharmaceutical products, machinery, watches, fertilisers, chemicals, minerals, food products, and fish. Market access will also be granted for some agricultural goods based on specific interest. Speaking on behalf of the EFTA Member States, the then Swiss Federal Councillor explained that "EFTA countries gain market access to a major growth market. Our companies will strive to diversify their supply chains while making them more resilient. India, in return, will attract more foreign investment from EFTA, which will ultimately translate into an increase in good jobs."[4] On the other hand, support for the agreement in India emanates from the targeted investment of $100 billion and creation oof one million jobs, even in the face of the present very low level of inflow from the EFTA. Thus, the two sides have different primary expectations of TEPA.

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1 For a detailed discussion on ISDS, bilateral investment treaties (BITs) and India's Model BIT, see: Kavaljit Singh and Burghard Ilge (eds.) *Rethinking Bilateral Investment Treaties, Critical Issues, and Policy Choices*, Both Ends and SOMO, Amsterdam and Madhyam, New Delhi, 2016.

2 India's earlier FTAs with Singapore, South Korea, Malaysia did contain provisions on investment or chapters on investment. (See Smitha Francis, *Industrial Policy Challenges for India Global Value Chains and Free Trade Agreements*, Routledge, 2019. What distinguishes TEPA from these is the commitment on volume of investment and employment generation.

3 https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2013169.

4 https://www.efta.int/media-resources/news/efta-and-india-sign-trade-and-economic-partnership-agreement

The Timeline and the Rush to Beat India's Election Announcement

The beginnings of TEPA were in 2005, when Iceland proposed an FTA with India during the Indian President's visit to Iceland. Thereafter, in early 2006, the Swiss Federal Councillor proposed a preferential trade agreement between India and the EFTA. A joint Study Group was launched in December 2006 which finalised its report in October 2007. Negotiations were officially launched in January 2008 in Davos.[5] Thereafter, multiple rounds of negotiations took place until 2013. According to a message from the Swiss Federal Council to the Swiss National Council and the Council of States seeking their approval of TEPA in September 2024:

> After 13 rounds of negotiations, the negotiations were nearing completion at the end of 2013. Ultimately, however, it was not possible to resolve the remaining outstanding issues before the 2014 Indian elections. Some chapters were already concluded at that time and have now been incorporated into the present agreement unchanged or with only minor adjustments.[6]

Following little progress in the resumed negotiations during 2016 and 2017, EFTA saw a window of opportunity when India signed FTAs with the UAE and Australia and resumed negotiations towards the end of 2022. Several exchanges occurred in 2023. Within a year of the resumption of negotiations, the deal was signed hurriedly on 10 March 2024 (Table-1).

Table-1: Progress of TEPA: A Timeline

Year	Date*	Event
2025	Oct 01	TEPA will come into effect
	Jul 11	Swiss Parliament ratifies TEPA
	Feb 10	India-EFTA Desk at Invest India set up
2024	Mar 10	TEPA was signed
	Jan 13	21st Round of Negotiations
2023	Dec 13	Two Ministerial gatherings to find common ground in runup to conclusion
	Nov 30	20th Round of Negotiations
	Aug 19	19th Round of Negotiations
	Jul 06	18th Round of Negotiations
	Jun 27	Further efforts
	May 14	Ministerial Level Meeting
	Apr 26	Ministerial Level Meeting
	Apr 23	EFTA Parliamentary Committee Visits India
2022	Sep- 15	Heads of delegation meet
2017	Sep 21	17th Round of Negotiations
	Jun 02	16th Round of Negotiations
	Jan 13	15th Round of Negotiations
2016	Oct 28	14th Round of Negotiations
	Jun-10	Stock-taking meeting
2013	Nov-29	13th Round of Negotiations
	Oct-18	12th Round of Negotiations
2012	Mar-7	11th Round of Negotiations
2011	Dec-02	10th Round of Negotiations
	Oct-14	9th Round of Negotiations
	Jun-17	8th Round of Negotiations
	Feb-18	7th Round of Negotiations
2010	Nov-12	6th Round of Negotiations

5 https://www.commerce.gov.in/international-trade/trade-agreements/indias-current-engagements-in-rtas/brief-on-india-efta-broad-based-trade-and-investment-agreement-btia-negotiations/

6 Translation provided by Google of the webpage : https://www.fedlex.admin.ch/eli/fga/2024/2382/de

	Aug-19	5th Round of Negotiations
2009	Sep-24	4th Round of Negotiations
	Feb-26	3rd Round of Negotiations
2008	Dec-19	2nd Round of Negotiations
	Oct-08	1st Round of Negotiations
	Jan-26	Launching of negotiations at Davos
2007	Oct	Report of the JSG was finalized
2006	Dec-06	Joint Study Group (JSG) launched
	Oct	The request was reiterated
	Jan	Swiss Federal Councillor proposes PTA between India and EFTA
2005	May	Iceland Proposes an FTA with India

* End date of the meeting, where applicable.
Source: Authors' compilation mainly based on the information available at https://www.efta.int/media-resources/news.

Further and direct evidence of EFTA's eagerness to clinch the deal before the announcement of India's General Elections, in view of the experience of 2014, was evident from the following statement by a member of the Swiss National Council:

> The fact that Switzerland managed to conclude the agreement just days before the announcement of the Indian elections is a diplomatic masterpiece. A standstill would have stalled the negotiations for months, perhaps even years. The successful finalization of the agreement is due not least to the close and trusting relationship between Federal Councilor Parmelin, State Secretary Budliger, and Indian Minister of Commerce Piyush Goyal. Thanks to this trust, creative and innovative solutions were found, particularly for the chapter on investment promotion, which provided the decisive breakthrough.
>
> ...
>
> Investment is at the heart of the agreement; the chapter on investment promotion and cooperation was the decisive element in the negotiation breakthrough. [7]

The fact that the EFTA had to commit such a large investment, even while realising that it was extremely demanding, to preclude India from asking for concessions on labour migration was evident from the following statement of a Member of the Council of States of Switzerland:

> Without this chapter [on investment], the agreement would certainly not have come about. The core of the chapter is the shared goal of Switzerland and the EFTA states to trigger $100 billion in private investment and create one million jobs over the next 15 years. This goal is certainly ambitious. However, its inclusion was necessary precisely because Switzerland had little room for maneuver in the movement of goods due to the abolition of industrial tariffs. Furthermore, India would have liked more concessions in the area of labor migration, where Switzerland, for well-known reasons, has no room for maneuver.[8]

Opponents of the Agreement in Switzerland were concerned about issues ranging from environmental and labour standards to the protection of religious and ethnic minorities in India.[9] One member even said that TEPA "... is guilty of several shortcomings, particularly the absence of a sufficiently binding mechanism to enforce environmental, human, and social rights objectives."[10]

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7 Mr. Niklaus-Samuel Gugger's statement translation of which is provided by Google of the webpage https://www.parlament.ch/en/ratsbetrieb/amtliches-bulletin/amtliches-bulletin-die-verhandlungen?SubjectId=67553#votum1

8 Moser Tiana Angelina. Translation provided by Google of https://www.parlament.ch/de/ratsbetrieb/amtliches-bulletin/amtliches-bulletin-die-verhandlungen?SubjectId=66237

9 Ms. Rumy Farah, supra note 7.

10 Walder Nicolas, supra note 7.

A proposal to exclude investments with negative environmental impacts from the agreement was rejected by the Commission by 17 votes to 8. The majority is of the opinion that government requirements for private investment are not effective.[11]

Understandably, EFTA held back on the investment commitment until the very end. During the 21 rounds of negotiations, the last of which ended on 13 January 2024 the emphasis was primarily on trade. Incidentally, unlike the earlier rounds, no report relating to the 21st round is available on EFTA's website though it was stated that "[A] report of the 21st round of negotiations will be published in the coming days." Till the 20th round the press releases contained a routine mention that "[F]urthermore, services trade and foreign direct investment have also reached substantial levels." Further evidence of the late insertion of the chapter on investment is also available from India's Department of Commerce. According to the *Statement of Activities 2023-24*, the negotiations in Geneva from 20th to 29th November 2023 covered nine chapters. Investment was not included in this list. The decisive turn came in November 2023 when a delegation of the Swiss Foreign Affairs Committee visited India and discussed the issue with the Minister of Commerce and Industry of India.[12] Hard bargaining on the size of the committed investment probably continued even after a breakthrough was made at this meeting.

The subsequent intersessional meetings held during 18-22 December 2023 attempted to minimise the differences towards closing the chapters. The above report of India's Department of Commerce did not elaborate on the 21st Round of Negotiations held from 8th to 13th January 2024. The issue of the $100 billion investment commitment by the EFTA cropped up suddenly on 31 January 2024 presumably because India was hesitant to sign the agreement as it had little to gain in terms of trade. It was indeed reported, quoting official sources, that:

> While Switzerland already levies zero customs duty on almost all its goods, government sources have indicated that India has sought a commitment on investment so that the zero duty on goods can be balanced and India's interests are protected in the bargain.[13]

According to the views attributed to some Indian officials who participated in the negotiations (about a month after the 21st round):

> … EFTA members had conveyed their willingness to look into it [commitment to invest up to $100 billion] provided it is non-binding. The EFTA members had pointed out that while the governments of the four countries can push India as an investment destination, they cannot direct actual investments by private firms, the people added.
>
> There is a feeling that if the Indian side secures such a commitment on investments for the first time in an FTA, it can be used in ongoing negotiations for other FTAs, a third person said.[14]

The agreement was finally signed on 10 March 2024 that is, in less than two months of the 21st round of negotiations.

Given its late inclusion, not much thought would have gone into working out the details of the investment chapter of TEPA, although the EFTA managed to insert safety valves to its advantage into the chapter and leave the definitions open. It is even possible that

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11 Niklaus-Samuel Gugger, supra note 7.

12 Pirmin Bischoff. Google translation of his intervention available at https://www.parlament.ch/de/ratsbetrieb/amtliches-bulletin/amtliches-bulletin-die-verhandlungen?SubjectId=66237#votum4

13 "India seeks service inclusion, investment commitment from Switzerland in EFTA trade deal" https://www.isds.bilaterals.org/?india-seeks-service-inclusion

14 https://www.hindustantimes.com/india-news/india-4-european-countries-eye-trade-deal-as-delhi-pushes-for-100b-investment-101708355159975.html#google_vignette

the commitment to invest $100 billion was inserted following further follow-up between the two sides between 13th and 31 January 2024. Pressure must have been built up by EFTA to finalise the deal before the announcement of general elections, which was due in less than a week. That indeed was the case, as evident from an interview with the Swiss State Secretary for Economic Affairs. She said that:

> We were really racing against the clock. We are massively relieved we just got before the elections. We really gave it all. On all sides, we felt that there is not much missing and it would have been a pity if we could not finish before Indian elections.[15]

India was to ensure a favourable investment climate "while taking into account the need to identify, assess and mitigate potential risks for security or public order", without defining its scope. Will India be forced to offer incentives irrespective of the activity, beyond what the country is already offering, and in preference to competing investors from other countries? The exclusion of portfolio investments announced through an official press release by India did not form part of this agreement. Having made the EFTA agree (even if reluctantly), India could have bargained further and minimised ambiguity. While India managed to keep dispute settlement out of TEPA[16], it "… agreed to include intellectual property, labour, and environmental parameters in the treaty, something that has never been done in any bilateral agreement before".[17]

It was also reported that Switzerland sought a bilateral investment treaty with India to help fulfil its investment target.[18] More recently, the Swiss Minister for Economic Affairs, who led the EFTA delegation, made it clear that such a treaty is very important for the realisation of targeted investments. She said that:

> It would be important that we can again conclude a modern bilateral investment treaty (BIT) that has not been extended, not only with Switzerland but with others as well. We're in negotiations; we hope to speed up. Given that we have pledged together with our EFTA members the $100 billion, it's really important and now we have this investment pact.
>
> It's a high priority for us, …. But in the end, the Swiss investor will be the ultimate judge. The investor will have, of course, lots of other opportunities that people pitch to him or her. That's why having really good solid framework conditions, which include the BIT, are absolutely the key.[19]

Therefore, one can expect a BIT with Switzerland and the other EFTA countries to materialise once TEPA goes into operation.

Over the past year, multiple rounds of discussions have taken place between the two sides to advance the agreement. Switzerland's ratification process for TEPA was completed when the Swiss Parliament approved it in July 2025, more than 15 months

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[15] "India can reverse mkt access to EFTA nations in 20 years if FDI commitment not met", *Business Standard*, March 11, 2024.

[16] It was suggested that EFTA Companies can overcome this limitation by routing their investments through countries with which India continues to have BITs and include robust contractual protections with public and private counterparts. https://www.lalive.law/the-india-efta-trade-and-economic-partnership-agreement-what-does-it-mean-for-swiss-businesses/. It was also reported that Switzerland sought a bilateral investment treaty with India as it would help meet the target. "Switzerland seeks bilateral investment treaty with India", *The Times of India*, April 4, 2024. One cannot overrule such an agreement as TEPA goes into operation.

[17] Biswajit Dhar, "Analysing India's FTA Policy Shifts", June 5, 2024, https://www.madhyam.org.in/analysing-indias-fta-policy-shifts/

[18] "Switzerland seeks bilateral investment treaty with India", *The Times of India*, April 4, 2024.

[19] "Important That We Conclude Bilateral Investment Treaty", *Business Standard*, 13 February 2025. https://www.magzter.com/stories/newspaper/Business-Standard/IMPORTANT-THAT-WE-CONCLUDE-BILATERAL-INVESTMENT-TREATY?srsltid=AfmBOop7JP_PDz7hNEOolII_X1BzLt3YstcPf4SeAFm-ycQL46ij_KfQ

after the agreement was rushed through. The deadline for the referendum having passed, TEPA is expected to be set in motion in October 2025.[20] Norway, Iceland, and Liechtenstein have already ratified the treaty. Meanwhile, as an advance action and as mandated by Article 7.5 of TEPA, India and the EFTA countries set up a dedicated India-EFTA Desk at Invest India, India's investment promotion agency (IPA), to facilitate investment from the EFTA countries.

Rationale for the Study and the Plan of Presentation

Thus, while market access is the main attraction for the EFTA countries, large investments in technology-intensive activities and jobs are the key incentives for India. It is obvious that EFTA was forced to accept commitments on investment and employment to access India's huge and growing market and to jumpstart negotiations with other European countries with whom India was negotiating FTAs. Initial reactions to TEPA were sharply divided between optimists and sceptics. Critics have pointed out that EFTA's cumulative FDI inflow into India since 2000 has been less than $11 billion — a modest sum for over two decades. Supporters, on the other hand, highlighted stronger inflows in the past decade. However, less than adequate attention has been paid to the fine print of the agreement relating to relevant investments, which is crucial not only for the target and its monitoring but also for its developmental impact. Furthermore, India, especially after the 1991 economic liberalisation, has not displayed the kind of understanding required to maximise the benefits of FDI and minimise its adverse effects. While the FDI policy relaxations may appear to be gradual, the changes were not subjected to critical empirical analysis, nor was a statistical system developed to facilitate such an analysis. There was an unmistakable focus on quantity. This study attempts to fill the gap in the understanding of TEPA, particularly in the context of India's neglect of monitoring FDI to its benefit.

This paper is a part of "A Decade of Record FDI Flows into India: Understanding the Potential Development Impacts and Policy Implications", being conducted by the authors. Based on aggregate and remittance-level empirical data on the size and nature of inflows from the EFTA countries, this study attempts to assess the possibility of meeting the targets and the developmental implications of the investment to provide points of consideration while negotiating similar agreements by India. This study also attempts to contextualise the heavy emphasis on the quantum of $100 billion without regard to India's experience with FDI by briefly referring to the evolution of India's FDI policy since 1991.

Section II comments on the agreement's main provisions. Section III analyses the reported FDI inflows from the EFTA to India. Section IV deals with the outward investment trends and patterns of the two leading EFTA members, namely, Switzerland and Norway. In the process, we will necessarily touch upon some nuances of global FDI statistics, which will have a bearing on assessing the fulfilment of the targeted investment and its impact on the economy. We will also briefly refer to the operations of a few major Swiss companies in India. Section V looks back into the past and describes how the quantity of FDI has come to dominate quality in India's approach towards FDI. Section VI summarises the main observations and suggests a way forward.

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[20] https://www.angelone.in/news/switzerland-ratifies-india-efta-trade-pact-october-rollout-expected

Section II: Provisions Relating to Investment in TEPA

Under TEPA, the investment target is assessed in two stages. According to the TEPA, the EFTA *shall aim to increase* foreign direct investment from its members' investors by $50 billion within 10 years and an additional $50 billion in the following five years. A joint Sub-Committee on Investment Promotion and Cooperation (Investment Sub-Committee) will review and monitor the implementation of the investment chapter of the agreement. It will also seek to promote and facilitate investment and resolve differences concerning investments. The Investment Sub-Committee will establish procedures for its functioning within four months of its formation. At the end of 15 years, if India feels that the EFTA countries have not fulfilled their obligations to promote investments from their countries, it may request consultations, the scope of which "shall be limited to determining whether the EFTA States have fulfilled their obligations … and where applicable, to finding a mutually satisfactory solution between the Parties."[21] If no such solution is found India may undertake "temporary and proportionate remedial measures to rebalance the concessions given to the EFTA States in the Schedule of Commitments under the Chapter on Trade in Goods."[22]

Some Other Key Elements of TEPA

Strikingly, several key points that will affect how the investments will be measured and the circumstances that could influence the realisation of the targets are mentioned in the footnotes to the agreement in a somewhat convoluted manner. The following are the important ones.

- Achievement of the proposed investment and jobs targets is linked to India maintaining the past nominal GDP growth rate of 9.5% in US Dollar terms. The realisation of the target will also be subject to unforeseen circumstances such as a global pandemic, war, geopolitical disruptions, financial crises, or sustained economic underperformance. In the event of such material events, the "Parties shall adjust [downwards] the shared objectives accordingly…".
- Full realisation of the benefits from the implementation of the agreement could add 3% to the 13% increase in the FDI stocks from the EFTA States into India over the past two decades which resulted in an FDI stock of the EFTA States in India of $10.7 billion in 2022.
- EFTA companies' investments in India, even if routed through non-EFTA countries, will be counted as EFTA investments.
- Investments by companies from non-EFTA countries with substantial business operations in EFTA countries will be treated as EFTA investments when routed through EFTA countries.
- Investments by sovereign wealth funds (SWFs) from EFTA countries would not count towards the target. This may be because SWFs are, by nature, portfolio investors. An official press release by India explicitly excluded portfolio investments without elaborating on the same.[23]
- Technological collaboration does not require technology transfer.
- Only direct employment in India that can be attributed to FDI will be counted to assess the employment generated.

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[21] Article 7.7(7) of TEPA. But again, the emphasis could be on the efforts put in by the EFTA States and not on the fulfilment of the targets per se.

[22] Article 7.8 (1) of the agreement.

[23] https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2013169

- The Investment Sub-Committee shall act by consensus.

We shall comment on the above concepts and provisions in the following.

- **Lack of Clarity on Investment**

A core issue is whether the additional investment will be stock, gross inflow, or net inflow. As mentioned above, the footnotes to the chapter on investment refer to the $10.7 billion stock of FDI from the EFTA member countries in 2022. The Annual Report of the Department of Commerce informed that "EFTA has committed to promote investments with the aim to increase the stock of foreign direct investments by US$ 100 billion in India in the next 15 years, and to facilitate the generation of 1 million direct employment in India, through such investments".[24] In the absence of any further clarification, we attempted to match the amounts with those available from Indian official sources. According to the Department for Promotion of Industry and Internal Trade (DPIIT), aggregate inflows from EFTA countries (excluding reinvested earnings, equity capital attributed to unincorporated bodies, and loans from affiliates) between January 2000 and December 2022 was $10.36 billion, which is very close to the figure cited above. This cannot strictly be called a stock of FDI because (i) it is a flow, (ii) it excludes some of the components which go into the calculation of FDI, and (iii) it ignores disinvestments by foreign investors.

The other measure which we could refer to is from the Annual Census on Foreign Liabilities and Assets of Indian Direct Investment Entities (hereafter FDI Census), conducted by the Reserve Bank of India (RBI). The FDI Census for 2021-22 shows that Switzerland was among the top 10 countries based on the *market value* of investments, with the total value being Rs. 2,62,031 crores or $34.5 billion, more than three times the amount mentioned in the agreement. This is only for one country. Obviously, this cannot be the "stock" referred to in the agreement. Interestingly, the message by the Swiss Federal Council (Cabinet) to the Swiss Federal Assembly (Parliament) regarding their approval of TEPA noted that, according to the IMF, Swiss capital stocks in India in 2022 were $32.6 billion. On the other hand, according to the Swiss National Bank, the capital stock was approximately CHF 8.1 billion, "four times smaller" than the IMF figure.[25] The message further stated:

> This large discrepancy can be explained by the fact that some Swiss investments flow into India via third countries such as Mauritius, Singapore, or the United States. Unlike the Indian data, the SNB statistics do not record such indirect investments made by Swiss investors via third countries.[26]

The Swiss authorities' interpretation was obviously incorrect.

As we understand, the main reason for the discrepancy could be that the IMF (India's FDI Census data) refers to market valuation, while the SNB's estimates are likely to be gross inflows at current exchange rates. The market capitalisation of three major listed Swiss companies in India, namely, Nestle India, ABB India, and Novartis India, was $22.10 billion, $6.02 billion, and $0.19 billion, respectively, at the end of March 2022.[27] The

[24] Government of India, Ministry of Commerce and Industry, Department of Commerce, *Annual Report 2023-24*, p. 117.

[25] In 2022, on average, one Swiss Franc was equivalent to USD 1.0481.

[26] Translation provided by Google of document: https://www.fedlex.admin.ch/eli/fga/2024/2382/de

[27] Prowess data of the Centre for Monitoring Indian Economy (CMIE)

combined market value of the foreign promoters' shares in these companies was $18.52 billion, more than twice SNB's estimate.

The terms stock, flow, and net inflow appear to have been used interchangeably. The lack of clarity in the agreement in this regard crept into comments in the press and elsewhere. For instance, the head of the Economic, Trade and Finance Section, Embassy of Switzerland in India and Bhutan, in his opening remarks, referred to the stock of FDI. The DPIIT data of $10.8 billion was also referred to as "net disbursements to India" during April 2000 and December 2023.[28] Net inflows would obviously be lower if divestments during the period were accounted for. It is surprising how persons in authority from both sides lacked clarity.

The above narration indicates that the crucial aspect of what is meant by additional investment has not been precisely defined. If one goes by the figures cited by both sides, it is gross equity inflow through automatic, approval, and acquisition routes, with the EFTA countries as the immediate home countries thus including other countries' companies EFTA. On the other hand, these figures do not include EFTA companies' investments through other countries. The parties assumed that the entire amount would remain invested in the country and that there would be no sell-offs; it does not take note of disinvestments, which have reached alarming levels in recent years. The need to synchronise concepts and measurements is obvious.

- **Investments from Non-EFTA Countries**

TEPA takes note of the practice of its companies investing through third countries which is reasonable. While it may appear to make an exception for other countries' investments through EFTA, it actually includes non-EFTA companies investing through EFTA, provided they have a substantial presence in EFTA—without defining what 'substantial presence' means. If India enters into similar agreements with such home countries in the future, a situation will arise when both the EFTA and the other countries claim some investments to be theirs. Since many large multinational enterprises (MNEs) have multi-country operations, this provision can render the investment's origin ambiguous. Switzerland's status as a conduit economy is bound to affect the identification of the EFTA as a source of investment in the FDI data. This means that not only do Swiss or Norwegian firms get credit for their third-country investments, but US, German, or Japanese capital routed via EFTA would also count. This possibility is discussed in detail in Section IV.

The figures cited for the estimated 13% growth in FDI from EFTA and what is proposed in TEPA differ conceptually. The former includes other countries' investments in India through EFTA and excludes EFTA companies' investments through other countries. The latter includes both, although with vague caveats. EFTA wanted to have a double advantage by claiming inflows of its companies through other countries and other country companies' investments through its members. One wonders whether the double negatives regarding third-country investments through the EFTA area were intended to obscure the real intention. It is difficult to say whether the Indian negotiators failed to spot the potential problem or they did not object to it, as further discussions would have delayed the conclusion of the agreement.

[28] Arya Roy Bardhan, "The India-EFTA Trade and Economic Partnership Agreement: A timely template", https://www.orfonline.org/expert-speak/the-india-efta-trade-and-economic-partnership-agreement-a-timely-template

- **No Differentiation between Various Types of Investors**

While TEPA distinguishes between investments that can be attributed to EFTA and excludes SWFs, it makes no further distinction between the diverse types of investors and modes of entry, all of which have different implications for the host economy. Although it may seem obvious to some, a brief description of the nature of FDI and modes of entry would be useful in this context. Traditionally, FDI is made by MNEs that possess intangible assets, such as proprietary technologies, managerial expertise, brand names, marketing skills, etc.. In their case, capital is merely a conduit for transferring these resources.[29] There are other types of foreign investors for whom the return on capital is the sole objective. Private equity funds, venture capital, sovereign wealth funds (SWFs), etc. fall under this category. Host country companies and individuals can invest through other countries, which could also comprise round-tripped funds.

Furthermore, FDI is loosely defined globally, as it is based on control/share without reference to the nature of the foreign investor. Differences in the measurement of FDI by countries remain. For instance, while the Benchmark Definition of FDI and the BPM6 prescribe 10% foreign ownership as the qualifying criterion for identifying an FDI relationship, India treats all foreign investments, other than those through the stock market, as FDI. On the other hand, Norway defines "an investment as a direct investment if the company holds at least a 20 percent ownership share, in order to distinguish between direct investments and portfolio investments." It categorically states that "[I]nternational statistical guidelines recommend a threshold of 10 percent, but as this statistic follows the Accounting Act, we deviate from that recommendation."[30]

Strictly speaking, a significant part of the FDI reported by India should be treated as portfolio investment if one goes by the international norm of 10% ownership of the foreign entity. Moreover, what is counted as FDI can be disguised portfolio investment that is not accompanied by proprietary technologies, brand names, marketing skills, etc. A recent announcement further obliterates the distinction between foreign portfolio and direct investments. It gives foreign portfolio investors (FPIs) the option to reclassify their investments as FDI if an individual FPI's investment in a company exceeds the prescribed limit of 10% of the equity on a fully diluted basis. It can either sell the excess amount or reclassify the entire amount as a foreign direct investment.[31] Not all inflows are in the form of equities. India also treats convertible debentures and preference shares as FDI. There is also the issue of equity shares against the conversion of external commercial borrowings, trade credits, etc., after some time. Thus, there can be a substantial gap between the occurrence of liabilities and the "inflow".

UNCTAD distinguishes between production and infrastructure investments. While the former is made mainly by MNEs, the latter consists of investment funds, financial institutions, development banks, and MNEs. While one can make such distinctions of FDI, it appears that the TEPA only takes note of SWFs and presumably portfolio investments in stock markets by excluding them from the $100 billion investment target.

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[29] John H. Dunning, "Trade, Location of Economic Activity and the Multinational Enterprise: a Search for an Eclectic Approach", in John Dunning (ed.), The Theory of Transnational Corporations, UN Library on Transnational Corporations, Volume I, Routledge, 1993, p. 185. UNCTAD too made similar observations when comparing foreign portfolio and direct investments. See: UNCTAD, World Investment Report, 1997, Chapter III (Foreign Portfolio Equity Investment).

[30] https://www.ssb.no/en/utenriksokonomi/fordringer-og-gjeld-overfor-utlandet/statistikk/direkteinvesteringer

[31] RBI, "Operational framework for reclassification of Foreign Portfolio Investment to Foreign Direct Investment (FDI), November 11, 2024. https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12749&Mode=0

Official statements linking the agreement to Make in India and *Atmanirbhar Bharat* suggest that production investment is India's main priority. While India is looking forward to investments in high-technology industries such as biotech, pharma, defence, healthcare, precision engineering, and emerging technologies[32], the TEPA does not incorporate any preference for the sectoral composition of the inflows. It is less specific when referring to "high value-added sectors with linkages to regional and global value chains". The Swiss State Minister for Economic Affairs explained that "[W]e didn't pledge according to sectors because in 15 years many things can happen".[33]

Additionally, it makes no distinction between greenfield and brownfield investments or deployments for other corporate purposes. However, a statement by India's Minister for Commerce and Industry implies that brownfield investments would also be counted towards the $100 billion committed FDI.[34] There is no reference to notional investments arising from corporate restructuring which do not bring additional capital. The nature of inflow and mode of entry have definitive and serious implications for estimating direct employment attributable to inflows from EFTA.

- **Legal Basis for the Commitments**

While both sides placed a lot of emphasis on the committed investment and employment generation, there are serious doubts about their legal sanctity. One interpretation is that the use of the term "EFTA States shall aim to" in respect of investment and employment is merely an "obligation of conduct, … the EFTA countries are legally obligated to make an honest effort to invest $100 billion and generate one million jobs in India."[35] Even more pertinent is the opinion expressed by the Swiss State Secretary for Economic Affairs. In a Q&A session, when asked whether it was a binding commitment or was on a best-effort basis, she said that:

> No, there is no mechanism in it, which makes it tangible. It is not legally binding because it is the Swiss private sector that will have to do the investment. … I can't force a company to come and invest in India.[36]

- **Interpretation of the 16%: Growth in Investment or Return on Investment?**

Another important point is the 16% mentioned in the footnote to the agreement. Some have interpreted this provision to mean that the EFTA expects a 16% return on its investments as a condition for fulfilling its commitments. This observation was made by a functionary of PricewaterhouseCoopers (PwC) in the **Webinar on India-EFTA Trade and Economic Partnership Agreement (TEPA**), organised by PwC Switzerland on 14 May 2024. He said that:

> Now, bringing in that commitment, … there has been a practical element associated with it, that you have to have a certain growth rate in India, and …., you know that it would be around 9.5%, which is expected, and the annual return for investments is 16%.[37]

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[32] https://www.pib.gov.in/PressReleseDetailm.aspx?PRID=2135293

[33] "India can reverse mkt access to EFTA nations in 20 years if FDI commitment not met", *Business Standard*, March 11, 2024.

[34] https://www.business-standard.com/economy/news/india-efta-trade-pact-to-come-into-force-from-oct-1-piyush-goyal-125071900511_1.html

[35] Prabhash Ranjan, Investment lessons from the India-EFTA trade deal", The Hindu, May 12, 2024.

[36] "India can reverse mkt access to EFTA nations in 20 years if FDI commitment not met", *Business Standard*, March 11, 2024.

[37] https://vimeo.com/948619461/1172ea645f, May 21, 2024, 42nd and 43rd minutes of the video. See also "On FTAs with European Countries", *The Hindu*, March 19, 2024.

The interpretation was reiterated more than a year later in August 2025 in another webinar organised by the PwC.[38] A similar view was expressed by the founder of the Global Trade Research Initiative (GTRI), Mumbai, in a State of Economy Podcast of 21 March 2024. He said that:

> … the figures are not cast in stone, if the growth [of 9.5%] is not there, or even if growth is there, and Swiss firms are not earning 16 percent returns, then the aims will be lowered.[39]

Given the serious implications of this interpretation, we provide relevant extracts from the footnotes to the agreement.

> The Parties recognise that India's rapid economic development over the last two decades, a time period during which the country's annual nominal GDP growth rate of around 9.5% in US dollars terms, was accompanied by a sustained increase of nominal foreign direct investment stocks from the EFTA States into India **(around 13% annual increase over the same time period**), resulting in an **foreign direct investment stock** of the EFTA States in India of **10.7 billion US dollars in 2022**.
>
> This shared objective is based on an estimated nominal GDP growth rate of India in US dollars terms over the next 15 years in line with past growth rates as referred to above, and the anticipated benefits of a full implementation of this Agreement by the Parties, from which the Parties anticipate an **outperformance margin on investment of 3 percentage points per year**, **in addition to estimated annual foreign direct investment increases from the EFTA States based on past growth rates** as referred to above.[40](emphasis added)

In our view, the above refers to the pace of investment and not the return on it.[41] However, since this is the expectation, especially of a large international consulting agency, India should clarify its position as soon as possible. If this is indeed the position, certain payments, such as royalties to foreign parents and affiliates and other related party transactions, which can artificially lower the return on investment need to be examined closely by the Indian authorities. Some aspects of this are discussed in Section III.

- **Remedial Measures**

The agreement states that India can take "temporary and proportionate" remedial measures if India finds that the investment and employment targets have not been achieved and "India considers that the EFTA States have not fulfilled the obligations to promote investments from investors of the EFTA States", after due consultation process followed by a three-year grace period. Considering the consultation process at three levels, namely, the Investment Sub-Committee, the Joint Committee, and finally at the level of ministers, and a grace period of three years, India may suspend the concessions only after 20 years of TEPA becoming effective.[42] While the term "proportionate" is not defined, "temporary" appears to indicate that the measures cannot be permanent. After the first three years of the initiation of the remedial measures, further consultation will

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[38] TEPA Webinar: Investments and incentives session, organised by PwC, Switzerland on August 26, 2025. https://sicc.ch/event/tepa-webinar-series-from-pwc-unlocking-opportunities-for-swiss-and-indian-companies/

[39] https://www.thehindubusinessline.com/multimedia/audio/what-does-the-india-efta-free-trade-agreement-actually-hold-for-the-country-beyond-the-eyeball-grabbing-numbers/article67967833.ece

[40] Foot note No. 7, Chapter 7. P. 39.

[41] See also, Prabhash Ranjan, "The Investment Chapter in the India-EFTA Free Trade Agreement: Is it a 100 Billion Dollar Deal?", 52(2) Legal Issues of Economic Integration (2025), downloaded from https://papers.ssrn.com/sol3/Delivery.cfm/5268702.pdf?abstractid=5268702&mirid=1

[42] This was amply made clear by the Swiss State Minister for Economic Affairs when she said that India could take action after 20 years, following a discussion of five years. "India can reverse mkt access to EFTA nations in 20 years if FDI commitment not met", *Business Standard*, March 11, 2024.

continue at two-year intervals, "following the same procedure, until the remedial measures have ceased to apply".

What will be India's stand if only one of the targets is met at the end of 15 years? What if only half of the targeted investments materialise? Would the remedial measures be applied by India across the board or to selected products and imports from specific countries? In sum, the protection offered by remedial measures is more illusory than real. In fact, the caveats in the agreement which require India to maintain past growth rates and downward revision of the targets in the case of exigencies, provide an opportunity for EFTA to scale down the commitments. Under TEPA, India shall endeavour to ensure a "favourable climate for foreign direct investment". This is also prone to multiple interpretations.

- **Technology Collaboration vs. technology Transfer**

The agreement's categorical statement that "technology collaboration does not require technology transfer" works against India's interests. Technology collaboration can take the form of "collaboration for facilitating and promoting cooperation between centres of excellence, dialogue and exchange of information, sharing of best practices on industrial competitiveness, innovation and technological enhancements, facilitation of MoUs among stakeholders in the respective fields, and discussions on reducing barriers to such effective collaboration." It appears that the part of the agreement relating to collaboration was drafted in a routine, promotional manner. This sort of engagement can happen even without an FTA and it must have been included to give comfort to the Indian side.

Technology transfer or even the establishment of production facilities in some industries may not occur, as evident from the case of Swatch of Switzerland. While announcing the establishment of a watchmaking school in India, the then member of the governing board of the company, Nayala Hayek, ruled out the possibility of some of the watchmaking facilities being shifted to low-cost economies like China and India. She categorically stated that Swiss watches will remain Swiss-made, and over time, the company might consider making non-Swiss-made watches, such as Endura, in India.[43] However, the company has neither set up the school nor started manufacturing watches in India. The group set up two more retail companies in 2023-24 namely, Swatch Group (India) Rado Retail Private Limited and Swatch Group (India) Tissot Retail Private Limited. This is in addition to the Swatch Group (India) Retail Private Limited set up in 2014-15. Swatch Group India Private Ltd, incorporated in 2000, is also in the trading business.

Switzerland Takes Time to Ratify TEPA

While the TEPA agreement was signed in a hurry, keeping in view the impending call for India's general elections, it took Switzerland more than a year to ratify the agreement. It would have taken even longer if Switzerland had gone for a referendum. Instead of rushing to beat the announcement of the election schedule, as desired by the EFTA, had India invited comments on the draft and engaged in discussions at various fora, it could probably have avoided the pitfalls in the investment chapter which is at the core of the agreement as far as India is concerned and which was expected to provide a template for future FTAs. In contrast, a Swiss Parliamentary delegation visited India from 17 to 21 April 2023 "… with the aim of giving political momentum to negotiations on a trade

[43] "Indian standard time for Swatch", Financial Express, April 2, 2006. (On-line Press Clippings Service, Institute for Studies in Industrial Development, New Delhi)

agreement between EFTA and India that started 15 years ago. They met with Mr Piyush Goyal, Minister of Commerce and Industry of India, and Mr Om Birla, Speaker of the Lok Sabha …, as well as with representatives of the Ministry for External Affairs, business, trade unions, and civil society organisations".[44] The Swiss Parliament debated TEPA extensively before ratifying it.

In sum, targeted investment is nothing but generic FDI with no clarity on its sources, mode of entry, and sectors of operation. There was very little discussion on employment issues. It was probably assumed that a $100 billion investment would automatically generate one million additional jobs. Overall, the onus is on India to maintain a favourable investment climate for FDI and to achieve the baseline growth rate, while Swiss authorities have made it clear that the commitments are not legally binding and they cannot force private entities to invest in India. Linking the target to maintaining past growth rates strengthens the EFTA's position, with the possibility of downward revisions of the targets. The attempt to take credit for other country companies' investments is aimed at reducing the risk of default.

The carefully drafted caveats on investment, the conditional approach to target achievement, the deliberate avoidance of commitments on technology transfer, and the elaborate procedures governing remedial measures — allowing considerable scope for downward revision and/or extension of the target date — collectively reveal that the EFTA approached the negotiations with exceptional preparedness and strategic foresight.

[44] European Free Trade Association, *Annual Report – 2023*, p. 40.

Section III: India's FDI Inflows from EFTA

The investment targets set under the TEPA imply that the average annual inflows from the EFTA will be $5 billion in the first decade and $10 billion in the next five years. According to the DPIIT, the cumulative gross FDI equity inflow from EFTA members as immediate home countries during January 2000–December 2024 was $11.80 billion. Of this amount, as much as $8.63 billion came since January 2015; *i.e.*, an average of $0.86 billion per year (Table-2 and Figure-1). Switzerland has an overwhelming share, accounting for close to 90.6% of the inflows during the last ten years, with Norway in a distant second with a share of 8.2%. A notable feature of the annual inflows is the sharp increase in inflows from Switzerland in 2021.The reported inflows during the year were $4.27 billion which, at 54.6%, was more than half of the total investment from the country during the entire decade and 66.2% of the reported inflow during the second half of the decade. But for this outlier, which we discuss in the next section, the average inflow from EFTA would have been $0.42 billion per year. There would have been only a $100 million improvement in the annual average in the second half of the decade (not counting 2020-21) compared to the first half. Thus, much depends on other capital and reinvested earnings to bridge this huge gap. Otherwise, the present level of equity inflows must be scaled up many times to achieve the committed investment. It may further be noted that post-signing of the TEPA, the inflows remained low at $334 million during July 2024-June 2025.[45]

Table-2: Reported FDI Equity Inflows from EFTA Countries during 2015-2024

($ million)

Year	Iceland	Liechtenstein	Norway	Switzerland	Grand Total
2015		4.89	11.37	270.52	286.78
2016		0.22	19.57	433.36	453.15
2017		11.10	11.88	509.19	532.17
2018	1.37	17.77	29.74	338.55	387.43
2019	0.02	0.55	33.31	325.72	359.60
Sub-total (2015-2019)	1.39	34.53	105.87	1877.34	2,019.13
2020	5.16	13.40	20.41	203.95	242.92
2021	0.58	20.27	91.21	4,268.65	4,380.71
2022	0.43	20.36	75.97	452.77	549.53
2023	0.56	7.19	256.54	212.14	476.44
2024	0.14	0.60	158.28	802.05	961.07
Sub-total: 2020-2024 (excluding 2021)	6.29	41.55	511.2	1,670.91	2,229.96
Grand Total	8.26	96.35	708.28	7,816.90	8,629.80
Share in Total (%)	0.1	1.1	8.2	90.6	100.0
July 2024 – June 2025	171.10	134.07	4.44	24.66	334.27

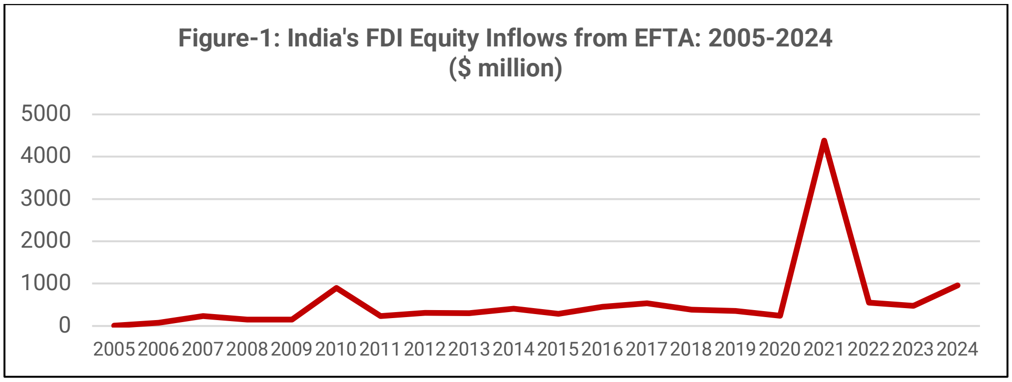
Source: Based on the data provided by DPIIT, FDI Newsletter, and various issues.

The relative importance of the EFTA countries can also be seen in the FDI Census. At the end of 2023-24, Switzerland stood in the 7th position with a 6.8% share of market value-based inward equity FDI stock and 6.6% of total FDI, including debt. None of the other EFTA countries are among the top 10.[46] Interestingly, the market value of Swiss equity

45 Even here there seems to be slight over estimation in respect of inflows from Switzerland during Apr-Jun 2025 as the reported individual remittances were lower by about $ million.

46 Switzerland was in the 6th position in terms of India's outward investment with a 3.84% share in total FDI.

investments in India jumped from Rs. 2,67,619 crores at the end of 2022-23 to Rs. 3,96,167 crores at the end of 2023-24 *i.e.,* $32.5 billion to $47.5 billion[47]. Given that the inflow from Switzerland during the year was only $188.2 million, this huge jump of $15 billion can be attributed to reinvested earnings by already existing companies and valuation changes. This once again underscores the need for clarity in FDI measurements in international agreements.



Source: Same as in Table-2.

Analysis of the Remittances

Since the targeted investment is better tied to the home countries of the investors, we took a quick look at the remittance-wise data on inflows reported by the DPIIT and tried to identify the investors' home countries from multiple sources. We attempted to take note of the relevant global M&As during this period which could result in a change in the ultimate home country/parent. In view of the large number of remittances, we had to assume that for smaller remittances, the immediate home countries were also the ultimate home countries. Generally, we did not attempt to look closely at remittances smaller than $0.5 million. Remittances (valued at more than $0.5 million each) cumulatively accounted for approximately 98% of the immediate home-country-based aggregate inflows from the EFTA.[48] In the process, we benefited from the ongoing study of FDI inflows during 2014-15 to 2023-24 wherein the identification of the ultimate home countries of all investors who invested a minimum of $5 million has been attempted.[49]

It was found that home-country-based inflows from the EFTA countries could be about $10 billion, *i.e.*, an average of $1.0 billion per year, a little more than the immediate home country-based average (Table-3 and Figure-2). The ultimate home country-wise distribution changed significantly as the share of Switzerland fell to 60.4%, while that of Norway increased to 31.4%. Liechtenstein too increased its share to 8.2% from the earlier 1.2%. If only investments by EFTA-headquartered companies are included, to achieve $50 billion FDI in the first 10 years, the average annual inflows from EFTA countries have to be scaled up by a little more than five times that of the last decade. The average inflow during the second period was $0.82 billion, almost 30% less than that of the first half. That is, the annual inflows must be scaled up by approximately six times the most recent

[47] Based on the exchange rates of Rs. 82.21 and Rs. 83.37 per USD for 2022-23 and 2023-24.

[48] In the process, we benefited from the ongoing study of FDI inflows during 2014-15 to 2023-24 wherein the identification of the ultimate home countries of all remittances of a minimum of $5 million is being attempted. K.S. Chalapati Rao, "A Decade of Record FDI Flows into India: Understanding the Potential Development Impacts and Policy Implications", Interim Report, May 2025.

[49] ibid..

average to meet the first target of $50 billion. If investments by other countries' companies through the EFTA are also considered, the situation will change dramatically. Total inflows would shoot up to $15.43 billion with average inflows during the second half doubling to $1.68 billion per annum. This shows the significance of the clause in the agreement that covers investments by non-EFTA companies with a *substantial* presence in the EFTA. Ideally, the agreement should have considered only EFTA investments, both directly and indirectly through other countries. We did not find the implications of non-EFTA countries also being qualified for assessing the investment target to have figured in the comments on the agreement that we came across.

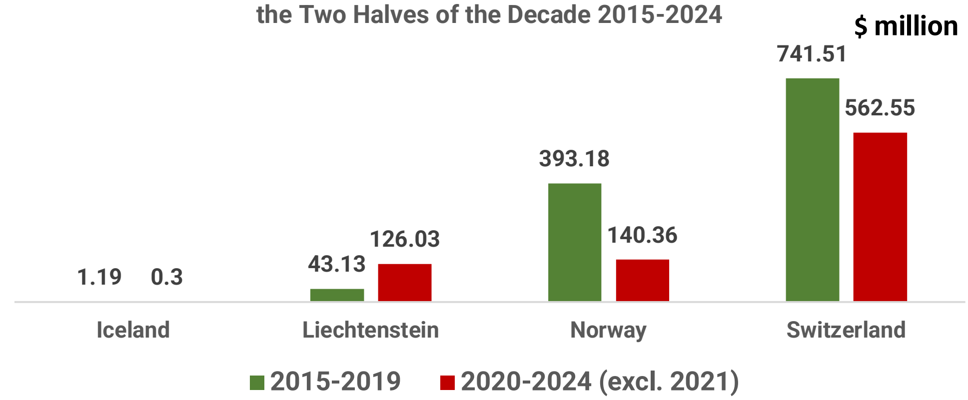
Table-3: FDI Equity Inflows Attributable to EFTA Countries based on Corporate Headquarters

($ million)

Year	**Iceland**	**Liechten-stein**	**Norway**	**Switzerland**	**Total**	**Total (incl. non-EFTA Countries)**
2015		24.99	500.92	187.78	713.69	896.70
2016		13.65	28.50	2,133.83	2,175.98	2333.82
2017		41.61	16.49	562.85	620.95	988.87
2018	1.37	40.99	1,334.79	177.46	1,554.61	1798.80
2019	0.02	94.42	85.22	645.63	825.29	985.00
Sub-total: 2015-2019	1.39	215.66	1,965.92	3,707.55	5,890.52	*7,003.19*
2020	0.05	169.62	26.07	427.78	623.52	706.15
2021	0.58	177.97	241.23	355.49	775.27	4,825.67
2022	0.43	268.64	102.48	482.72	854.28	956.88
2023	0.56	48.89	274.11	312.37	635.93	693.22
2024	0.14	16.96	158.78	1,027.31	1,203.19	1,242.53
Sub-total: 2020-2024	1.76	682.08	802.68	2,605.67	4,092.19	8,424.45
Grand Total	**3.15**	**897.74**	**2,768.60**	**6,313.22**	**9,982.71**	**15,424.64**
Share in Total	**Negligible**	**8.2**	**31.4**	**60.4**	**100.0**	
Average Inflow 2015-2019	1.19	43.13	393.18	741.51	1,178.10	
Average Inflow 2020-2024 (excl. 2021)	0.30	126.03	140.36	562.55	829.23	

Source: Based on an analysis of remittance-level data reported in DPIIT, FDI Newsletter, various issues

Figure-2: Average Inflows from EFTA Countries during the Two Halves of the Decade 2015-2024



Source: See Table-3.

- Characteristics of the Reported Inflows

At this point, it is necessary to describe a few characteristics of the reported inflows. The reported inflows would at times be merely notional due to the restructuring of the shareholding pattern within an MNE. Even if there is no actual inflow, the ownership of shares changes from one external shareholder to another in its group. Shares are also issued without receiving cash following amalgamation. Earlier, we noticed a few problems with the reported data, such as incorrect entries, delays, and duplicate reporting.[50] We term the remaining inflows after excluding such notional and old/duplicate entries, to the extent we could identify them, as "effective inflows".

Table-4 (Figure-3) provides different groupings of investments based on the remittance-level data released by the DPIIT for the period 2015-2024. Because it is not possible to discuss the potential investments of other countries' companies through EFTA, and the general focus is on investments *from* EFTA, we limit the further analysis to EFTA's effective investments directly and through non-EFTA countries. This amounts to $7.83 billion. If we further deduct investments by SWFs which the agreement keeps out for assessing the target but retain investments in which SWFs participated indirectly, the amount comes to $7.60 billion. The direct and indirect effective annual average inflows from the EFTA countries during the ten years amounted to $0.76 billion. To meet the first target of $50 billion in the next ten years, the average inflows need to be scaled up by more than 6.5 times, provided that only fresh equity investments by EFTA companies are considered.

We then attempted to classify the effective remittances using the NIC 2008 classification based on the reported activity description. We also attempted to classify investors according to their nature: (i) investors that invest in their respective lines of activity are termed as Real FDI (RFDI) investors, (ii) other financial investors, and (iii) investors that could be traced to India.[51] Investments by financial investors other than those in financial services i.e., the second category, are classified as portfolio investment. The terms financial investments and portfolio investments are used interchangeably in the following.

Table-4: Different Groupings of Inflows from EFTA: 2015-2024

	Country Grouping	Inflow ($ million)
A	EFTA Investment, as reported	8,630.44
B	EFTA investments through other countries	6,797.21
C	Total (A+B)	15,427.65
D	Of which, Other Countries' Investments through EFTA	5,418.58
E	EFTA Investments (C-D)	10,009.07
F	Effective* Investments with EFTA as home	7,833.12
G	Sovereign Wealth Funds	234.85
H	Effective Inflows from EFTA as home excluding SWF (F-G)	7,598.27

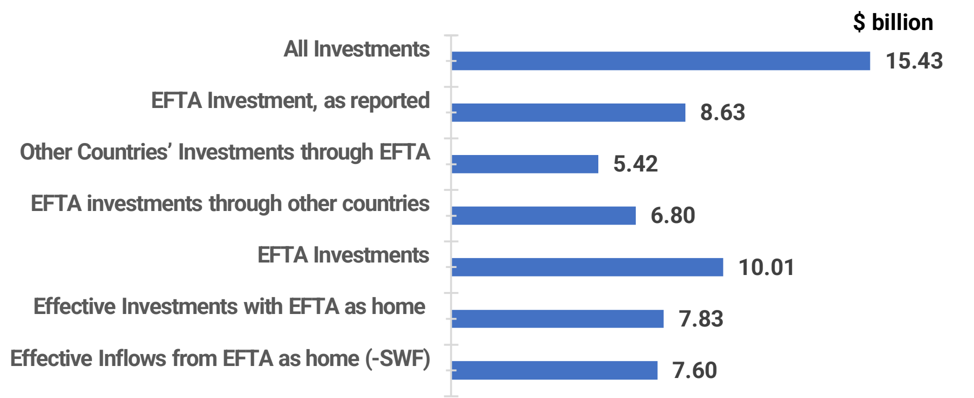
* After deducting ineffective investments, including old, duplicate, and non-cash allotments.
Source: Based on remittance-wise details released by DPIIT.

[50] K.S. Chalapati Rao and Biswajit Dhar, *India's Recent Inward Foreign Direct Investment: An Assessment*, 2018, available at https://mpra.ub.uni-muenchen.de/88992/

[51] For a detailed exposition of the classification of FDI inflows one may refer to: K.S. Chalapati Rao and Biswajit Dhar, *India's FDI inflows: Trends and Concepts*,2011, available at https://mpra.ub.uni-muenchen.de/29153/; and K.S. Chalapati Rao, Biswajit Dhar and K.V.K. Ranganathan, "Indefinite Definition of FDI", 2013 available at https://mpra.ub.uni-muenchen.de/50173/9/MPRA_paper_50173.pdf

Overall, there was a slight increase in investment in the second period compared to the first. Information & communications and manufacturing, followed by financial & insurance activities, attracted the most FDI during the first period. Together, information & communications and financial services accounted for 52.7% of the total (Table-5 and Figure-4). The distribution was broader in the second half. Financial & insurance activities gained the maximum during the second half to reach the top position, while information and communication received far less investment. The share of manufacturing also decreased. Transportation and storage have gained substantial attention. Another notable gainer was the energy sector. Importantly, the manufacturing sector, on which Indian policymakers have high expectations, received only approximately 29.6% of the total inflows during the decade. Besides having a lower share in the second half, the sector attracted smaller investments in absolute terms.

Figure-3: Different Groupings of EFTA Investments in India: 2015-2024

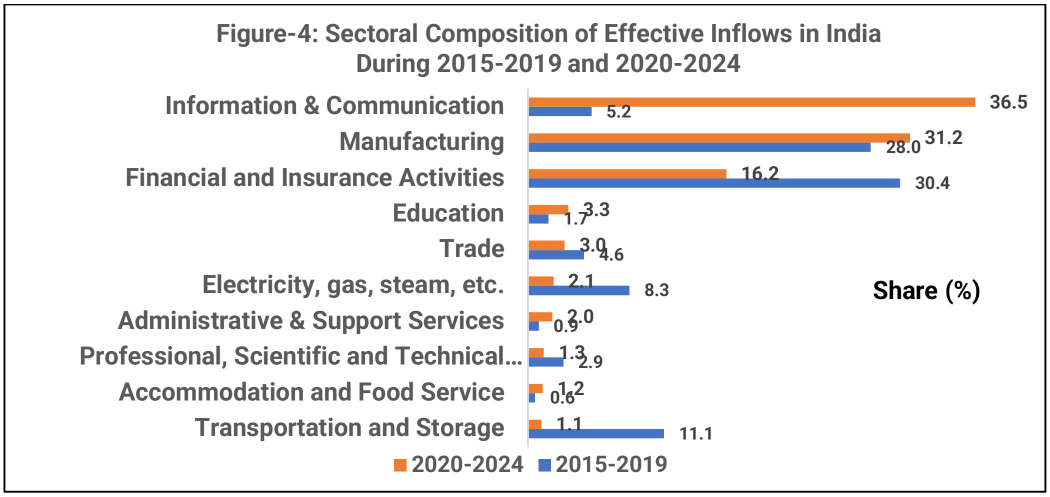


Source: See Table-4.

Table-5: Sectoral Composition of Effective Inflows# from EFTA* during 2015-2019 and 2020-2024

2015-2019			2020-2024	
Sector	Share in Total (%)		Sector	Share in Total (%)
Information and Communication	36.5		Financial and Insurance Activities	30.4
Manufacturing	31.2		Manufacturing	28.0
Financial and Insurance Activities	16.2		Transportation and Storage	11.1
Education	3.3		Electricity, gas, steam, etc.	8.3
Trade	3.0		Information and Communication	5.2
Electricity, gas, steam, etc.	2.1		Trade	4.6
Administrative & Support Services	2.0		Professional, Scientific and Technical Activities	2.9
Professional, Scientific and Technical Activities	1.3		Construction	2.5
Accommodation and Food Service	1.2		Agriculture, Forestry & Fishing	1.8
Transportation and Storage	1.1		Education	1.7
Others	2.1		Others	3.6
Total	100.0		Total	100.0
Total ($ million)	3,629.24		Total ($ million.)	3,771.00

* Excludes investments by SWFs. # Remittances of less than 0.5 million have been excluded.
Source: Same as in Table-4.



Source: See Table-5.

In line with the fall in the share of the manufacturing sector in the second half, the share of manufacturing in Swiss investments fell in relative terms (Table-6). Inflows from Norway decreased steeply during the second period. Manufacturing retained its second position, but again with decreased investment. An important development, however, was the disappearance of information and communication, while electricity & gas acquired a top position. Incidentally, the state-owned Statkraft of Norway is reported to be planning to divest its investments in solar and hydropower sectors of India[52] for about $2 billion.[53] Statkraft's total investment in the Indian energy sector from 2006-07 to 2024-25 is approximately $400 million. If the sale materialises Statkraft would be taking out about five times its original investment. Depending upon the buyer, the replacement could be either FDI, foreign portfolio investment or domestic capital. MTR owned by Orkla of Norway was also reported to be in talks with ITC to sell itself and Eastern Condiments. However, the company filed a draft red herring prospectus prior to going for an IPO involving an offer for the sale of a part of the promoters' shareholding.[54] The proceeds from the IPO will result in capital repatriation to Orkla. We comment further on the MTR's case in Section IV.

- Nature of EFTA Investors

Inflows from Liechtenstein were more broad-based in the second half, with investments three times that of the first half. Finance & insurance retained the top position in the second period, followed by information and communication. As inflows from Iceland were negligible, we did not present them separately. Of the total inflows, RFDI accounted for 77.3%, and financial investors contributed 22.7% (Table-7 and Figure-5). However, RFDI fell in the second half in both absolute and relative terms. In the case of Switzerland, RFDI increased in absolute terms but not relatively. The increased share of financial investors is common to all the three countries.

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52 According the company" [A]s part of the sharpened strategy Statkraft announced in June this year, the company will divest its onshore wind, solar and battery business in the Netherlands and Croatia. Over time, Statkraft will also divest its hydropower and solar assets in India, allowing the company to focus on high-potential markets in the Nordics, Europe, and South America, and deliver on its ambitious growth targets." https://www.statkraft.com/newsroom/news-and-stories/2024/statkraft-to-prioritise-investments-in-norway-europe-and-south-america/

53 https://mnacritique.mergersindia.com/news/norways-statkraft-looks-to-sell-india-assets-for-2-billion/

54 https://www.emis.com/v2/documents/873795237/?display_lang=en

https://www.vccircle.com/mtrfoods-eastern-condiments-owner-orkla-india-files-for-ipo

Table-6: Leading Sectors which received Inflows from EFTA Countries* – 2015-2019 & 2020-2024

($ million)

Country/Period	Inflow	Top Industry-1	Top Industry-2	Top Industry-3	Top Industry-4	Top Industry-5
Switzerland						
2015-2019	1,832	Manufacturing: 861 (47.0)	Finance & Insurance: 519 (28.4)	Education: 109 (6.0)	Trade: 84 (4.6)	Information & Communication: 74 (4.1)
2020-2024	2,541	Finance & Insurance: 927 (36.5)	Manufacturing: 877 (34.5)	Transportation & Storage: 349 (13.8)	Trade: 110 (4.4)	Information & Communication: 73 (2.9)
Norway						
2015-2019	1,598	Information & Communication: 1,216 (76.1)	Manufacturing: 270 (16.9)	Electricity, Gas, etc.: 58 (3.6)	Finance & Insurance: 25 (1.6)	Professional, Scientific Servies: 18 (1.1)
2020-2024	555	Electricity, Gas, etc.: 254 (45.7)	Manufacturing: 164 (29.5)	Professional, Scientific Servies: 63 (11.4)	Finance & Insurance: 40 (7.2)	Trade: 11 (1.9)
Liechtenstein						
2015-2019	198	Finance & Insurance: 42 (21.3)	Information & Communication: 36 (18.2)	Trade: 26 (13.3)	Human Health & Social Work: 23 (11.8)	Transportation & Storage: 18 (9.0)
2020-2024	676	Finance & Insurance: 179 (26.4)	Information & Communication: 116 (17.2)	Transportation & Storage: 68 (10.1)	Trade: 54 (8.0)	Education: 51 (7.6)

Note: Figures in brackets are percentages.
* Including Iceland
Source: Same as in Table-4.

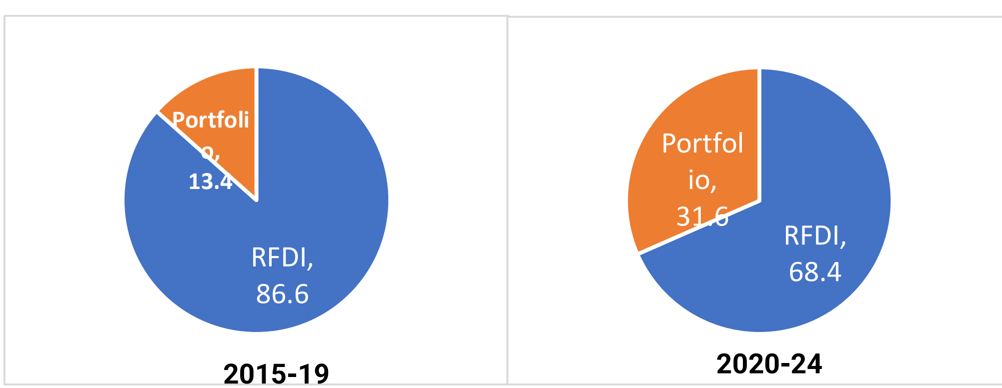
Table-7: Nature of Investors from the EFTA Countries during 2015-2019 and 2020-2024

($ million)

Country	2015-2019	2020-2024	2015-2024
All Countries	RFDI: 3,143 (86.6) Portfolio: 486 (13.4)	RFDI: 2,578 (68.4) Portfolio: 1,193 (31.6)	RFDI: 5,721 (77.3) Portfolio: 1,679 (22.7)
Switzerland	RFDI: 1,568 (85.6) Portfolio: 264 (14.4)	RFDI: 2,114 (83.2) Portfolio: 426 (16.8)	RFDI: 3,682 (84.2) Portfolio: 690 (15.8)
Norway	RFDI: 1,572 (98.4) Portfolio: 25 (1.6)	RFDI: 445 (80.2) Portfolio: 110 (19.8)	RFDI: 2,017 (93.7) Portfolio: 135 (6.3)
Liechtenstein	RFDI: 2 (0.8) Portfolio*: 197 (99.2)	RFDI: 19 (2.8) Portfolio: 657 (97.2)	RFDI: 21 (2.4) Portfolio: 853 (97.6)

Note: Figures in brackets are percentages. This includes small amounts of unclassified inflows.
* Including Iceland
Source: Same as in Table-4.

Figure-5: Nature of Investors from the EFTA Countries in India during 2015-2019 and 2020-2024



Source: See Table-7.

Overall, approximately one-third (33.5%) of the RFDI went into the manufacturing sector (Table-8). Financial & insurance activities and information & communications had almost equal shares of approximately 23%. Electricity, gas, etc. was at a distance with a 4.6% share followed by transportation & storage with a 4.2% share. However, major changes occurred in the second period. RFDI fell by 18.3% from $3,143 million to $2,578 million during this period. Although the manufacturing sector almost retained its share, inflows fell proportionately from $1,030 million to $887 million. Information & communication fell steeply from $1,250 million to only $62 million. Financial & insurance activities gained the maximum as RFDI more than doubled from $415 million to $901 million, making it the largest recipient in the period, ahead of manufacturing. Transportation & storage increased from $16 million to $226 million. Electricity, gas, etc., was another gainer in the second period, with RFDI increasing from $59 million to $202 million. Thus, finance and infrastructure activities dominated EFTA's RFDI, with the financial sector gaining an upper hand in the second half of the decade.

Table-8: Distribution of RFDI in Different Activities

($ million)

Activity	2015-2019	2020-2024	2015-2024	Share in Total of Col. 4 (%)	Share in Total of Column (3)
(1)	(2)	(3)	(4)	(5)	(6)
Manufacturing	1,030	887	1,917	33.5	34.4
Finance & Insurance	415	901	1,316	23.0	35.0
Information & Communication	1,250	62	1,312	22.9	2.4
Electricity, Gas, etc.	59	202	261	4.6	7.0
Transportation & Storage	16	226	241	4.2	8.7
Trade	84	100	184	3.2	3.9
Professional, Scientific & Technical Activities	48	97	145	2.5	3.8
Education	108	12	120	2.1	0.4
Administrative & Support Services	63	7	70	1.2	0.3
Accommodation & Food Storage	44	21	65	1.1	0.8
Agriculture, Forestry & Fishing	14	27	41	0.7	1.1
Real Estate Activities		27	27	0.5	1.0
Mining & Quarrying	2	9	11	0.2	0.3
Construction			6	0.1	
Arts, Entertainment & Recreation	2	1	3	0.1	0.0
Human Health & Social Work	2	1	2	0.0	0.0
Water Supply, Sewerage, etc.	1		1	1.0	
Grand Total	3,143	2,578	5,721		

Sub-period totals may not add up to the grand total due to rounding.
Source: Same as in Table-4.

Of the total RFDI into the manufacturing sector, chemicals & chemical products occupied the top position in both periods but with reduced inflows and share in the second period's total inflow (Table-9 and Figure-6). Food products gained the maximum to reach the second position, with a share of slightly more than one-fourth of the total. Machinery & equipment also gained and retained its third position with a vastly improved share. Pharmaceuticals and medicinal chemicals followed at a distance, with a 10.5% share. The non-metallic mineral products industry which was in the second position with a 31.2% share in the first half, did not figure among the top in the second half.

Having noted that just about one-third of the RFDI went into the manufacturing sector, we will try to understand the nature of engagement of RFDI in different manufacturing industries. According to official data, the acquisition of existing shares accounted for 26.9% of the total from EFTA countries during the period, considerably higher than the 17.7% of acquisitions (all countries and all sectors) during the decade. The industries which were affected the most were non-metallic mineral products (almost 100% of the total), food products (34.6%), and machinery (34.3%). As seen in Table-9, the latter two industries gained the most in absolute and relative terms during the second half.

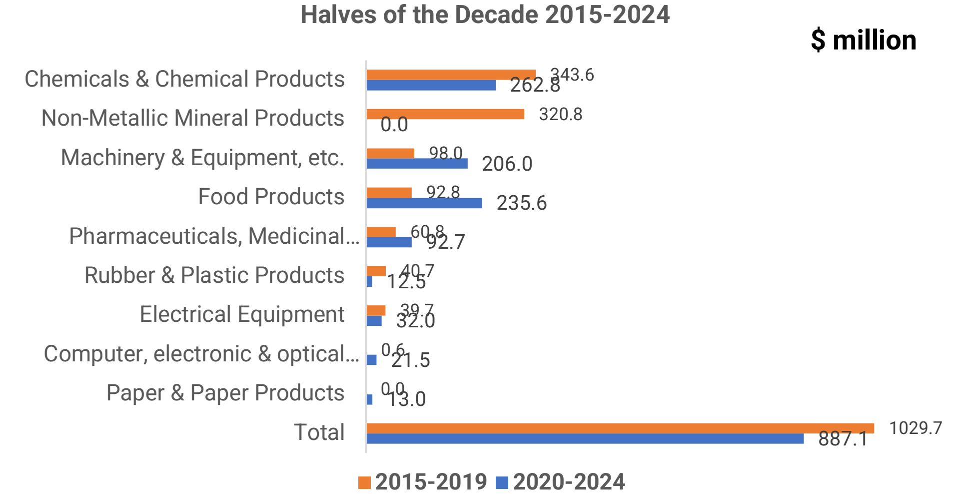
Table-9: Manufacturing Industries Receiving RFDI from EFTA during 2015-2024

($ million)

Industry	2015-2019		Industry	2020-2024	
	Amount	Share (%)		Amount	Share (%)
Chemicals & Chemical Products	343.58	33.4	Chemicals & Chemical Products	262.83	29.6
Non-Metallic Mineral Products	320.75	31.2	Food Products	235.60	26.6
Machinery & Equipment, etc.	97.99	9.5	Machinery & Equipment	206.00	23.2
Food Products	92.77	9.0	Pharmaceuticals, Medicinal Chemicals, etc.	92.70	10.5
Pharmaceuticals, Medicinal Chemicals, etc.	60.75	5.9	Electrical Equipment	32.00	3.6
Rubber & Plastic Products	40.74	4.0	Computer, electronic and optical products	21.52	2.4
Electrical Equipment	39.67	3.9	Paper & Paper Products	13.00	1.5
Other Manufacturing	16.18	1.6	Rubber & Plastic Products	12.51	1.4
Others	17.22	1.7	Others	10.91	1.2
Total	1,029.65	100.00	Total	887.05	100.0

Source: Same as in Table-4.

Figure-6: Manufacturing Industries Receiving RFDI during the Two Halves of the Decade 2015-2024



Source: See Table-9.

Utilisation of Funds by Investee Companies

Since official data capture only direct acquisitions, we tried to look closely at the utilisation of funds by the manufacturing companies which received relatively large amounts of RFDI to determine how far the official data reflect reality and to highlight some of the practices which would have a bearing on the effective utilisation of the funds received. It can be seen from Table-10 that there are instances when the funds which came through the automatic route were utilised to acquire exiting companies or their businesses. For instance, Yara Fertilisers which received $245.9 million, was set up to acquire Tata Chemicals' fertiliser plant in Uttar Pradesh. While the official data show that acquisition-related inflows were only $12 million out of the total $639 million (1.9%), investments into Yara Fertilisers through the automatic route alone make the relative share of acquisitions very high at 40.4% of the total investments. Incidentally, chemicals and chemical products occupy the top position in RFDI from EFTA.

Table-10: EFTA Investments which demonstrate Underestimation of Acquisitions and Royalty Payments Matching Inflows

Company	Comments
3D Technopack A: $3.3 million O: 10.5 million	Hoffman Technopac acquired from Bharat Kevalramani Group by taking acquisition cum infusion of additional funds routte. Third-largest tube manufacturer in India. regarded as a quality and innovation leader. A supplier of tubes to major brands in India as well as to mid sized companies in Europe. Funding provided by Neopac will be used to expand capacity in 3D's core extruded tube business as well as the launch of a new tube generation pioneered by 3D Technopack which allows unlimited decoration.
ACC & Ambuja Cements A: $318.8 million	Entire amount came through the acquisition route. Holcim completely exited the company through an overseas deal in 2022. It acquired the companies in 2004.
Amcor Flexibles India O: $29.2 million	The Company, for the purpose of funding the acquisition of Packaging India Private Limited, issued 19,002,000 equity shares at a premium to the existing shareholders of the Company.
Ammann India A: $26.7 million O: $0.1 million	Except for a negligible amount, the entire inflow is on account of buying out the JV partner in Ammann Apollo India during 2020-21. The JV was originally formed by transferring the road construction business of Gujarat based Apollo group. Besides benefiting from participating in the buyback of shares by the company, the foreign investor has been getting increasing amounts as royalty (from Rs. 0.14 cr in 2014 to Rs. 15.46 cr. in 2023-24); the company stopped declaring during the recent years.
Clariant IGL Specialty Chemicals O: $78.9 million	Formed as a JV with India Glycols Ltd to acquire businesses from the latter and Clariant India Ltd.
Fimer India $17.8 million	Acquired the Solar Inverter Business of ABB India
Firmenich Aromatics India A: $12.2 million	Acquired the shares of JV partner
Givaudan India	The company's royalty payments over the years matched the inflows. See Table-11
GLS Elopak O: $13.1 million	Bought into an existing company to convert it into a 50:50 JV.
Hilti Manufacturing India O: $16.2 million	Incorporated in 2007, the Company had acquired the diamond tools business of Bhukhanvala Tools Private Limited ('BTPL'), in 2008. Bhukhanwala sold its 20% stake in the company to Hilti 2011.
Jotun India O: $14.2 million	Received Rs. 93.5 cr from its parent company during 2014-15 to 2016-17. The company reported royalty payments of Rs. 98.47 cr during 2012-13 to 2018-19. For 2023-24, the payment was 34.90 cr. and the profit before tax was Rs. 122.39 cr. The Board of Directors reported in the financial statement for 2023-24 that "Your Directors have decided not to recommend any dividend for the financial year to conserve the resources for working capital with respect to future expansion"
MTR Foods O: 150.1 million	Funds were raised from the parent company to fund the acquisition of Eastern Condiments Ltd.
Nobel Biocare India	Trading Company. The remittances were, however, reported as " Manufacture of other medical and dental instruments n.e.c."
Phoenix Flexibles A: $12.8 million	Entire amount was utilized for acquiring 100% shares of the company from its Indian shareholders. Amcor announced that

	"The addition of Phoenix Flexibles' well capitalized and strategically located production facility will immediately increase Amcor's capacity to satisfy continued high demand and drive strong returns for shareholders. The acquisition also adds advanced film technology, enabling local production of a broader range of more sustainable packaging solutions, and brings capabilities allowing Amcor to expand its product offering in attractive high-value segments."
Purina Petcare India O: $9.8 million	Trading Company. The remittances were, however, reported as " Manufacture of prepared feeds for pets, including dogs, cats, birds, fish etc."
Rieter India A: $33.5 million	The entire amount received was through the acquisition route. Gradually brought out the domestic shareholders to acquire 100% ownership.
Sika India O: $14.7 million	Received Rs. 106.3 cr in 2019-20 and 2020-21 as FDI. The company paid Rs. 107.8 cr on account of Royalty/Industrial Franchise Fee during 2018-19—2020-21. Total net profit during the three years: Rs. 56.4 cr. Dividends Paid: Nil.
Turbocharging Industries & Services India A: $43.1 million	The Company was incorporated on January 31, 2023 after carving out the turbocharger division of ABB India Limited under global arrangement of ABB to spin-off the turbocharging business as a separate entity. Turbo Systems Switzerland Limited acquired the entire share capital of ABB India in the company making it its 100% subsidiary.
VKL Seasoning A: $115.2 million	The entire amount was through the acquisition route to acquire the shares from the Indian. At the end of 2023-24, foreign share reached 80.57%.
Yara Fertilisers India O: 245.9 million	Funds were utilized to acquire the business undertaking of Tata Chemicals Ltd engaged in manufacturing of fertilisers at its plant at Babrala, Uttar Pradesh.

A: Inflows reported under the Acquisition Route during 2015-2024.
O: Inflows reported under Automatic/Approval Routes during 2015-2024.
Source: Annual Financial Statements of the respective companies.

- MTR Foods

Similar is the case with food products which reached the second position among RFDI-recipient manufacturing industries in 2020-2024. The $150 million received by MTR Foods (now Orkla India) through the automatic route in 2021 was used to acquire Eastern Condiments Ltd. Combined with the $38 million remitted through the acquisition route, the total amount deployed in acquisitions accounted for 86.7% of the inflows into the industry during 2020-2024. Thus, the share of acquisitions could be far higher than that reflected in the official data. MTR Foods itself was taken over by Orkla of Norway in 2007 from its Indian promoters. Incidentally, after the failed attempt by ITC to buyout the company for $1.4 billion, MTR Foods is now preparing to sell a portion of the shares held by the promoters through an IPO in 2025. In the process, Orkla may receive approximately $40 million. Incidentally, the company paid Rs. 6,000 million as a dividend in 2024-25, after holding back dividend payments since it took over the company in 2007. Orkla's share was Rs. 5,400 million.

The company had earlier bought back shares from its parent in two tranches in March 2017 and in March 2019 for Rs. 500 million and Rs. 680 million respectively. Incidentally, after the takeover, Orkla infused fresh capital into the company to the tune of Rs. 500 million in 2008. Thus, through the buyback, Orkla repatriated more than the entire fresh capital it had invested in the company. The dividend payment and share buyback together amount to approximately $80 million at the prevailing exchange rates. Even ignoring the amounts remitted earlier on account of the buyback of shares, the dividend payment and estimated outgo on account of the offer for sale would work out to about $100 million. At the time of acquisition, McCormick's Singapore subsidiary owned 26% of Eastern Condiments' equity capital. Since MTR Foods acquired 67.82% of Eastern Condiments' equity, the Singapore company would have received approximately $57.5 million. Thus, post-IPO, more than the $150 million inflow of 2021, which solely went into the acquisition of an existing company in 2021, would have been repatriated to foreign investors (See Box-1). Even earlier, when Orkla acquired MTR Foods, a substantial part of the amount was paid to foreign investors, including private equity investors. In fact, the PE investors were reported to have forced the Indian promoters to sell-out to Orkla to provide them with a quick and profitable exit.[55]

Box-1: MTR Foods - Inward Remittance and Estimated Repatriations

Event	Inflow ($ million)	Outflow ($ million)
Fresh capital infusion in 2008	11.0	
Repatriation through share buyback in March 2017		7.7
Repatriation through share buyback in March 2019		9.8
Sub-total	11.0	17.5
Inward Remittance in March 2021 meant for Acquiring Eastern Condiments	150.1	
- Of which, share of McCormick's subsidiary, in Eastern Condiments		57.5
Payment of dividend in 2024-25: Orkla's share		62.8
Offer for Sale proceeds from the proposed IPO in 2025		40.0
Sub-total since 2021	150.1	160.3

Source: Authors' compilation.

Royalty Payments, Dividend Payments and Inflows

Another factor that needs attention is that some companies regularly remit large amounts to their foreign parents/affiliates as royalty payments (without paying dividends, presumably to conserve funds) which would match the reported inflows in a period (e, g. Jotun India in Table-10). This practice, while reducing corporate profits, provides a steady stream of income for parents. It also raises the possibility of there being no need for additional funds from parents in the absence of such fee/royalty payments. Another dimension to royalty payments is that such payments fund technology development abroad, for accessing which host country subsidiaries would again be paying in multiple forms, including royalties.

- ABB India

The case of ABB India Ltd., a subsidiary of ABB Switzerland that operates in automation and power technology, illustrates this possibility. ABB India Ltd., a listed company incorporated in India in 1949, in which ABB Asea Brown Boveri Limited, the foreign parent, holds 75% of the equity, has been paying large sums as royalty. For instance, the following payments were reported under related party transactions (RPTs) in 2023 and 2024 (Table-11). The total payment of Rs. 9,430 million in 2024 should be viewed in the context of the post-tax profit of Rs. 18,720 million during the year. The corresponding figures for 2023 were Rs. 7,549 million and Rs. 12,420 million.

The company disclosed in its Annual Report for the year ending December 2024 under the head "The expenditure incurred on Research and Development", that,

[55] https://www.financeasia.com/article/mtr-foods-sells-for-100-million/72994
According to private equity databases Venture Intelligence and VCCEdge, Aquarius got $14 million for its investment of $1.3 million (2000) and JP Morgan Partners obtained $28 million for the $4 million invested in 2002.

> Considering the nature of research and development, complexity, competency required, time frame, amount and also to optimize overall cost, all major R&D efforts are pooled centrally at the Group level. Certain development activities were carried out by the Company and have been billed to the central technology center. The expenditure had been mainly in the nature of payment of license fee for use of technology knowhow reported as royalty and technology fees under other expenses. Local R&D activities undertaken by the Company were mainly in localizing the products, adoption of global products to local environment, carrying out cost saving actions and other improvements.

The dependence of this 76-year old company on its Swiss parent will remain perpetual.

Table-11: Expenditure on Royalty, Technology and Trade-mark fees by ABB India

(Amount in Rs. million)

Related Party	2023	2024
Royalty, technology and trade-mark fees		
Holding Company	1,086.0	1,200.1
Fellow Subsidiaries abroad*		
- ABB Schweig AG, Switzerland	2,980.1	3,454.3
Sub-total	4,066.1	4,654.4
Information technology, group management, legal and professional and other services		
Holding Company	165.8	192.9
Fellow subsidiaries abroad*		
- ABB Information Systems Ltd., Switzerland	1,773.8	2,417.2
- ABB Management Services Ltd., Switzerland	817.4	1,215.1
- ABB Oy, Finland	725.6	950.3
Sub-total	3,482.6	4,775.5
Grand Total	7,548.7	9,429.6

* Payments to other fellow subsidiaries whose domiciles are unknown, and to fellow subsidiaries in India, amounting to Rs.817.0 million and 1,251.6 million respectively are not shown here.
Source: Annual Financial Statement of the company.

Earlier in 2013, the company was more categorical when it stated that it "has contributed Rs 6.3 Crores to ABB Research Limited [Switzerland]". This was in addition to the payment of royalties, trademark fees, and payments against other heads listed in Table-10.

- Nestle India

Another major Swiss company consistently paying high royalties is Nestle India Ltd., a listed FMCG company incorporated in 1959 that deals with milk products, prepared dishes, beverages, and confectionery. The combined foreign promoter's share in the company was 62.76%. Nestle India paid Rs. 10,846 million as General Licence Fee (Royalty) for the year 2023-24. Regarding R&D, the company informed that

> Your Company, as a part of Nestlé Group and under the General Licence Agreements, has access to and advantage of drawing from the extensive central R&D efforts and activities of the Nestlé Group. ....
>
> It has therefore been possible for your Company to focus its efforts on testing and modification of products for local conditions. Improving and maintaining the quality of certain key raw materials also continued to receive close attention.

Nestlé's efforts to increase the rate of royalty payments failed due to opposition from public shareholders. The company's board had earlier approved an increase in royalty to the parent from 4.5% to 5.25% over a period of five years.[56] Incidentally, exports constituted a mere 4.0% of the company's total revenue in 2023-24.

[56] https://www.livemint.com/companies/news/nestle-india-shareholders-royalty-payment-to-parent-maggi-11716027711804.html

The Nestle Group converted one of its subsidiaries in India, Specialty Foods Ltd, after transferring the latter's Healthcare Nutrition Business to Nestle India Ltd in 2010, into a contract research company serving the Nesle Group directly. Thus, one arm of Nestle in India conducts research for the parent, and the other arm pays the parent to access the group's technology.[57]

The case of Givaudan India (formerly Vinarom India), a manufacturer and trader of imported flavours and fragrances, raises a few more relevant points for consideration. During 2009-10, the company bought back shares from its parent for Rs. 51.76 crores and subsequently, in 2013-14, it issued shares to the parent company and received Rs. 1.16 crore. During 2021-22 and 2022-23, the company received Rs. 460 crores and Rs. 830 crores through rights issues. Except for Rs. 43.60 crore as dividend payment in 2019-20, there were no other direct payments to the parent company. However, the company was consistent in paying royalties, and in most years since 2009-10, the royalty payments were larger than the corresponding year's net profits (Table-12). When added, they exceeded the FDI received during that period. The company is also engaged in other large RPTs. The gross value of RPTs at Rs. 1,394.59 crore in 2023-24 is quite large when viewed in the context of the total expenditure, including employee benefits and depreciation of Rs. 2,166.3 crore and a total income of Rs. 2,546.95 crore. One interpretation is that the company compensated the parent through royalties instead of dividends. Another possibility is that the parent has also been deriving benefits from the RPTs.[58]

Table-12: Givaudan India's Royalty Payments

(Amount in Rs. crore)

Year	Total Income	Net Profit	Royalty Payment
2009-10	464.19	31.38	27.67
2010-11	565.67	31.99	50.26
2011-12	616.06	23.24	28.93
2012-13	709.23	18.88	33.28
2013-14	813.70	33.64	59.60
2014-15	918.85	36.79	62.98
2015-16	1,059.55	58.64	70.14
2016-17	1,171.79	94.57	99.42
2017-18	1,398.45	105.24	114.25
2018-19	1,663.57	66.92	119.98
2019-20*	1,969.50	100.13	138.37
2020-21	1,998.94	128.28	127.51
2021-22	2,077.90	142.18	126.09
2022-23	2,298.28	108.84	148.02
2023-24	2,546.95	267.54	145.31
Royalty paid: 2009-10 to 2023-24			1,351.81
FDI Inflow: 2020-21 & 2022-23			1,290.32

* A dividend of Rs. 43.60 crore was paid by the company during 2019-20.
Source: Based on data reported in the Annual Financial Statements of the company.

[57] Many other MNEs which also have separate R&D units in India (e.g. Honda R&D (India) Pvt Ltd; Alstom Hydro R&D India Ltd; Samsung R&D Bangalore Pvt Ltd; Allergan R & D Centre India Pvt Ltd; and Pharmazell R & D (India) Pvt Ltd.)

[58] Two issues that are related to corporate disclosures also crop up here. One, the company reported the FDI inflows under foreign exchange receipts and two, the reported RPTs (expense and revenue transactions) when added are far smaller than the gross value of RPTs, thereby implying that not all the transactions are reported separately.

Another Swiss company in India, Novartis India Pvt. Ltd. (formerly Ciba Pharma, incorporated in 1947), and its subsidiary Novartis Healthcare Pvt. Ltd. (incorporated in 1997) are both engaged in trading pharmaceuticals. Sandoz Pvt. Ltd, (officially incorporated in 1995, but was a result of restructuring within the group), another Swiss pharma company, manufactures and exports formulations and biosimilars. The company discontinued manufacturing operations at its Turbhe (Maharashtra) plant towards the end of 2016, which manufactured antibiotics and active pharmaceutical ingredients, and disposed of the unit in 2020. It has a Research and Development Centre, the output of which will be provided to the parent's global network for commercialisation. Thus, the company focused on the production of formulations and providing R&D services to its parent.

These practices are not specific to EFTA/Swiss companies. They are generally followed by MNEs. The above cases are cited here to show how looking only at the FDI inflows, ignoring the operational aspects which have a strong bearing on the benefits from FDI and *actual inflows*, and how subsidiaries remain dependent on their parents for technology even after operating for many decades in the host country and may even contribute directly to technology development at the parent.

The Importance of Three Outliers

The above trends and patterns in the inflows should be seen in the context of three major remittances of RFDI which accounted for a substantial part of the officially reported total inflows of $8.63 billion during the decade (Table-2). Except for three years, the inflows barely crossed $500 million annually. While the one-off large inflow of more than $4 billion in 2021 was due to the major non-cash entry relating to Germany's Bosch group, the $896 million in 2010 was due to ABB's open offer to increase its shareholding in its Indian-listed subsidiary from 52.11% to 75.00%. The amount involved was $665 million, almost three-fourths of the year's total inflow. There was a steep increase in inflows in 2024, when the amount was $961 million. The major contributor to this was Zurich Insurance Co. Ltd which invested $491 million through the acquisition route and another $175 million by way of additional capital infusion in Kotak Mahindra General Insurance Co Ltd, thereby making it a 70% (a shade below the permissible limit of 74%) owned subsidiary. These two remittances accounted for 69% of the total inflow during the year. The investee company has since been renamed Zurich Kotak General Insurance Co. (India) Ltd. The Budget 2025-26 proposed to raise the FDI limit in the insurance sector from 74% to 100%. It is logical to expect that the Zurich Insurance Co. would ultimately fully own the investee.

Thus, among the three large lump-sum inflows, one was a notional investment, the second was for the acquisition of shares held by the public shareholders, and the third was for the acquisition of an existing Indian company. These three episodes together accounted for a staggering 62% of EFTA's total FDI inflows into India between 2015 and 2024. The 13% annual increase in inflows and an anticipated additional 3% increase following the steps proposed in TEPA, based on which the projected investment of $100 billion was made, would not have factored in these extremely large outliers.

We did not find much enthusiasm from the Indian industry bodies. In addition to facing heightened competition from imports and seeing little scope for increased exports, they probably do not expect to form joint ventures, as MNEs prefer to operate through wholly owned subsidiaries. In this context, the Indian policymakers' expectation that the $100 billion investment will spur an overall $500 billion investment, considering Indian partners' equity, debt, and the impact on the ecosystem, including suppliers and showrooms, is evidently unjustified.[59] Our ongoing study, referred to earlier, shows that in 2022-23, RFDI's share in equity was less than 25% for only nine of the 855 manufacturing companies which received at least $5 million of RFDI. In 668 companies, RFDI constituted more than 99%. There was hardly any presence of new joint ventures with Indian partners. A similar situation was observed in the decade ending 2013-14.[60] India allows 100% FDI in the small-scale sector, thereby minimising the chances of JV formation even in them.

[59] Supra note 34.

[60] K.S. Chalapati Rao and Biswajit Dhar, "A Deep Dive into India's FDI Inflows from 2004-05 to 2013-14 with Emphasis on the Manufacturing Sector", presented *in the* ISID-ICSSR National Seminar, India's Post-1991 Inward FDI Experience: Looking Beyond the Aggregates, March 11-12, 2016. https://isid.org.in/wp-content/uploads/2022/08/DN2009.pdf

Section IV: EFTA Countries as Outward Investors

In this section, we discuss Swiss overseas investments in detail, not only because it is the major investor from EFTA but also because considerably more details are available for the country. For Norway, manufacturing has not been a priority, whether viewed from the perspective of outward FDI stocks or flows.[61] According to UNCTAD, outward FDI from Switzerland[62], net of repatriation, was negative between 2018 and 2022 (Table-13 and Figure-7). However, there was an extraordinary jump to $88.96 billion in 2023. The fall in 2024 was equally dramatic, when the outflow was a mere $0.25 billion. In the case of Norway also, the latest year recorded very small outflow in relative and absolute terms, compared to the preceding years. Surprisingly, the data released by UNCTAD in June 2025 and earlier in 2024 differ widely, especially in recent years. However, we relied on the most recent releases. The older data reported here only show the extent of the revisions that global data can undergo.

Table-13: Net$ Outflows of FDI: EFTA Countries (2010-2024)

(US $ billion)

Year	Iceland		Norway		Switzerland*	
	2024(A)	2025 (B)	2024(A)	2025 (B)	2024(A)	2025 (B)
2010	-2.37	-2.37	19.26	17.67	86.18	86.18
2011	0.02	0.02	18.09	16.55	48.55	48.55
2012	-3.21	-3.21	20.67	19.01	44.08	44.08
2013	0.46	0.46	9.20	6.71	38.54	38.54
2014	-0.26	-0.26	20.70	17.11	-11.53	-11.53
2015	-0.03	-0.03	31.07	28.24	77.19	77.19
2016	-1.15	-1.15	3.23	1.16	98.21	98.21
2017	-0.21	-0.21	-3.50	-7.88	27.96	27.96
2018	0.08	0.08	11.18	8.37	64.95	64.95
2019	0.48	0.48	14.44	-0.50	-46.66	-50.02
2020	-0.43	-0.43	9.93	-10.37	-41.04	-32.85
2021	0.00	0.00	12.84	10.68	-76.16	-78.66
2022	-0.12	-0.05	13.08	28.53	-74.02	-71.09
2023	-0.18	0.20	8.15	13.63	104.95	88.96
2024		0.12		2.51		0.25

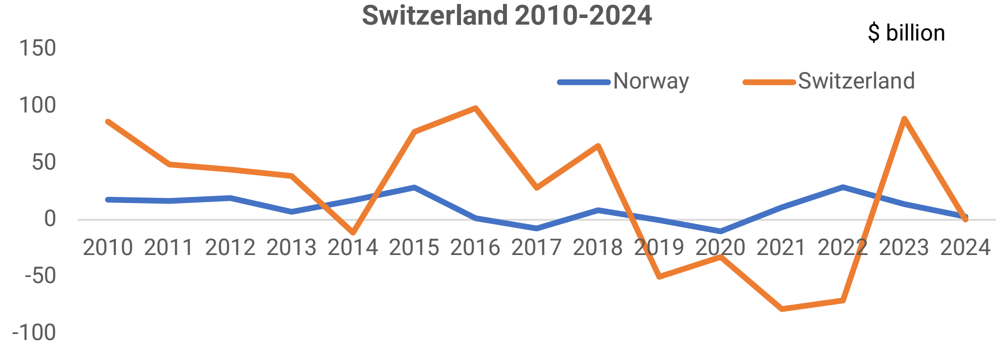
UNCTAD, *World Investment Report*, Annexes, downloaded at two points in time.
* Includes Liechtenstein
(A) Downloaded in the previous year. (B) Downloaded in July 2025.
$ Outflows, net of capital repatriation.

Correspondingly, there is near stagnation in the stock of outward FDI (Table-14 and Figure-8). One can notice that there has been hardly any increase in the stock of Switzerland's outward FDI since 2017, barring some improvement in 2020 and 2021, indicating that there was no net addition to the investible resources abroad. Except for some improvements in 2022 and 2023, Norway's outward FDI stock also remained stagnant for many years.

[61] Out of the total outflows during 2019-2023 manufacturing sector had a share of 11.0%. In the outstanding stock of FDI at the end of 2023 manufacturing had a share of 14.7%. For details one may refer to https://www.ssb.no/en/statbank/list/di/

[62] Including Liechtenstein.

Figure-7: Net Outflows of FDI to All Countries from Norway and Switzerland 2010-2024



Source: See Table-13.

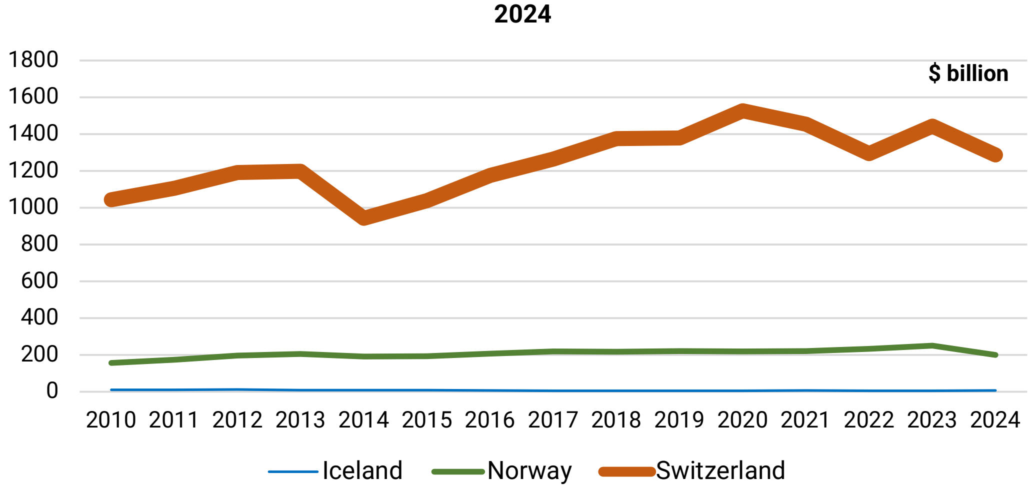
Table-14: Outward FDI Stock of EFTA Countries

(Amount in $ billion)

Year	Iceland	Norway	Switzerland
2010	11.5	157.0	1,043.2
2011	11.5	175.0	1,106.2
2012	12.3	196.6	1,190.4
2013	9.5	205.9	1,197.2
2014	8.4	191.0	943.0
2015	7.6	192.5	1,037.0
2016	6.1	207.9	1,174.8
2017	5.3	219.3	1,265.5
2018	5.2	216.6	1,375.2
2019	5.0	220.4	1,379.6
2020	5.1	218.5	1,526.0
2021	6.7	219.7	1,455.0
2022	4.7	233.2	1,293.6
2023	5.4	251.0	1,443.6
2024	5.5	200.8	1,286.6

Source: UNCTAD database.

Figure-8: Outward FDI Stock of Switzerland, Norway and Iceland 2010-2024



Source: See Table-14.

Composition of Swiss Outward FDI

The composition of outward FDI flows from Switzerland reveals that companies withdrew investments from abroad in recent years. Equity investments, excluding reinvested earnings, decreased by CHF 231.53 billion during 2019 and 2023. Debt capital also decreased by CHF 105.97 billion. Without an increase in reinvested earnings, the reverse flow would have been much higher (Table-15 and Figure-9). While there was a net addition during the first five years, there was a drastic reduction in the subsequent five years. Overall, there was a net withdrawal of equity capital over the decade. In contrast, reinvested earnings are far more stable. They more than balanced the reverse flows of equity capital. In addition, there was a net withdrawal of debt capital in the second half. The total outflows for the decade remained positive only because of reinvested earnings. Thus, the profits earned and retained in host countries sustained Switzerland's outward FDI flows.

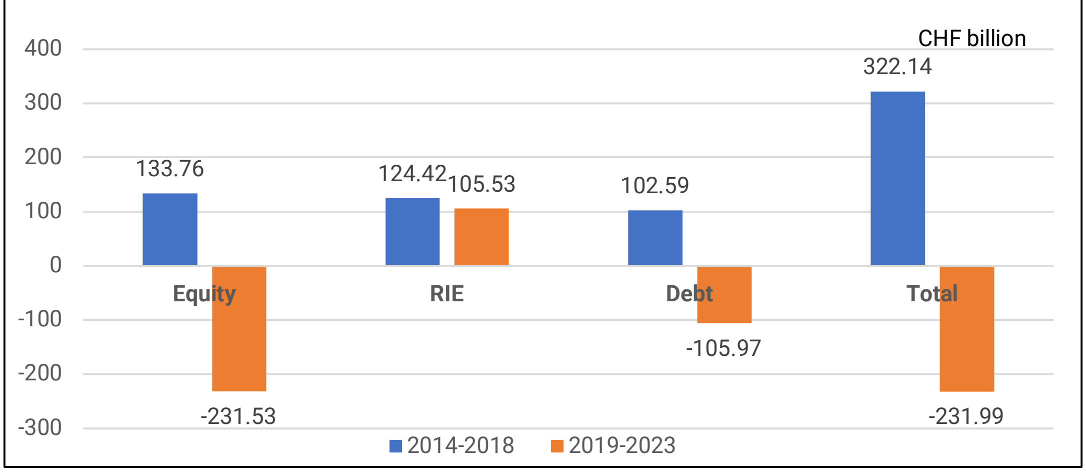
Table-15: Composition of Outward FDI by Switzerland

(CHF billion)

Year	Equity capital excluding reinvested earnings	Reinvested earnings	Debt instruments	Total
2014	-34.17	30.72	3.19	-0.26
2015	54.66	24.76	8.4	87.82
2016	113.73	27.39	23.53	164.65
2017	44.6	15.89	*38.63	21.86
2018	-45.06	25.66	67.47	48.07
Sub-total: 2014-2018	133.76	124.42	102.59	322.14
2019	-14.41	16.75	-59.06	-56.72
2020	-49.74	8.65	15.28	-25.81
2021	-136.66	28.24	-11.43	-119.85
2022	-32.87	29.14	-75.23	-78.97
2023	2.15	22.75	24.47	49.36
Sub-total: 2019-2023	-231.53	105.53	-105.97	-231.99
2014-2023	-97.77	229.95	-3.38	90.15

Source: Based on the data available at
https://data.snb.ch/en/topics/aube/cube/fdiaustabsa?dimSel=D1(D1_2)&fromDate=2014

Figure-9: Composition of Outward FDI by Switzerland - 2014-2023



Source: See Table-15.

The manufacturing sector had a small share of Swiss investments abroad during the initial five years (Table-16). There was no perceptible improvement in value over the next five years. It is only because substantial withdrawals occurred in the second period from services, especially the financial sector, that the manufacturing sector appears to have performed better. The transportation & communications sector which is important for developing infrastructure, did not figure prominently and even declined slightly during the second period.

Table-16: Sectoral Composition of Swiss Outward FDI

(CHF Million)

Sector/Activity	**2014-2018**	**2019-2023**	**2014-2023**
Manufacturing	73.14	75.11	148.26
- Chemicals & Plastics	26.31	43.52	69.83
- Metals & Machinery	15.5	16.85	32.35
- Electronics, energy, optical & Watchmaking	7.86	6.99	14.85
- Other Manufacturing & Construction	23.48	7.74	31.23
Services	248.99	-307.09	-58.09
- Trade	37.37	-32.33	5.04
- Finance and holding companies	165.97	-246.49	-80.52
- Banks	-11.30	-25.01	-36.31
- Insurance companies	45.53	21.45	66.98
- Transportation and communications	7.14	5.04	12.18
- Others	4.29	-29.76	-25.47
Total	322.14	-231.98	90.16

Source: Same as in Table-15.

Table-17 (Figure-10) shows the different types of capital that comprise FDI in the manufacturing sector and important industries within it. Overall, at the aggregate level, reinvested earnings dominated inflows into the manufacturing sector. Equity outflows improved in the second half of the decade. Debt capital decreased, but it might not be entirely due to the withdrawal of funds, as part of the debt could have been converted into equity, thus boosting equity outflows. Importantly, in chemicals & plastics, known to be the strong point of the Swiss industry, equity capital was withdrawn. Once again, reinvested earnings were the mainstay of FDI in the sector. Metals and machinery fared much better, although the volumes were not very large. In electronics, energy etc. the volumes were again very small, and reinvested earnings dominated the outward investments. There was a net withdrawal of debt financing.

Table-17: Component-wise Distribution of Swiss Outward FDI in the Manufacturing Sector

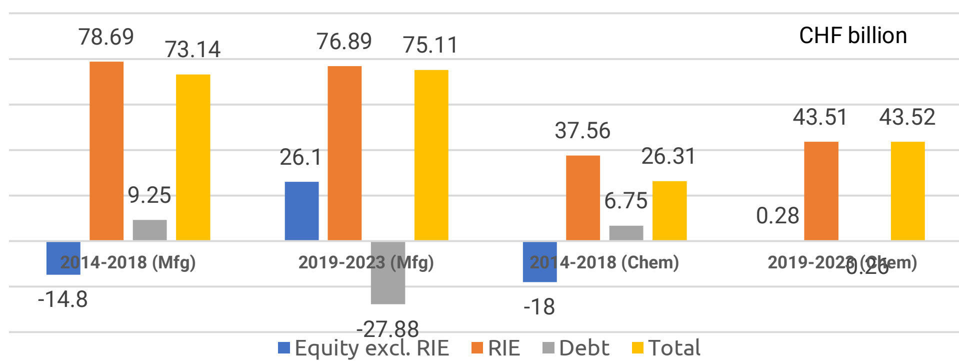
(CHF million)

Industry	Type of Capital	2014-2018	2019-2023	2014-2023
Manufacturing-Total	Equity excl. RIE	-14.80	26.10	11.30
	RIE	78.69	76.89	155.58
	Debt	9.25	-27.88	-18.63
	Total	73.14	75.11	148.26
	Share of RIE in Total (%)	107.6	102.4	104.9
- Chemicals & Plastics	Equity excl. RIE	-18.00	0.28	-17.73
	RIE	37.56	43.51	81.07
	Debt	6.75	-0.26	6.49
	Total	26.31	43.52	69.83
	Share of RIE in Total (%)	142.8	100.0	116.1
- Metals & Machinery	Equity excl. RIE	2.68	14.16	16.84
	RIE	6.34	3.56	9.90

	Debt	6.48	-0.87	5.61
	Total	15.50	16.85	32.35
	Share of RIE in Total (%)	40.9	21.1	30.6
- Electronics, energy, optical & Watchmaking	Equity excl. RIE	-2.17	2.09	4.27
	RIE	16.57	13.43	30.00
	Debt	-10.89	-8.53	-19.42
	Total	7.86	6.99	14.85
	Share of RIE in Total (%)	211.0	192.0	202.0
- Other Manufacturing & Construction	Equity excl. RIE	-1.65	9.57	7.92
	RIE	18.22	16.39	34.61
	Debt	6.91	-18.22	-11.31
	Total	23.48	7.74	31.23
	Share of RIE in Total (%)	77.6	211.7	110.8

Source: Same as in Table-15.

Figure- 10: Component-wise Swiss Outward FDI in the Manufacturing Sector 2014-2018 and 2019-2023



Source: See Table-15.

- Acquisitions, Reinvested Earnings, Corporate Restructuring and Divestments

More insights into Switzerland's outward FDI are available from *Direct Investment,* an annual publication by the Swiss National Bank (SNB). A few extracts from the publication over the past five years are given in Table-18. Apart from reinvested earnings, acquisitions and corporate restructurings propped up investment in the manufacturing sector, thereby further providing support to the observation that not much fresh capital may have gone into new capacity creation.

Table-18: Extracts from Swiss National Bank's Annual Publication: *Direct Investment*

2023	Out of the CHF 49 billion net outward investment in 2023 CHF 24 billion was on account of intra-group lending and CHF 23 billion was reinvested earnings, leaving only CHF 2 billion as equity outflow. Manufacturing invested CHF 24 billion, mainly for **corporate restructuring and for acquisitions**.
2022	Swiss resident companies repatriated CHF 71 billion in net terms from their non-resident subsidiaries. This disinvestment primarily came from intragroup lending (CHF 70 billion). Further, resident companies withdrew equity capital from their non-resident subsidiaries (CHF 32 billion). These reductions in equity capital were matched by an equal amount of investment in the form of reinvested earnings. The situation in the manufacturing sector was dominated by two industry categories. The metals and machinery category invested CHF 5 billion abroad, **chiefly by making acquisitions**. By contrast, the chemicals and plastics category withdrew CHF 8 billion from abroad. The result was a net disinvestment of CHF 3 billion for the manufacturing sector.
2021	Resident companies repatriated CHF 111 billion in net terms from their non-resident subsidiaries, continuing the pattern of previous years (2020: CHF 25 billion; 2019: CHF 50 billion). This

	disinvestment primarily took the form of a net reduction in equity capital (CHF 122 billion). It also included a net reduction in intragroup loans (CHF 17 billion). These withdrawals were mitigated somewhat by additional investment in the form of reinvested earnings (CHF 28 billion). Unlike the services sector, manufacturing increased net direct investment (CHF 18 billion). This rise was chiefly attributable to the chemicals and plastics category. Although the manufacturing sector also recorded reductions in equity capital, these were **outweighed by investments in the form of reinvested earnings and intragroup** loans.
2020	The net withdrawal of funds amounted to CHF 34 billion (2019: CHF 54 billion). Although the repatriation of funds only concerned equity capital (CHF 65 billion), it significantly exceeded investments in the form of intragroup loans (CHF 18 billion) and reinvested earnings (CHF 13 billion). There was net increase in the case for the chemicals and plastics category (CHF 12 billion), whereas in the electronics, energy, optical and watchmaking category and 'other manufacturing and construction' withdrawals exceeded investment (by CHF 6 billion in each case).
2019	The net withdrawal of funds amounted to CHF 42 billion. The largest disinvestment was in intragroup lending at CHF 61 billion. Companies also reduced equity capital by CHF 1 billion. Additional investment, on the other hand, was effected in the form of reinvested earnings (CHF 19 billion). In the manufacturing sector, investments in the form of equity capital and reinvested earnings exceeded withdrawal of intragroup loans. This resulted in net investment of CHF 11 billion; the 'other manufacturing and construction' category was dominant here, with direct investment of CHF 8 billion.

Source: **Direct Investment**, Swiss National Bank, reports for various years.

Swiss or Global Investments?

Interestingly, the report for 2021 revealed that while withdrawals primarily affected Europe, Asian countries fared much better, dominated by FDI outflows to the UAE (CHF 6 billion) and India (CHF 5 billion), followed by China and Japan with CHF 3 billion each. It should be noted that India's official data shows an inflow of $4,268.65 million from Switzerland for the same year. This was almost entirely due to the investment of $4,026.37 million by Robert Bosch Internationale Beteiligungen, a subsidiary of the ultimate holding company Robert Bosch GmbH, Germany. As far as India is concerned, there was no *actual* inflow. The change in ownership was due to the acquisition of shares from the German parent by its subsidiary in Switzerland. On 24 February 2021 there was an inter-se full transfer of the promoter shareholding from Robert Bosch GmbH to Robert Bosch Internationale Beteiligungen AG (Switzerland).[63] It is highly likely that Switzerland treated this investment as its own, rather than Germany's.

Liebherr is another interesting case study. The company was founded in Germany in 1949, and its main production facilities are in Germany. Its headquarters are located in Switzerland. It is entirely owned by the Liebherr family. The founder of the group, Mr. Hans Liebherr, moved the business to Switzerland in 1983 to avoid inheritance taxes. According to the company

> The organizational structure took on a new direction in the 1970s. The new direction required - amongst others - dividing the company into a German enterprise and a Swiss enterprise. In 1983, Liebherr-International AG led the Group as a central holding company in Bulle, Switzerland. (Annual Report, 2024)

The group's headquarters are in Switzerland. Therefore, we treated Liebherr Appliances India Pvt Ltd and Liebherr CMCtec India Pvt Limited as Swiss-invested companies, even though the investments came from Germany. If 'substantial presence' is taken into consideration, Germany could also claim the two companies.

63 https://www.bosch.com/stories/bosch-history-in-switzerland/

There is a possibility that several others are like Liebherr. Switzerland also hosts many global companies, and their investments could be treated as EFTA investments, even though EFTA cannot influence their further overseas investment. In the following, we attempt to provide an idea of the relative importance of foreign enterprises in the Swiss economy.

In 2022, there were more than 19,000 foreign-controlled multinational enterprise groups (FMGs) in Switzerland, even more than domestic-controlled multinational groups (DMGs) (Table-19 and Figure-11). In terms of employees, they score over DMGs, accounting for nearly half of the employment in enterprise groups. However, in terms of turnover, FMGs had only half the turnover of DMGs.

Table-19: A Few Basic Features of Enterprise Groups in Switzerland: 2022

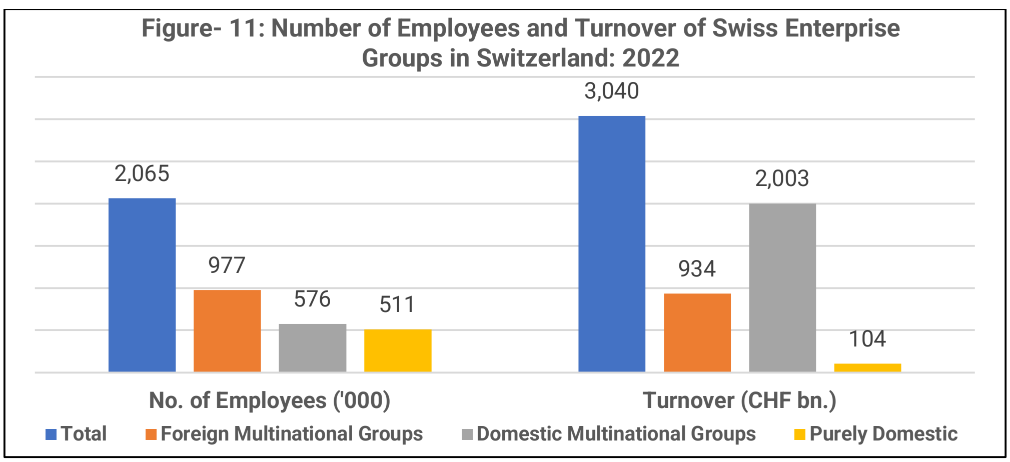
Enterprise Type	Number of enterprises	Number of employees	Turnover, CHF Millions
Enterprise groups(1)(2), total	62,061	2,065,016	3,040,692
Foreign multinational groups (FMG)(3)	19,366	977,264	933,786
Domestic multinational groups (DMG)	18,511	576,463	2,003,399
Purely domestic groups	24,184	511,289	103,507

(1) An enterprise group exists when one unit (group head) exercises control over one or more other units (affiliates). The unit with ultimate control (group head) is not controlled by another unit, and it is this unit that decides on the group's strategic and economic orientation. It holds – directly or indirectly – more than half of the voting shares of the units of the group.

(2) An enterprise group ultimately controlled by a unit located in Switzerland is referred to as a Swiss enterprise group. The latter can, in turn, be multinational (at least one controlled unit abroad) or exclusively Swiss (group units only in Switzerland).

(3) A foreign multinational enterprise group (or a foreign multinational) exists when one or more enterprises located in Switzerland come under the ultimate control of a unit that is domiciled abroad. These enterprises are called foreign affiliates.

Source: https://www.bfs.admin.ch/bfs/en/home/statistics/industry-services/stagre.html



Source: See Table-19.

Following the IMF criterion, Switzerland defines special-purpose entities (SPEs), some of the specified characteristics of which are as follows:

- The core business mainly comprises group financing and the holding of activities.
- The highest resident entity within the group is controlled by non-residents.
- A large part of the financial balance sheet of the enterprise/enterprise group in the reporting economy consists of cross-border claims and liabilities.

- The enterprise/enterprise group's real economic activity in the reporting economy is insignificant, and it has a maximum of five employees.[64]

According to Switzerland's enterprise statistics, foreign-controlled multinational enterprise groups with fewer than ten employees accounted for 1.8% of the total value added in 2022. Thus, most foreign-controlled enterprise groups (FMGs) would not be considered as SPEs. According to this criterion, many large global companies could be considered to have a significant presence in Switzerland. Thus, if substantial presence is applied, investments from the EFTA (Switzerland) cannot be distinguished from global investments.

Furthermore, the actual number of FMGs would be higher if the earlier definition of the control group was followed. Until 2013, even if several non-resident direct investors jointly held at least 50% of an enterprise group's capital, they were treated as foreign-controlled. This new definition restricts coverage, as, according to the revised criterion, to identify foreign control, only a single ultimate beneficial owner abroad must control at least 50% of the capital of the resident enterprise group.

FMGs have a major presence in manufacturing, wholesale trade, transportation, communication, etc., in terms of value added (Table-20 and Figure-12), closely matching DMGs in other manufacturing and dominating wholesale trade. They account for a higher GVA than DMGs. The USA accounts for most of the GVA of FMGs. This was followed by Germany, France, and the Netherlands (Table-21 and Figure-13). Table-22 gives a few illustrations of major foreign companies in Switzerland and those that invested in India during 2015-2024.

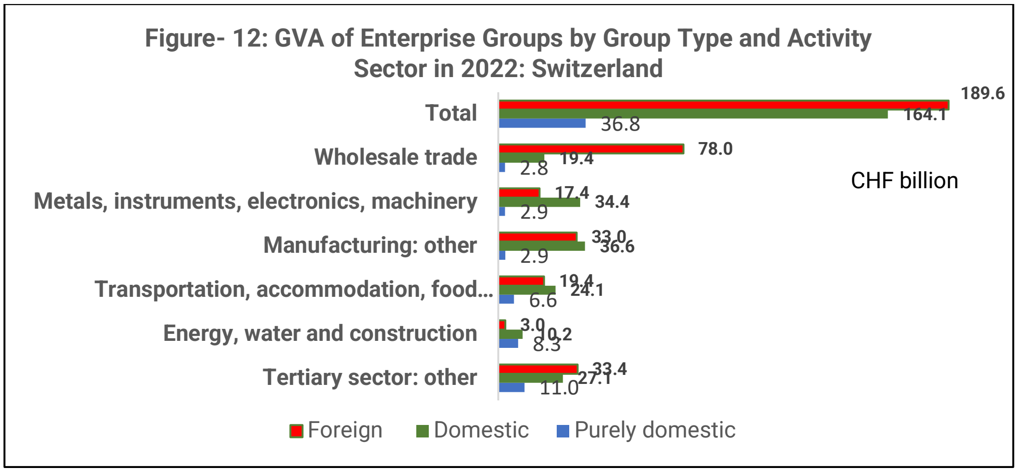
Table-20: GVA of Enterprise Groups by Group Type and Activity Sector in 2022: Switzerland

(CHF million)

Activity	Total	Purely domestic	Multinationals	
			Domestically controlled	Foreign-controlled
Total	**390,557**	**36,827**	**164,094**	**189,636**
Energy, water and construction	21,542	8,311	10,226	3,005
Metals, instruments, electronics, machinery	54,701	2,865	34,446	17,390
Manufacturing: other	72,522	2,948	36,566	33,007
Trade without wholesale	20,036	2,261	12,296	5,478
Wholesale trade	100,161	2,792	19,379	77,990
Transportation, accommodation and food service activities, information and communication	50,068	6,634	24,067	19,367
Tertiary sector: other	71,529	11,016	27,115	33,398

https://dam-api.bfs.admin.ch/hub/api/dam/assets/33028243/master

[64] https://data.snb.ch/en/topics/aube/doc/explanations_aube_fdi



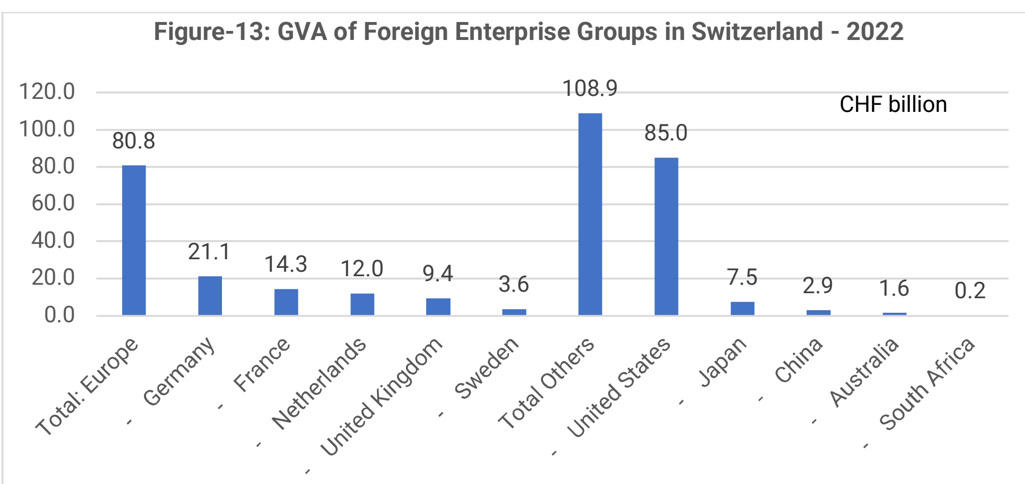
Source: See Table-20.

Table-21: GVA of Foreign Enterprise Groups in Switzerland by Country of Origin in 2022

(CHF million)

Total All Countries	**189,636**
Total: Europe	**80,768**
- Germany	21,138
- France	14,342
- Netherlands	11,989
- United Kingdom	9,392
- Sweden	3,643
Total Others	**108,868**
- United States	85,025
- Japan	7,459
- China	2,916
- Australia	1,576
- South Africa	171

https://www.bfs.admin.ch/bfs/en/home/statistics/industry-services/stagre.assetdetail.33028244.html



Source: See Table-21.

Table-22: Illustrative List of Major Foreign Companies in Switzerland and Those that invested in India during 2015-2024

Foreign Companies with Operations in Switzerland	Group Head Quarters	FDI Remittance with Switzerland as Immediate Home Country	Group Head Quarters
Takeda	Japan	Compagnie Financiere Du Groupe Michelin	France
Siemens	Germany	FMC Agricultural Products International AG	USA
Infineon Technologies	Germany	Sibur Investments AG	Russia
Boehringer Ingelheim	Germany	Tata Enterprises Overseas	India
Glencore	UK	Puig International	Spain
Cargill	USA	Mane	France
HSBC	UK	Wuerth	Germany
Trafigura	Singapore	Alere	USA
Japan Tobacco Intl.	Japan	Baxalta	USA
Parker-Hannifin	USA	Unilever Swiss Holdings	UK
		Alembic Global Holdings SA	India

Source: Authors' compilation.

- **Swiss Investments in the US: Dominance of Acquisitions**

Another important facet of Swiss companies' investments abroad is available from the inward FDI data of the USA. It can be seen from Table-23 that for the years for which data are available, practically all the investment occurred in the first year, and an overwhelming portion of it was meant for acquiring existing businesses in the country. The suppression of data, especially for recent years, suggests that very few Swiss companies have invested in the USA. The preponderance of acquisitions in Swiss investments in the USA is more evident in the employment figures (Table-24). Nearly all employment, whether in the first year of investment or later, is attributable to acquisitions. Acquisitions accounted for 92.2% of the total investment over the past five years. There was very little addition to the associated employment beyond the first year.

Table-23: New Foreign Direct Investment in the United States from Investors whose Ultimate Beneficial Owner belongs to Switzerland

(Amount in $ million)

	First-year Expenditures*				Planned Total Expenditures				
Year	Total	US Businesses Acquired	US Businesses Established	US Businesses Expanded	Total	US Businesses Acquired	US Businesses Established	US Businesses Expanded	Share of Acquired Businesses in Total (%) Col. (3)/Col. (2)x100
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2014	16,480	15,980	411	88	17,067	15,980	(D)	(D)	97.0
2015	5,679	5,511	64	105	5841	5,511	(D)	(D)	97.0
2016	35,327	35,218	26	83	(D)	35,218	28	(D)	99.7
2017	5,740	5,192	501	47	(D)	5,192	501	(D)	90.5
2018	24,725	24,116	(D)	(D)	(D)	24,116	(D)	(D)	97.5
2019	7,625	7,488	(D)	(D)	(D)	7,488	(D)	(D)	98.2
2020	14,136	13,510	92	534	15,288	13,510	92	1685	95.6
2021	19,215	(D)	(D)	(D)	(D)	(D)	(D)	(D)	
2022	5,875	(D)	14	(D)	(D)	(D)	14	(D)	
2023	6,464	(D)	(D)	(D)	(D)	(D)	28	(D)	

2024	4,434	(D)	(D)	0	(D)	(D)	(D)	(D)	

(D) indicates that the data in the cell have been suppressed to avoid the disclosure of data of individual companies.
* First-year expenditures include expenditures in the year in which the transaction occurred.
Source: Based on Data on new foreign direct investment in the United States available at https://apps.bea.gov/international/

Table-24: Current and Planned Employment of U.S. Businesses: Country of Ultimate Beneficial Owner in Switzerland

Thousands of employees

Year	First Year Expenditures				Planned Total Expenditures			
		Type of investment				Type of investment		
			Greenfield investment				Greenfield investment	
	Total	U.S. businesses acquired	U.S. businesses established	U.S. businesses expanded	Total	U.S. businesses acquired	U.S. businesses established	U.S. businesses expanded
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2024	1.0	1.0	0.0	0.0	1.2	1.0	(*)	0.2
2023	2.7	2.7	0.0	0.0	3.0	2.7	0.1	0.2
2022	4.0	3.8	0.0	0.1	4.4	3.8	0.1	0.5
2021	16.8	16.6	0.0	0.2	17.1	16.6	0.1	0.4
2020	7.0	6.8	(*)	0.2	7.8	6.8	0.1	0.9
2020—2024	31.5	30.9	0.0	0.5	33.5	30.9	0.4	2.2

* Fewer than 50 employees.
Source: Same as in Table-23.

- **Employment in Swiss-Controlled Companies Abroad**

Table-25 shows employment at Swiss-controlled companies abroad. There was a gradual increase in the overall numbers during the decade. The increase in employment came mainly from the services sector (Figure-14). While service sector employment increased from 0.65 million to 1.10 million, that in manufacturing remained almost stagnant at about 1.4 million. Seen in the context of total employment at 2.5 million, and that Switzerland must shoulder the main responsibility of meeting the investment and employment targets under TEPA, the additional employment of 1 million in India targeted under TEPA appears to be quite ambitious.

Regarding employment by Swiss subsidiaries in India, it was approximately 26,000 in 2005 but jumped to 41,000 in 2006, possibly due to Holcim's acquisition of Ambuja/ACC. This figure was 91,000 in 2018 and 96,000 in 2022. It is relevant to highlight that the report for 2021 noted that employment in India recorded considerable expansion compared to the previous year, with the number of employees increasing by 10% to 101,000 workers. Incidentally, the sudden increase in Switzerland's FDI outflow to India in 2021 could be due to the ownership restructuring of the Bosch Group, as previously described. These increases cannot be related to new capacity creation (or the generation of additional employment). The report for 2022 informs that Swiss companies in India "recorded a substantial reduction compared to the previous year, with the number of employees declining by 7% to 96,000, due to Swiss-domiciled groups selling off parts of companies."

Table-25: Number of Employees at Swiss-Controlled Groups Abroad

('000)

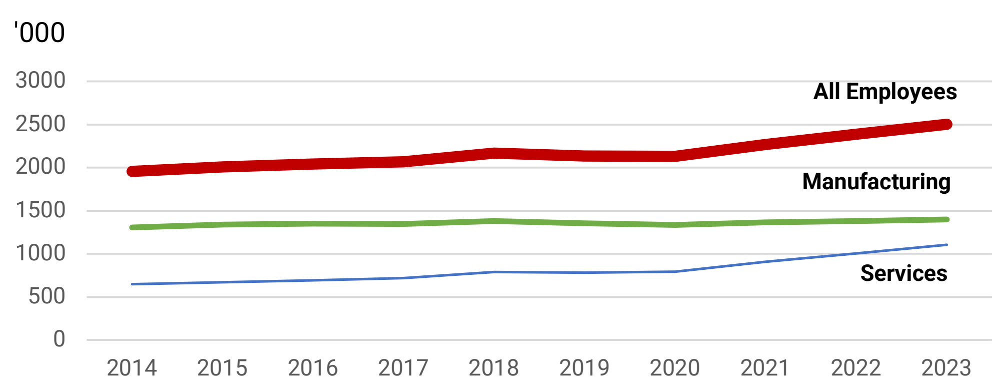
Year	Employees	Manufacturing	Services
2014	1,954.8	1,306.2	648.4
2015	2,007.8	1,340.3	667.5
2016	2,042.6	1,349.3	693.2
2017	2,064.5	1,347.1	717.4
2018	2,168.3	1,381.0	787.3
2019	2,132.0	1,352.3	779.7
2020	2,128.6	1,336.7	791.8
2021	2,267.8	1,362.0	905.9
2022	2,386.5	1,382.4	1,004.1
2023	2,503.2	1,398.7	1,104.6

Source: *Direct Investment*, Swiss National Bank, reports for various years.

Incidentally, during the year, Holcim sold Ambuja/ACC to the Adani Group through an overseas deal worth $10.5 billion.[65] We understand that the total inflow from Holderind/Holcim India over the years, including notional investment, was $2.90 billion, all through Mauritius.

In this context, the reported claim by Switzerland's State Secretary for Economic Affairs, at the time of the inauguration of the India-EFTA Desk at Invest India, in February 2025, that over CHF 10 billion Swiss FDI has "created 146,000+ jobs in India, particularly in manufacturing" appears to be quite off the mark. She projected a surge in investments in precision industries, chemicals, food processing, and pharmaceuticals.[66] Again, a question arises as to how existing employees in acquired companies (brownfield investments, which are likely to be very large) should be treated when assessing the 1 million jobs target.

Figure-14: Employment at Swiss-Controlled Enterprise Groups Abroad



Source: Same as in Table-25.

65 https://www.nishithdesai.com/fileadmin/user_upload/pdfs/Research_Papers/M&A_Lab_ADANI_HOLCIM.pdf

66 "India-EFTA Desk inaugurated, to promote ease of doing business" https://government.economictimes.indiatimes.com/news/economy/india-efta-desk-inaugurated-to-promote-ease-of-doing-businesse/118132674

To date, to the best of our knowledge, there is no reliable mechanism in India to estimate the employment created by FDI (inflows).[67] The government never provided any figures when asked in parliament. Importantly, the agreement specifies the generation of 1 million direct employment attributable to FDI from EFTA countries. It is, therefore, imperative that a suitable reporting mechanism be developed to monitor the employment created under TEPA. The mechanism must be able to assess additional employment after excluding that resulting from acquisitions.

[67] In response to a question "whether Government has made any assessment of employment generated by Foreign Direct Investment (FDI) in the country", in the Rajya Sabha, the member was informed that "No sir, there is no central mechanism to collect data on employment generation by Foreign Direct Investment in the country.". Rajya Sabha Unstarred Question No. 326, answered on 6 February 2019. A similar reply was given in the Lok Sabha. "Data is not centrally maintained for assessing the impact of FDI on the employment generation. Foreign Direct Investment inflows serve to augment domestic capital and help to promote industrial development and employment generation across sectors." Lok Sabha Unstarred Question No. 462, answered on 5 February 2020.

Section V: Post-1991 Approach to FDI in India - A Quick Wrap-up

Since the opening of the economy in 1991, India's FDI policy has gradually allowed freer entry to FDI. The initial approach towards FDI focused on what were termed high-priority industries. However, as the next step, even before trade-related investment measures (TRIMs) were prohibited under the WTO framework, India voluntarily withdrew performance conditions. Thereafter, the FDI policy was diluted progressively, with major changes in 2000, 2006, and 2012. Some of the major relaxations followed worsening current account deficit (CAD). By then, FDI had come to be seen as essential to meet the growing current account deficit (CAD) rather than for its intangible assets.

By 2000, India opened practically the entire manufacturing sector for the free entry of FDI. The then Prime Minister set up an expert group in 2008 under the auspices of the National Manufacturing Competitiveness Council (NMCC) to suggest, among other things, "policy measures and immediate steps to reverse the recent deceleration in the growth of the manufacturing industries" and "to leverage FDI to modernize manufacturing in India and create a strong technological base". The Group underlined the need to "re-examine the present policy of permitting 100 percent subsidiaries of foreign companies in the manufacturing sector ". The Group's observations remain relevant today.

> Technology transfer is considered to be one of the most important benefits of permitting FDI into a country. In India, however, in attracting the FDI the emphasis appears to be substantially on the amount of FDI flows. All announcements of successive Governments have been on the quantum of FDI received rather than on the quality of FDI. The benefits that accrued to the economy in terms of transfer of Technology, if any, is rarely highlighted possibly because no such assessments have been made.[68]

However, the policymakers of the day ignored the warnings about the perils of a liberal FDI policy noted by the expert group set up by themselves. We had also made policymakers aware of the implications of the liberal FDI policy for joint ventures and the transfer of technology in 1995 in a study commissioned by the Ministry of Finance, relevant excerpts of which are given in Box-2.

The renewed emphasis on FDI by the new government which assumed office in 2014, when in furtherance of the Make in India initiative, the government stepped up activities to promote FDI. The Invest India was set up as a joint venture with the Federation of Indian Chamber of Commerce and Industry (FICCI) with the objective of promoting and facilitation investments to India. Multiple relaxations to the FDI policy followed in 2016.[69] The *Economic Survey 2015-16* boldly stated that the "FDI reforms reflect a decisive change in philosophy, from viewing FDI as a tolerable necessity to something to welcome".[70] Thus, successive governments since 1991 have diluted the FDI policy and placed heavy emphasis on attracting large inflows.[71] The heavy and primary focus on

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[68] Report of the Prime Minister's Group, *Measures for Ensuring Sustained Growth of the Manufacturing Sector*, National manufacturing Competitiveness Council, September 2008.

[69] For a review of the FDI policy relaxations since 1991, particularly those by the new government in 2016, one may refer to Biswajit Dhar and K.S. Chalapati Rao, *Understanding Foreign Direct Investment*, Orient BlackSwan, India, 2020.

[70] Ministry of Finance, *The Economic Survey 2015-16*, Volume 1, p. 2.

[71] While the policymakers earlier failed to regulate judiciously and to discipline the private sector properly,post-1991, they tended to rely too heavily on FDI.

Box-2: Liberal FDI Policy, JVs with Local Companies and Technology Transfer

Excerpts from a Study Submitted to the Ministry of Finance in 1995

- In the global setting and with removal of entry barriers, it would not appear very illogical if Indian entrepreneurs choose soft options and join hands with well established international marketing networks even at the cost of losing their own identity. ... Progressively in many industries competition could turn out to be competition between large TNCs to the exclusion of local players.
- In the new environment, the local partner appears to have lost the bargaining power either to deny a stake or to make the foreign collaborator accept a minority stake. In the absence of liberal foreign investment policy the foreign investor would probably have been content to licence the technology instead of insisting on having equity stake and consequential control over the enterprise.
- Freer entry to TNCs is likely to affect market structures significantly. TNCs appear to be acquiring top positions in various branches of industry particularly in the consumer goods sector. Instead of starting green field projects, TNCs are preferring takeover of existing companies or striking strategic alliances with potential competitors to make a quick entry or to consolidate their already superior position in the market. In this process, industry leaders are their first targets.
- Unlike other principal activities of multinational firms, research and technology development tends to be confined to the home countries; it remains largely centralised, even in the most internationalized of firms.
- An examination of the technical collaboration approvals reveals that a significant number of these were in fact entered into by the very joint venture companies which were approved in the new policy period. A few others were also traced to the older/earlier JVs. It was also noticed that some of the foreign companies which initially entered into technology licensing agreements only, have acquired equity shares in such collaboration projects later on. These observations suggest the decreasing importance of arms length transfer of technology which is giving way to technology transfer among affiliates.
- The joint venture form still might find favour with foreign companies to take over many of the existing enterprises. This practice helps them to avoid (i) building green field projects which might involve long gestation periods; and (ii) the efforts required to establish distribution channels. This may, however, be a temporary phenomenon. In the long run TNCs may switch to a combination of the sole ventures and the marketing of goods produced by local small and medium enterprises under their own brand names.
- The proportion of majority ventures in total approvals would have increased substantially during the post- policy period. One-fourth of the total approvals were for foreign shares of less than 25 per cent. These, however, accounted for just about 10 per cent of the approved investment. In contrast, the number of companies allowed to set up subsidiaries formed a little less than 40 per cent but accounted for almost 60 per cent of the investment.
- There is a need to strengthen the monitoring system with regard to foreign investments, not only in terms of flow of capital and technology but also on important and crucial participants in the national market. The monitoring system must have a broader perspective. The industrial sector should be seen in relation to the indigenous and foreign investment, technology and trade in the global context.
- As the Companies Act is in the process of getting overhauled it offers an opportunity to introduce certain policy relevant variables in a standardised form. The audited balance sheet and profit and loss accounts should be expected to be submitted by all large companies on computer medium which would help in speedy analysis.

Foreign Investment Approvals and Implementation Status (August 1991- December 1994) A Review, a research project sponsored by the Department of Economic Affairs, Ministry of Finance, Institute for Studies in Industrial Development, Delhi, March 1995. Project Director: S.K. Goyal. Principal Researcher: K.S. Chalapati Rao

$100 billion FDI under TEPA should be viewed in this light. It appears that the policymakers assumed that an additional one million jobs would automatically be created if this target is achieved. Otherwise, there would have been a specific mention of labour-intensive industries and modes of entry in the TEPA. Far from being concerned about the across-the-board foreign acquisition of home-grown companies[72], Indian policymakers confirmed that acquisition-related inflows would be counted towards the target. Further, the alarmingly high levels of disinvestment and perpetually large payments by existing companies do not figure in the discussion.

Financial investments already constitute a major portion of what India receives as FDI. The share of such investments increased from 29.2% during 2014-15—2018-19 to 44.9%, exceeding RFDI's share of 41.4%, during 2019-20—2023-24.[73] In the face of this experience, one cannot miss the wide gap between this reality and the expectations of policymakers from FDI that

> Long-term sustainable FDI inflows into any economy, together with the associated transfer of technology, have the potential to contribute to, inter alia, accelerated economic growth,
>
> development of sectors of strategic significance, enhanced innovation and increased orientation towards high-technology, high-value-added output, repositioning of key sectors of the economy in global value chains, increased competitiveness, skill development, and employment creation.[74]

Financial investors, by their very nature, are not for the long term and seek large capital gains and recycle their investments, thus seriously affecting net inflows. Ironically, India's policymakers view this as a positive sign, reflecting investors' confidence in the Indian economy. The *Economic Survey—2024-25* noted, essentially reflecting private (equity) investors and capital market points of view, that:

> Many multinational companies have capitalised on India's strong stock market through secondary sales and Initial Public Offerings, indicating investor confidence. In 2024, private equity-backed exits increased, supported by India's stable macroeconomic environment and investor-friendly policies.[75]

The *Economic Survey 2024-25* also termed the large repatriations "as a success story". It further explained that much of it was sold to portfolio investors. "In other words, the large portfolio inflows in FY24 were the other side of the coin of large repatriation".[76] Once again, the distinction between portfolio and direct investments seems to have been lost.

It is difficult to comprehend how Wistron Infocomm's sale to Tata Group and ACC/Ambuja's sale to Adani Group fit into the above narrative. One expects a studied response to the situation in which the ratio of repatriations to gross FDI inflows increased from 63.0% during April-November 2023 to 69.2% in April-November 2024 (data available at the time of preparing the *Economic Survey 2024-25*).

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72 K.S. Chalapati Rao and Biswajit Dhar, "Inbound M&As in India: Issues and Challenges", Working Paper No. 226, Institute for Studies in Industrial Development, New Delhi, July 2020.

73 Supra note 48.

74 Department for Promotion of Industry and International Trade, *Annual Report — 2024-25*, pp. 28-29.

75 Ministry of Finance, *Economic Survey—2024-25*, p. 108. Also see: V Anantha Nageswaran and Bharadwaja Adiraju, "Behind India's growth over last 10 yrs—increase in repatriations, steady FDI inflows, writes CEA", https://theprint.in/opinion/behind-indias-growth-over-last-10-yrs-increase-in-repatriations-steady-fdi-inflows-writes-cea/2258739/

76 Ministry of Finance, ibid., p. 108.

During the past three and a half decades, no official committee has empirically examined the functioning of the FDI sector in the Indian economy.[77] RBI's company finance studies, including those dealing specifically with FDI companies, lost relevance as far as external transactions are concerned, mainly due to the changes in corporate disclosures under the *Companies Act, 2013*. Even the RBI does not fully utilise the responses to the FDI Census. This is the background in which the practically no-strings-attached commitment of $100 billion FDI and the promise of creating 1 million jobs commitment under TEPA need to be viewed.

[77] The RBI Committee on Compilation of Foreign Direct Investment in India (2002) was concerned only with aligning the country's FDI reporting system with the international reporting system. The Steering Group on Foreign Direct Investment (2002) which was constituted by the Planning Commission with the specific mandate to suggest steps to achieve a "sharp step up in FDI" which was "necessary for achieving the growth targets of the Tenth Plan". argued against placing entry barriers to FDI. It suggested that entry barriers to FDI (...) in any industry must be explicitly justified.

Both the Committee on Rationalisation of Investment Routes and Monitoring of Foreign Portfolio Investments set up by SEBI under the Chairmanship of Shri K.M. Chandrasekhar (June 2013) and the Committee on Rationalizing the FDI /FII Definition set up by the Ministry of Finance under the chairmanship of Shri Arvind Mayaram (June 2014) did not deal with the FDI policy and its impact.

Section VI: Summing Up and A Way Forward

The signing of TEPA was described as a watershed moment, and the agreement was expected to serve as a model for India's future treaties owing to its commitments regarding investment, employment, and technology cooperation. These are the core elements of the agreement for India, which expects to strengthen its manufacturing sector. We empirically examined the feasibility of these expectations. Instead of limiting the comments to broad aggregates, this study analysed India's aggregate and remittance-level FDI data, global and Swiss FDI statistics, Swiss parliamentary debates, official and company documents, press reports, and other public sources. Switzerland, being the core of the EFTA, our analysis focused more on Swiss investments. The study highlighted some of the nuances of the agreement and the practical issues relating to the measurement of FDI and its behaviour which not only have a bearing on the realisation of the targets but also on its developmental impact, which did not receive attention in the discussions on TEPA.

EFTA Investments in India during the Last Decade

As seen above, EFTA investment in India over the past two and a half decades has not been very significant. The reported inflows, however, picked up during the last decade and formed the basis for the targeted $100 billion investment in 15 years. The following are a few important features of the investments during 2014-15—2023-24, which were based on an analysis of the remittance-level data. These should be understood keeping in mind the extraordinarily large outliers described above.

- Non-EFTA companies investing through the EFTA accounted for 35% of the total direct and indirect inflows.
- The manufacturing sector remained in second place in both halves of the decade, with slightly less than one-third of the total effective[78] inflows. Moreover, it fell in the second half of the decade, with the financial sector taking the lead.
- Even in Swiss investments, which are projected to have a strong technological base, manufacturing gave way to the financial sector in the second half. The share of the manufacturing sector again hovered around one-third.
- Real FDI (RFDI) accounted for a substantial part of the effective inflows. However, while remaining stable in the case of Switzerland, its share fell from 86.6% in the first half to 68.4% in the second half for the entire EFTA.
- RFDI in the manufacturing sector fell in the second half of the decade. Again, the financial sector exceeded the investment in the manufacturing sector.
- Even in the RFDI, the share of manufacturing in the second half was only about one-third.
- The financial and manufacturing sectors accounted for nearly 70% of the RFDI in the second half, with the remaining amount spread over several services.
- Official data grossly underestimate the extent of acquisition-related inflows. Direct and indirect acquisitions account for overwhelming shares of inflows into specific industries.
- Very high notional inflows would not only inflate aggregate investments but also distort their sectoral distribution and trends.

[78] Notional remittances, old entries, etc., were kept out. Also excluded were investments by companies having headquarters outside EFTA. EFTA companies' investments through other countries were included.

- In India, Swiss-controlled firms had fewer than 100,000 employees in 2022, with the numbers rising or falling mostly because of acquisitions and divestments.

EFTA investments in India were not only small, but their pattern, especially in the second half of the decade, does not give rise to optimism. The decreasing share of RFDI in inflows from EFTA, falling share of manufacturing in RFDI, and considerably large share of acquisition-related inflows indicate that India's expectation to strengthen its manufacturing sector from EFTA companies' investments is based on weak grounds. India should take note of the practices of MNEs in general and in India, in particular. In some cases, what would have been reinvested earnings can return in the form of fresh equity. Bringing back a part of the benefits derived from investment in India cannot be said to be a new addition to invisible resources. Furthermore, tariff-jumping FDI would have an even lower incentive after TEPA. Given this scenario, one would not expect that investment from the EFTA would be stepped up multiple times over the next 15 years. The experience of the last 12 months (July 2024-June 2025) further shows that there is no perceptible pickup as the reported inflows from EFTA totalled only $ 334 million. Furthermore, technology cooperation under TEPA is generic in nature. Specifically, excluding technology transfer is a serious lapse.

With a total of 2.50 million employees across Switzerland-based multinational enterprises globally, and EFTA companies' marked proclivity to acquire existing businesses, the target of creating one million direct jobs (presumably additional) in India, especially in the manufacturing sector, by EFTA companies, appears unrealistic. Their outward FDI data suggest that this may not be due to new capacity creation. Moreover, there is near stagnation in their global employment in manufacturing sector. Further, manufacturing sector had a small share of Swiss investments abroad during the recent years. While Switzerland is reported to be planning to encourage small- and medium-scale enterprises to invest in India, there is a trade-off between technology and employment. Investments by SMEs cannot significantly contribute to the promised large investments. Such investments are also less likely to contribute significantly to employment growth.

Lack of Clarity on the Investment and No Preference for its Attributes

The terms stock and flow were used without distinction. Such ambiguity in international agreements is unexpected and unacceptable. If one goes by the figures cited, one would assume that it would be equity capital only.[79] However, when it comes to assessing the target, will this be adhered to in the absence of a formal definition in the agreement? Besides equity capital, would reinvested earnings and debt also be considered? We have shown that whether one looks at India's inward FDI[80] or the outward FDI of Switzerland, reinvested earnings have a major share in the total flows. Swiss outward investments are also characterised by disinvestment, acquisitions, and corporate restructuring. While the former causes the withdrawal of resources from host countries, the second type replaces the existing capital, and the third is unlikely to add to capacities. Thus, there may be no additional resources available to the investee entity. International organisations are doing a great disservice by not providing disaggregated data on fresh

[79] While making a case for a review of India's bilateral investment treaties, the need for clarity in the definition of investment was underlined in Biswajit Dhar, Reji K Joseph, T.C. James, **India's Bilateral Investment Agreements:** Time to Review, Economic & Political Weekly, December 29, 2012, vol xlvil. no. 52. pp. 113-122

[80] Reinvested earnings constituted 37.2% of India's equity inflows during 2020-21 – 2024-25.

equity flows, divestments, and acquisitions. Net flows conceal a lot of useful information.

While it was also announced that portfolio investments do not count towards the target, they are neither defined nor the exclusion finds specific mention in the agreement. One presumes that the reference here is to investments in the Indian stock market.[81] India not only follows a liberal FDI policy but has also adopted a liberal definition of FDI. It counts investments which would otherwise be portfolio investments if one goes by the international norm of 10% ownership.

The nature of FDI, entry routes, and sectors of operation are not mentioned in the agreement. The only exception in this context is the investment by SWFs. Opposition to the agreement in Switzerland was concerned about the environment, labour standards, human rights, etc., and a demand was made by it that such investments should not be counted towards the target (not be encouraged in the name of TEPA). At one time, it was even expected that TEPA would be subjected to a national referendum in Switzerland, precisely on these grounds. In contrast, India made no distinction on any of those aspects, except for making general statements regarding its expectations. No evidence to discussion in India on the pros and cons of setting a $100 billion FDI target prior to the signing of TEPA could be found.

Safety Valves

EFTA members know well that their companies would not be able to invest the targeted amount. They had to accept the conditions only to facilitate the conclusion of the agreement before the call for India's general elections, as the last phase of the negotiations indicates. Therefore, the EFTA managed to insert safety valves into the TEPA. Important caveats are placed in the footnotes of the investment chapter using convoluted language. The provision that investments by EFTA companies through other countries would also be counted towards the investment target under TEPA is reasonable, though they did not form part of the figures cited to arrive at the 13% growth in EFTA's FDI in India. Making investments by companies headquartered elsewhere but having a "significant presence" in EFTA countries, without defining the same, is a major stratagem devised by the EFTA. If this provision remains unchanged, EFTA investments would turn out to be global investments and include US, German, or Japanese capital. The annexure to the investment chapter does not shed any fresh light on the specifics; rather, it focuses on procedures for promoting investment and monitoring the targets.

It was repeatedly emphasised that India can take remedial measures if the targets are not met, but this does not work in a straightforward manner. TEPA has a three-stage consultation process and a three-year grace period for remedial action, which would push the initiation of "temporary and proportionate" remedial measures to 20 years. Even more importantly, what will be India's stand if only one of the targets is met at the end of 15 years? What if only half of the targeted investments materialise? Would the remedial measures be applied across the board or to selected products and imports from specific EFTA countries? In summary, the protection offered by remedial measures is more illusory than real. The investment commitment seems to be open-ended as the consultations would continue until the targets are met or, are revised downwards.

The caveats in the agreement which require India to maintain past growth rates and downward revision of the targets in case of exigencies, provide additional scope for

[81] The exclusion of portfolio investments (again, not defining the same) was announced through a press release by the Government of India.

scaling down the commitments. Under TEPA, India shall endeavour to ensure a "favourable climate for foreign direct investment" which again can be interpreted in multiple ways. The Indian policymakers should also be aware that there is a misconception in some quarters that EFTA Companies should earn 16% return on their investments is another condition that is written into TEPA. Since India is already open to FDI, particularly in the manufacturing sector, to attract further investment from the EFTA, would it be required to offer special incentives and give priority over investors from other countries?

The fact of the matter is that India has offered open entry to FDI in many sectors especially the manufacturing sector since 2000. Several leading Swiss and Norwegian companies have operated in India for a long time. However, the response of EFTA companies has been lukewarm. As has been repeatedly stated and asserted in the debate on TEPA in the Swiss Parliament and elsewhere, the private sector must take the initiative and fulfil the targets. Thus, the present situation boils down to engaging in promotional activities, offering incentives, and streamlining bureaucratic procedures to attract investment. None of these methods are novel or untried.

Tasks for India in the Investment Sub-Committee

Overall, the investment part of the agreement is one-sided, benefiting EFTA members by expanding their exports to India. By securing assured market access without binding obligations, the EFTA has played its role shrewdly. While deciding on the attractive target of $100 billion investment and the creation of one million jobs, not much homework was done by the Indian side. We are not sure if this is because the investment chapter was a late addition to the TEPA. Therefore, India must guard against passivity in the implementation of TEPA and try to recover lost ground. For the TEPA to provide a template for similar agreements, India must consider several factors and qualify the investments.[82] The Indian side of the Investment Sub-Committee has the major task of setting the parameters, and this is where it should be proactive and recover the lost ground, although it is not going to be easy. Given the lack of clarity in TEPA, India must influence operational aspects by taking advantage of 1(d) of Annexure 7.A of TEPA regarding the mandate for the Investment Sub-Committee which seeks "to resolve any issues or differences concerning investments or technology collaboration or any other matters in Chapter 7 (Investment Promotion and Cooperation) of the Agreement".

India should seek greater clarity, insist on sectoral prioritisation, and place a premium on manufacturing, greenfield projects, technology transfer, strong backward linkages, and exports. Investments that do not meet these requirements, including those made by companies with headquarters outside the EFTA, should not count towards the promised target. Ultimately, the main issue is not whether EFTA will manage to invest $100 billion; rather, what matters is how that FDI serves India's interests. This is a much broader issue concerning India's FDI policies in general, requiring "a state structure with the political will, political power, and competence to bargain effectively with MNCs".[83] India should be wary of the pressure to dilute its stance in the name of bilateral investment treaties to provide a favourable investment climate or give "comfort" to private investors. What

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[82] This is more so because an article on the website of the South Centre endorsed the investment commitment in TEPA. Danish, The India-EFTA deal: A Model for developing countries", South Centre, June 20, 2024.

[83] Mo Yamin and Frederick Nixson, "New Directions of Foreign Direct Investment and Industrial Development", in John Weiss and Michael Tribe (Eds.), *Routledge Handbook of Industry and Development*, London and New York, 2016, p. 180.

India tried to avoid could be brought back in the name of a favourable investment climate and comfort to investors.

In addition, India should develop a reliable statistical system that enables proper analysis of corporate behaviour beyond financial performance. Immediate steps should be taken to repair and improve corporate disclosure. The Ministry of Corporate Affairs, the Central Statistical Office, and the Reserve Bank of India should work closely with the research community to identify disclosures to facilitate policy-relevant analysis of the corporate sector, which is the lead driver of the economy and in which FDI occupies a significant place.

In Sum

At its core, TEPA's investment model is fundamentally flawed in at least two respects. Nations can only set tariffs, offer incentives, and improve the business climate; they cannot dictate private firms' investment decisions, as Switzerland has repeatedly emphasised. By treating FDI as an end in itself, TEPA disregards the conventional wisdom of bartering market access for technology and other benefits. In future FTAs, if India insists on incorporating investment targets, it must do so with far greater care, focusing on the quality rather than the quantity of foreign capital. Anything less would mean repeating the mistake of India's approach towards FDI since 1991.

Postscript

As expected, the TEPA became operational on October 1, 2025. Predictably, this development rekindled enthusiasm in the media and policymaking circles about the much-publicised $100 billion FDI expected from the EFTA countries. This update draws upon a few official statements made in this context.

The most significant among them is the interview given to *The Indian Express* by the Swiss Secretary of State for Economic Affairs. It provides useful insights into the likely nature of Swiss investments. Given that Switzerland is the dominant partner within EFTA, it will necessarily have to take the lead in fulfilling the commitments made under TEPA. Excerpts from the interview[84], followed by our comments, are presented below.

> "First, we will have Swiss companies that will simply want to export their products to India. Others may aim to serve the Indian market more directly, perhaps not necessarily by manufacturing entire machines locally, but by providing services such as repair and maintenance. In fact, these services often generate significant added value, as they require training local people, ensuring long-term support. Finally, you'll have those companies that will set up shop to serve the region, to serve the continent, (and) to serve the world."

Our Comment: Therefore, exports to India and the provision of service and maintenance for imported equipment appear more certain than the establishment of new manufacturing facilities by Swiss companies in India.

> "My sense is that Swiss companies have understood the importance of being present in large markets. So we are the sixth largest FDI (source) in the US as well, and I believe that the investment now flowing into India is not primarily intended for re-export to the US."

Our Comment: Thus, Swiss investments in India are unlikely to be aimed at exports to major markets, since most large Swiss companies already have substantial operations in developed economies. Indeed, about 80 per cent of Switzerland's outward FDI stock is located in Europe and North America.

> "I think what's happening now — and we've had a bit of a late start with India because India is only now opening up really and encouraging FDI… before it was a rather closed market. I think there is great catch-up potential."

Our Comment: This is a gross misrepresentation of facts. India's entire manufacturing sector has been open to 100% FDI since 2000—over two and a half decades ago. Only limited additional liberalisation has occurred in recent years, notably in defence industries and brownfield investments in pharmaceuticals. Moreover, most service sectors have been fully open for over a decade. Many major Swiss firms have been operating in India for decades and thus be aware of India's FDI policy.

> "Switzerland would therefore welcome the opportunity to re-establish a bilateral investment protection treaty. I would consider this a key element in ensuring the best possible framework for action. If you read the TEPA, the Swiss private sector committed $100 billion investment and 1 million jobs. In turn, India committed to establishing optimal framework conditions for this investment to smoothly and quickly happen. I'm happy to hear that the signals coming from the Ministry of

[84] https://indianexpress.com/article/business/india-efta-deal-strengthens-rule-of-law-amid-growing-global-trade-uncertainty-switzerlands-state-secretary-for-economic-affairs-10287271/?ref=newlist_hp

> Finance are quite positive. We've been informed that they are working on a model text, which is very encouraging. It's definitely something that we consider would be a key step now."

Our Comment: What India sought to avoid in TEPA by excluding the ISDS (Investor–State Dispute Settlement) mechanism could thus reappear through the bilateral investment treaties now being proposed. Furthermore, the *$100 billion investment* was never a firm commitment by the Swiss private sector—it was a notional figure mutually agreed upon by India and EFTA to lend the agreement a semblance of substance from India's standpoint. As repeatedly stated in Swiss parliamentary debates and official communications, the private sector cannot be compelled to invest; its participation is entirely voluntary.

Another statement worth noting—though strikingly ambitious—is that of the Ambassador of Iceland to India.[85] He expressed confidence that the $100 billion investment target could be achieved within ten years, well ahead of the envisaged fifteen. This optimism, however, sits uneasily with the more cautious Swiss position. The Ambassador cited Hampidjan's acquisition of a 75.1% stake in Kohinoor Ropes Pvt. Ltd., one of India's largest rope and net manufacturers, as evidence of progress. Notably, Kohinoor Ropes had already been exporting about two-thirds of its output—mainly to the Icelandic company itself, which procured roughly one-third of its global rope requirements from Kohinoor. Hampidjan group's global employment was 2000 and that of Kohinoor Ropes was 700.[86] Thus, a large, leading export-oriented, profitable, family-owned Indian firm has effectively changed hands. The reported remittance for this acquisition during the April–June 2025 quarter was $24.06 million, which raised Iceland's cumulative FDI inflows from $29.41 million to $54.07 million. Clearly, Iceland cannot be expected to spearhead the envisaged investment surge. The ambassador's statement is typical of the imprecise announcements made by different EFTA officials.

EFTA, meanwhile, appears to be seeking further concessions from India by offering to raise the projected investment to $250 billion, provided India agrees to introduce data exclusivity provisions in its intellectual property laws — an amendment that would seriously disadvantage the Indian generic pharmaceutical industry.[87]

On the occasion of the official TEPA launch, India's Minister of Commerce and Industry confirmed:

> "We have also got a promise from (Swiss State Secretary for Economic Affairs) Helene for another USD 150 billion after we finalise the data exclusivity in our IP (intellectual property) laws, which I am working towards. So, effectively, we have to get USD 250 billion from the EFTA region.[88]

When even the $100 billion figure lacks assurance, the claim of $250 billion is, to put it mildly, highly exaggerated. Nonetheless, by dangling this prospect, EFTA is attempting to extract more concessions from India. The bloc will undoubtedly organise roadshows and investor meets to demonstrate its good faith when the time for review arrives. Ultimately, the burden will rest on India—to sustain high growth rates, ensure a favourable investment climate, negotiate new BITs, and offer stronger intellectual property protection—all without any guarantee that the promised $100 billion FDI will actually materialise, let alone ensuring its quality.

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[85] https://www.thehindu.com/incoming/100-bn-of-investments-under-trade-deal-will-be-achieved-well-before-15-year-deadline/article70190777.ece

[86] https://hampidjan.com/2025/02/07/hampidjan-acquires-75-1-stake-in-indian-net-and-rope-manufacturing-company-kohinoor-ropes/

[87] https://www.financialexpress.com/opinion/explainerwhy-data-exclusivity-in-pharma-could-be-risky/3958087/

[88] https://money.rediff.com/news/market/india-eyes-250b-investment-from-efta-nations-goyal/34626920251001