

# Switzerland and india

Economics, Globalization



Federal Councilor Joseph Deiss (2006) mentioned “ Switzerland and India share many values and interests. Our two countries have a deep-rooted democratic system, Multilanguage and diverse cultural setup. Switzerland has a market-driven economy established long ago, and India has been gradually transforming its economy to open-market conditions. The services sector plays a major role in both our economies and is showing a good performance.

Over the years, Switzerland and India have been able to establish a flourishing relationship that covers diverse fields - economic, social, cultural and political. Exchanges of high level visits between our two countries have taken place regularly in the last few years. The Swiss President visited India in 2003 to specifically add a new dimension in our bilateral relations, namely in the field of scientific and technological cooperation, and the visit of Indian President to Switzerland last year had once again reinforced our common interest to deepen and widen our relationship.”

Culturally, India has many specialties. It enjoys a rich heritage stretching back over thousands of years of civilization. The Vedic culture which developed after 1500 BC generated a style of sacral building that was hugely diverse in its designs, colors and motifs. In India, sculpture and painting are as likely to be found in the home as in a religious setting.

The family is at the very heart of the Indian Society. The Indian family is characterized by a strong emotional closeness. Relationships are very important to Indians and they are interested in the people they meet. However it is well worth spending time getting to know your Indian guests a

little better, even if they are only with you for a short while. (Waseem Hussain, 2009)

Indians are spread throughout the world these days. There is significant Indian population in Switzerland and they live a happy life amidst Swiss community. For example, KELI a non-profit cultural Organization of Indians living in Switzerland conduct cultural festivals of youth almost every year over the past decade. (Keliswiss, 2009)

Switzerland and India are in many respects close to each other. Swiss people, mainly artists and intellectuals, have since long been attracted to the historic and cultural splendour and the puzzling diversity, including the philosophical and religious one, of the subcontinent. Thus, the Swiss psychoanalyst Carl Gustav Jung, who during his trip to India in 1938, which he described thoroughly in his work, was honoured with three doctorates from Allahabad, Benaras and Calcutta universities.

Or take the sculptor, painter and art historian Alice Boner (1889-1981) from Zurich, who spent not less than 45 years at the banks of the Ganga, in Benaras, and who was awarded the " Padmabhushan", a title of honor given by Indian Government, in 1974 by the Indian President for her outstanding scholarly work on Indian art, especially sculpture and architecture. As to the well known Swiss travel writer Ella Maillard, she spent the years of the World War II in the ashram of Ramana Maharishi, south of Madras, now called Chennai, and reflected her unique experience in the novel *Ti Puss*.

The strong relationship between Switzerland and India has been continually strengthened by Indian and Swiss dignitaries who believed in the potential of

sharing ideas and concrete projects together. Therefore, it is not surprising that the first ever friendship treaty signed by independent India was with Switzerland, signed by India's first Prime Minister Jawaharlal Nehru on 14th August 1948. (+India, 2009)

India is now exactly in the process of its parliamentary elections to constitute its 15<sup>th</sup> Lok Sabha. (Indian Elections, 2009) Lok Sabha, also called the House of People, is the Parliament of the elected members, encompassing the citizens of the entire country, with 28 states and 7 Union territories. (Knowindia, 2009)

As early as 1991, India took revolutionary measures to step up for Globalization. In spite of change in Governments, wherein parties of divergent views formed the governments, the policy on liberalization, privatization and globalization stayed tact, enabling the country stabilize its economy. This policy emerged in the following forms:

- Devaluation of Indian Currency
- Disinvestment of public sector undertakings
- Dismantling of Industrial Licensing Scheme
- Allowing Foreign Direct Investment
- No-resident Indian Scheme
- Throwing open Industries Reserved Sector to Private Participation
- Abolition of the Monopolies and Restrictive Trade Practices Act
- The removal of quantitative restrictions on imports
- The reduction of peak customs tariff from over 300 per cent to 30 per cent.

- Sever restrictions on Short term debt and allowing external commercial borrowings based on external debt sustainability
- Wide ranging financial sector reforms.

(IRJFE, 2006)

India's economic progress over the past 25 years has been quite impressive, with real growth averaging under 6 per cent. In 2003, however, India seemed to move up onto a significantly higher growth plane, posting growth of 8.3 per cent and maintaining above eight per cent ever since. (Hall ; Poloz, 2007)

India has a long-standing tradition of enterprise in trade and commerce. However, its geographical size, disparities in regional development levels and enormous cultural diversity in various parts of India, have supported a highly scattered and dispersed business system. Local businesses thrive on local demand. Very few businesses, mostly MNCs and large Indian corporate houses in the fast moving consumer goods (FMCG) and white goods sector, operate at a national level. A majority of business control is mostly patriarchal and dynastic, even in large enterprises, which are normally managed by main shareholders themselves with management control on boards. However, the occidental structure on management based on professionally trained managers is becoming increasingly popular even in family owned business enterprises. (Osec, 2008)

Switzerland and India have been business partners since 1947. The bilateral relations between India and Switzerland have grown closer over time. On 1<sup>st</sup> April 1947, Switzerland opened a Trade Mission in India, which in 1948 was converted into a Mission and in 1957 into an Embassy. The present Swiss

Ambassador to India is H. E. Mr. Philippe Welti. He is also accredited to Nepal and Bhutan. There is a Consulate General in Mumbai, which is currently headed by Mr. Peter Specker. Three Honorary Consuls are promoting relations between India and Switzerland in Kolkata, Bangalore and Chennai.

India opened a mission in Switzerland in 1948, which was elevated to an embassy in 1954. Since 1957 there has been a residing Ambassador in Bern. India maintains a General Consulate in Geneva and is represented by an Honorary Consul in Zurich. In the recent years, economic relations between the two countries have been hoisted to a higher level of importance. This is reflected in the pace at which our total bilateral trade has increased from Swiss Francs 1. 16 billion in 2002 to Swiss Francs 2. 62 billion in 2006, reflecting an increase of 125 per cent in four years.

In terms of foreign direct investments, Switzerland has remained amongst the top 10 foreign investors in India. About 150 Swiss companies have formed joint ventures or subsidiaries, and many more have representatives or agents in India. The Swisstechnology-driven companies, including small and medium businesses, play a major role in the trade and investment flows to India.(+India, 2009)

As for the legal obligations of a foreign investor, the Government of India, have made the process easy and comfortable by removing the stringent regulatory conditions as mentioned elsewhere in this report. It is also worthwhile to make a note of the points concerning the consumer protection laws of the country. Consumer protection, of course, plays a key role in the implementation of the principle of socio-economic justice. Keeping this in

view, under the auspices of the 1985 UN resolution, on consumer protection, Indian Parliament promulgated the Consumer Protection Act in 1986.

This legislation is very peculiar for several reasons. The 1986 Act recognizes the role of consumer organizations in assisting private individuals in seeking justice. The consumer legislation applies to all goods and services in private, public and the cooperative sector, enabling the consumer to initiate action against defective goods or deficient services.(Monti, 2001)

To consider the points with regard to the political risks in India, we must know that starting a manufacturing unit in India is not a smooth sail. There are conflicting interests among political parties which deter implementation of green site projects. For instance, Tata's initial plan to build a new car factory in Singur, West Bengal, some 31 miles from north of Calcutta, could not see the day light.

The company after investing \$ 350 million in the new factory, although the project was welcomed by the West Bengal's State Government, had to face the angry protest of the agricultural land owners, supported by an opposition political party. Tata could not stand the protest and closed its Singur factory project. This incident is especially worrisome for India's state governments, which dearly want both foreign and domestic investment, but seem to have constituencies that feel otherwise (Coffin, 2008)

Terrorism is another risk in every country. India is no exception. Teams of gunmen rampaged Mumbai, the hub of Indian Commerce, by attacking multiple hotels, a hospital, a café, a cinema, a train station and a Jewish

community center during several morning hours in November 2008, killing as many as 170 people.(Wade, 2009)

Both reflexive modernisation and globalisation are much discussed and controversial topics. Research supports the claim that globalisation is surrounded by imprecision and conceptual confusion and is deeply contested in many directions. It is a multi dimensional and multi directional process in which communications technology, ecology, work organisation, culture and civil society are all implicated in the transformation of sovereign nations by global actors with varying levels of power, orientations, identities and networks.

Reflexive modernisation is a thesis overemphasising the transformational power of risk, failing to reconcile reflexivity and reflection, and giving too much prominence to modernity. It has a western bias and there is doubt whether it is an appropriate framework for analysing developing or non western nations. However, emphasizing risk as a major driving force carries with it the danger of ignoring the influence of asymmetrical power relationships of social class evidenced in the emerging gap between information rich and information poor communities and the socially excluded underclass. Social inequality and social division rather than being equalised by risk may be in fact accentuated.

In analysing the policy formulation and developmental tracks of India, it is clear that whilst western style capitalist forces and influences of globalization, emphasizing the creation of global free market, deregulation, privatisation, structural adjustment programmes, and limited government are evident, the nation is on the brink of taking a very different development



path. A reflexively modernised India will certainly not resemble a reflexively modern Europe as described by celebrated theorists. However, the signs are that India will become a twenty-first century, global economic, political, and cultural giant and therefore can not be ignored.(Pick ; Dayaram, 2006)

India lost its major trading partner with the fall of Soviet Union (Breyer, 1998) Driven by the challenges of globalization and growing economic interdependence in Asia, both ASEAN and India are actively pursuing free trade agreements with their trading partners within and outside the region(Gaur, 2003). ASEAN depicts Association of South East Asian Nations.

The fast evolving Indian market is one of the most promising in the world and so is the Indian Consumer. Rising Incomes, multiple income households, exposure to international lifestyles and media, easier financial credit and an upbeat economy are the key drivers enhancing consumer aspirations and consumption. India, with over one billion people comprising of different segments of consumers, based on class, status or income, is a huge and lucrative market.(Rao, 2008)

India has several investment qualities that attract investors. First, India has one of the best investment protection laws in the world; ranking 33<sup>rd</sup> in the World Bank's Doing Business Survey 2007. Second, foreign firms seeking to establish a presence in India will find India's policy towards foreign investment appealing. India permits 100% foreign equity in most industries and allows automatic approval for many sectors. Third, capital brought into India may be withdrawn and profits repatriated conveniently. Fourth, Indian regulators favor healthy competition. Fifth, competent staff can be found

easily. Lastly, tax incentives are available for investments that are expected to boost economic growth. (Sia ; Guiang, 2008)

With a population in excess of 1 billion and current annual GDP growth of 9%, India is a major player in world economy. Nearly 700 million people of India's population live in rural areas.

These areas lack basic infrastructure such as roads, transportation, electricity, water, healthandeducation. Under these circumstances, classifying the consumer market in India is challenging. Particularly, with the perplexing, linguistic, political, geographical and economic diversity in the country, it is very difficult to classify consumer market. However, the advent of modern retailing in urban and semi urban areas has significantly altered the marketing approaches of FMCG firms.(Mishra, 2008)

In India, the competitive regionalenvironment, especially the availability of skilled and relatively cheap labor, appears to lure MNCs in large numbers. Though there are six major metropolitans which have been the primary destination for MNCs, Bangalore captures the lion share. Bangalore has plenty of Universities, a relatively fairly developed infrastructure, and a high concentration of Engineers and Scientists. It is considered to be a rising world city.(Ali ; Batra, 2008)

The Swiss Business Hub (SBH) India offers to both Switzerland and India, market and product analysis, information on distributors, representatives, import partners, promotional activities information about the Indian market through Osec Business Network, Switzerland to Swiss companies and information about Swiss economy to Indian companies.(The Financial

Express, 2002) The sectors in which Swiss companies operating in India are Banking, Airlines, Fragrances, Biotechnology, Machinery, Electronics, Service Sector - with fiduciaries and law firms and most importantly IT.(Hinduja, 2005)

The Indian government has been pursuing in development of Software Technology Parks with objectives to promote development of software and software services, to provide statutory services to the exporters by implementing STP/EHTP Scheme and to provide datacommunicationservices including various value added services both to IT industries and corporate houses. The software parks in India have expanded widely in all regions of India with the state of Karnataka in south India being considered the leader of software industry.

The state of Andhra Pradesh, also in south India, is the leading state in the development of the biotechnology sector. One of the most important features of both these types of parks is the catalyst role played by the Government of India which has provided a model for encouraging collaboration between the private, public, and foreign sector. This business model has been successful in attracting foreign investment as evidenced by the burgeoning number of multinational companies in India in the last decade.

The park model has also been attracting domestic entrepreneurs both in the software industry and biotech industry. While technology parks have played a crucial role in the growth of the software sector in India, other factors such as favorable economic policies that include tax holidays, a ready availability

of skilled labor and global demand for software products have also been important in the success of these parks in India. (Vaidyanathan, 2008 )

The Indian Watch market has matured over the years and has seen a paradigm shift, keeping abreast with international trends. With the withdrawal of the quantitative restrictions on watch imports, since April 2000, the dynamics of watch business has completely changed. The Rs. 2400 cr Indian wristwatch market with organised sector representing just over 50% has been revitalised by deregulation, with major national and international companies taking newer positions. In a study, it has been found that the most important attributes influencing purchase of watches were brand (Indian), shape (round), price category (below Rs 1000), outlet (company showroom) purchase need, mode of payment (cash payment) and warranty (2 years) ( (Rao, 2008)

The supermarket industry is another upcoming area. Efficient consumer response (ECR) standards are becoming a common method used to increase the supermarket supply chain efficiencies that are driving logistic trends within the industry. The trends include expanded service requirements, mass customization, customer loyalty and private labelling, delivery options and increased challenges in diverse markets. Reverse logistics, electronic point of sale data collection and management of supply chain by third and fourth party logistics providers are also becoming increasingly important for the supermarket industry. (Kumar, 2008)

In line with the positive business climate in India, leasing business is one of the opportunities. Among leasing business, infrastructure, aircraft leasing and automotive business are three areas of opportunities for foreign firms.

Infrastructure development is expected serve as a key driver of demand for equipment leasing services in India. Infrastructure investment cover road, rail, air and water transport, power generation, transmission and distribution telecommunication, water supply, irrigation and storage. India's 11<sup>th</sup> five year plan (2007-2011) indicates how the Government of India aims to increase investment in infrastructure from the 4.6% of the GDP stipulated from the previous five year plan to 8%.

While it is so, aircraft leasing looks promising, as evidenced by India's sequence of planned and actual orders. For instance, India placed an order for 120 aircraft during the 2005 Paris Air Show. Even recently, Air India and Indian Airlines announced their plan to order a total of 111 aircraft from Boeing Co. and Airbus. Likewise, automotive sector in India presents a potential opportunity for international lessors and equipmentfinancecompanies. (Sia ; Guiang, 2008)

India's political leaders are the first to admit that in order to facilitate growth going forward, an extensive effort has to be made toward increasing infrastructure investment. However, competing demands on the government have made it difficult to achieve momentum. Reliable estimate of the infrastructure gap are difficult to measure in any economy. India's present infrastructure capital requirement clearly represent a key opportunity for foreign companies.(Hall ; Ploloz, 2007)

It is the right time for an international investor to establish business in India. Although global melt down has been causing some anxieties, India, as we have seen in the previous paragraphs, is a place where an international

investor can safely make investments for reliable returns. As for Switzerland, it would add another dimension in the sense, it would renew and continue establishing the bondage and trade relationship both the countries have been maintaining for over six decades.

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