

SPAIN INDIA 2020

A joint reflection on the
past, present and future
of our bilateral relations

WORKING PAPER 2

Economic and trade relations



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Meeting organized by the Spain-India Council Foundation with the Minister of Finance, Trade and Industry of the Indian state of West Bengal, Dr. Amit Mitra, in October 2015

2.1.

Framework of bilateral economic and trade relations

The 1972 trade and economic cooperation agreement between Spain and India was the first cooperation agreement in the chronicle of our bilateral relations. The Spanish-Indian joint commission –established in this agreement– is also the most long-lasting bilateral dialogue to date, as well as the one which has held the most meetings (up to eleven). This legal frame for the economic and trade fields is rounded off by the 1993 agreement to avoid double taxation and to prevent tax evasion regarding income and capital gains taxes and its protocol of amendment signed in 2012. The agreement on reciprocal promotion and protection of investments was finalised in 2017 after it was denounced by the Indian side, although it will be in force until 2031 for those investments carried out before its completion. The new framework for the protection of investments would be framed within the EU-India Bilateral Trade and Investment Agreement (BTIA), still under negotiation.

Bilateral investments and trade, which unlike Indian exchanges with other European countries have been historically scarce, are significantly below the weight of the Spanish and Indian economies in the global context (see Illustration

10). The volume of bilateral trade between both countries, with a trade balance favourable to India, has grown significantly over the past years, but is still below the trade volume experienced between India and the European Union or Spain and other Asian countries (see Illustration 11). Bilateral investment has experienced a major expansion in the last decade, especially in the case of Spanish companies in India, in sectors like transport infrastructures, the automotive sector or renewable energies, and with regards to Indian companies in Spain, in sectors like information technologies, the automotive sector or the pharmaceutical industry. However, there is still enormous growth potential, taking into account the capacity that both countries exert to attract foreign direct investment in their respective geographic areas (see Illustration 12).

The impact of COVID-19 at economic and trade level, still to be determined, is also affecting our short-term exchanges. However, the speeding-up of some economic paradigms could generate joint synergies in the recovery of both economies. These encouraging trends in the medium and long term include the economic and trade impact of new geopolitical dynamics; the transformation of the economic and productive model; the plans to support bilateral and multilateral investment and the consolidation of India as one of the main global markets (see Illustration 13).

ILLUSTRATION 10 / Comparative perspective of Spanish and Indian economies

GDP	Spain	India	Structure of the demand in 2018, in billion USD	Spain	India
Nominal GDP in 2019, in billion USD	1,394	2,875	Private consumption	828	1,651
Nominal GDP per capita in 2019, in USD	29,614	2,104	Public consumption	264	312
GDP growth in 2019	1.98%	5.02%	Gross capital formation	289	870
GDP PPP in 2019, in billion USD	1,987	9,612	Exports of goods and services	499	549
GDP per capita PPP in 2019, in USD	42,214	7,034	Imports of goods and services	460	657
Global ranking of nominal GDP in 2019, among 187 countries	13	5	Source: UN		
Source: World Bank			Public sector	Spain	India
Sectoral distribution of the GDP in 2019	Spain	India	Budget balance in 2019, % of GDP	-2.64%	-7.44%
Agriculture	2.7%	16%	National debt in 2019, % of GDP	96.4%	69%
Industry	20.2%	24.9%	National debt in 2019, in billion USD	1,320	2,010
Services	67.9%	49.9%	Source: IMF		
Source: World Bank			Trade	Spain	India
Sectoral distribution in 2019, in billion USD	Spain	India	Trade balance in 2019, in billion USD	-38.1	-159.7
Agriculture	37	459	Average import tariff in 2019	5.1 (EU)	17.6
Industry	282	715	Source: WTO		
Services	946	1,434	Prices	Spain	India
Source: World Bank			Inflation in 2019	0.7%	4.54%
Structure of the demand in 2018, % of the GDP	Spain	India	Source: FMI		
Private consumption	58.2%	59.3%	Global Indexes	Spain	India
Public consumption	18.6%	11.2%	Global Competitiveness Index 2019, among 141 countries	23	68
Gross capital formation	20.3%	31.3%	Ease of Doing Business Index 2020, among 190 countries	30	63
Exports of goods and services	35%	19.7%	Source: World Bank; World Economic Forum		
Imports of goods and services	32.4%	23.6%			
Source: UN					

ILLUSTRATION 11 / Comparative perspective of India-EU & Spain-Asia trade Relations

India-EU relations								
Main destinations of Indian exports of goods to the EU in 2019, in million euros			Main EU exporting countries of goods to India in 2019, in million euros			Main trade partners of India in the EU in 2019, in million euros		
1	Germany	7,522	1	Germany	11,920	1	Germany	19,442
2	Netherlands	5,310	2	Belgium	6,678	2	Belgium	11,280
3	France	5,261	3	France	5,773	3	France	11,034
4	Italy	5,155	4	Italy	4,001	4	Italy	9,156
5	Belgium	4,602	5	Netherlands	2,352	5	Netherlands	7,662
6	Spain	3,952	6	Spain	1,345	6	Spain	5,297

Source: European Commission

Spain-Asia trade relations								
Main destinations of Spanish exports to Asia in 2019, in million euros			Main Asian exporting countries to Spain in 2019, in million euros			Main trade partners of Spain in Asia (except the Middle East) in 2019, in million euros		
1	China	6,800	1	China	29,143	1	China	35,943
2	Japan	2,730	2	Japan	4,359	2	Japan	7,089
3	South Korea	2,250	3	India	4,324	3	India	5,658
4	India	1,334	4	South Korea	3,123	4	South Korea	5,373
5	Hong Kong, China	915	5	Taiwan	1,325	5	Taiwan	1,846

Source: Secretariat of State for Commerce

ILLUSTRATION 12/ Comparative perspective of foreign direct investment (FDI) in the UE and Asia (except the Middle East)

FDI flow in the UE in 2018, in billion USD			FDI flow in Asia in 2018 (except the Middle East), in billion USD		
1	Netherlands	70	1	China	139
2	Spain	44	2	Hong Kong, China	116
3	France	37	3	Singapore	78
4	Germany	26	4	India	42
5	Italy	24	5	Indonesia	22

Source: UNCTAD

ILLUSTRATION 13/ Comparative perspective of the demographic projection of India**Countries with the largest population in 2019**

Ranking	Country	Total population in 2019, in millions
1	China	1.398
2	India	1.366
3	United States	328
4	Indonesia	271
5	Pakistan	217

Source: World Bank

Demographic structure of India compared to China and the United States in 2030

Age Range	China	United States	India
Older than 65	18%	20%	8%
60-64	8%	6%	4%
50-59	14%	11%	11%
25-49	33%	33%	37%
15-24	11%	12%	16%
Younger than 15	16%	18%	24%

Millennials and Generation Z in 2030

	China	United States	India
Share of total population	60%	63%	77%
Estimated total population, in millions	864	216	1,155

Source: World Economic Forum and data retrieved from the US Census Bureau, Chinese Academy of Social Sciences and United Nations

Spanish economy ranked thirteenth, with a GDP that is half of India's in nominal terms (IMF, 2019). According to the World Bank, in the last decade the Indian economy has grown by approximately 6.75%, overcoming China in average growth for the last five years, while the Spanish economy has grown timidly over 1% (calculation based on World Bank data, 2019).

There is a difference of hardly 32 million people between the population of China and of India, which according to World Bank data, reached 1,366,418,000 inhabitants in 2019. United Nations growth projections forecast that by 2027, India will overcome China as the most populated country in the world (United Nations, 2019a). Currently, 50% of the Indian population are aged under 25 and 65% under 35. There are therefore 700 million millennial and generation Z consumers (World Economic Forum, 2020a). This young population, with a flourishing middle class, is turning the Indian market into one of the largest ones in the world. The World Economic Forum forecasts that by 2030, India will be the third market in the world in terms of consumption, only behind China and the United States (World Economic Forum, 2019b) (see Illustration 13).

However, the Indian Government's target to become a 5-trillion-dollar economy in the upcoming years could be jeopardised by the current situation. Economic forecasts have undergone an unprecedented impact due to the COVID-19 pandemic (In Detail 3). In the post-Covid-19 scenario, recovery forecasts are more favourable for the Asian economic environment in general, and for India in particular. This optimism is based on the strength of its domestic market which, despite having collapsed by 60% during lockdown, according to the Federal Reserve of India, maintains optimistic forecasts for the following decade (Reserve Bank of India, 2020a).

2.2.

The dimension of the Indian and Spanish economies in the global context

The International Monetary Fund (IMF) ranked India in 2019 as the fifth economic power of the planet, after overtaking the United Kingdom and France in the last two years, while the

IN DETAIL 3

The impact of the COVID-19 pandemic on the Spanish and Indian economies.

India and Spain are experiencing a significant economic slowdown as a result of the COVID-19 pandemic, in parallel with the recession of the world economy. The strict lockdowns implemented in India and Spain have resulted in a significant standstill of the economic activities. In India the lockdown extended throughout the first half of 2020 in four differentiated phases, from 25th March to 31st May, with a strict ban on movement between states and on non-essential activity, allowing a relaxation of the measures during the last 4 weeks. During the same period, the lockdown extended in Spain between 15th March–20th June 2020. The economic activity experienced a widespread standstill during the two first weeks of April, and the measures were relaxed by phases after the 11th May.

The economic consequences have been immediate, with a 17.8% drop in the Spanish economy during the second quarter of 2020, and a 23.9% drop in the India economy (National Statistics Institute, 2020; Ministry of Statistics and Programme Implementation,

2020a). The forecasts of the main international economic institutions have been adjusting downwards in the last few months. In the case of India, the Asian Development Bank worsened its forecast in September, 2020 to a drop in the Indian GDP of 9% for the 2020-2021 financial year, as opposed to the 4% forecast in June (Asian Development Bank, 2020a; Asian Development Bank, 2020b). Similarly, the rating agency Moody's estimated in September 2020 that the Indian GDP would drop by 11.5% in the same financial year, as opposed to its previous forecast of 4% (Moody's, The Indian Express, 2020). With regards to Spain, in September, 2020 the Bank of Spain ruled out a scenario of quick recovery and worsened its growth forecasts, announcing a drop of up to 12.6%, a similar figure to the one forecast by the IMF in June, 2020, of 12.8% (Bank of Spain, 2020; IMF, 2020a) (see Illustration 14).

The Indian economy has experienced both a sharp drop in the main indicators during lockdown and a significant improvement in the following months. Although unemployment figures almost reached 24% in April and May, by July 2020 they had dropped to 7.43%, lower than the 7.6% with which 2019 had ended. On 30th September 2020, the unemployment

rate was already at 6.7% (Centre for Monitoring Indian Economy, 2020). Similarly, the Industrial Production Index also experienced sharp drops, standing at 57.6 % in April, 2020 compared to the previous year, 34.7% in May, 2020 compared to the previous year –a sizeable upturn in industrial production still during lockdown–, and 10.4% in July, 2020 (Ministry of Statistics and Programme Implementation, 2020b). The strength shown by the Indian economy and its domestic market, despite having undergone one of the largest GDP contractions during this pandemic and one of the strictest lockdowns, gives cause for optimism in its recovery.

ILLUSTRATION 14/ GDP growth forecast for Spain and India in 2020 and 2021					
Projected GDP growth of India, September/October 2020 revision			Projected GDP growth of Spain, September/October 2020 revision		
Entity	Fiscal Year 2020-2021	Fiscal year 2021-2022	Entity	Calendar Year 2020	Calendar Year 2021
Asian Development Bank	-9%	8%	Bank of Spain	Between -10.5 and -12.6%	Between 4.1 and 7.3%
CRISIL	-9%	10%	Bankinter	Between -12.2 and -14%	Between 4.4 and 9.6%
Fitch Ratings	-10.5%	11%	BBVA	-11.5%	7%
FMI	-14.8%	15.7%	European Commission	-12.4%	7.1%
Goldman Sachs	-10.3%	8.8%	Fitch Ratings	-13.2%	6.2%
India Ratings and Research	-11.8%	9.9%	IMF	-12.8%	7.2%
Moody's	-11.5%	10.6%	OECD*	-11.6%	5%
OCED	-10.2%	10.7%	Funcas	-13%	7.9%
Average	-10.9%	10.6%	Average	-12.4%	6.3%

*December forecast

Source: Asian Development Bank; Bank of Spain; Bankinter; BBVA; European Commission; CRISIL; Fitch Ratings; Fundación de las Cajas de Ahorros (Funcas); Goldman Sachs; India Ratings and Research; Moody's; OECD

2.3.

The economic and trade effects of the new regional and multilateral scenario

The recent disputes between China and India in the land borders, the tensions in the Indo-Pacific and the disruptions in the supply chain in recent months have an economic projection on trade relations between India and China which are unbalanced from the outset. Chinese imports to India amounted to almost 14% of the total Indian imports for the 2019-20 financial year, while Indian exports to China for the same period amounted to 5% of the total exports (Department of Commerce, 2020).

Different measures have been taken by the Indian Government in the last months to overcome this trade dependency on China and the economic-social influence of their companies in Indian

territory. At a technological level, India has banned 59 mobile applications of Chinese origin, including the famous Tik Tok, the app with the most downloads in India in 2019, which had reached 125 million active users (Business Insider, 2020). At a production level, they are seeking offshoring of production in China by global companies and promoting their relocalisation in India to access the domestic market.

The major beneficiaries of these measures, in parallel to the political and leadership alignment between India and the United States, are the American tech giants. Indian users have found a patriotic alternative in the American technological options against the Chinese platforms. Some of the examples include Instagram for Tik Tok, UberEats for Zomato, Amazon or Flipkart – owned by Walmart– for Alibaba, or Google for Tencent. In the context of this technological war, the American multinationals have opted for

increasing their investment in India, as evidenced by recent investments in Jio, the digital platform of Reliance, amounting to USD 5.7 billion from Facebook and USD 4.5 billion from Google (Foreign Policy, 2020).

There has been greater understanding in the trade policy between the United States and India over the past years, as well as a recent fallback in its relevance in the global trade negotiations, within organisations like the World Trade Organization (WTO). In 2014, India withdrew its support to the Doha Round when it did not obtain long-term protection guarantees for its agricultural subsidies programme. At the end of 2019, India also withdrew from the Regional Comprehensive Economic Partnership (RCEP), set to become the largest Free Trade Agreement of the world. The agreement is formed by the members of the Association of Southeast Asian Nations (ASEAN), along with its six regional free trade partners (except for India) –Australia, China, Japan, New Zealand and South Korea.

The commitment of the Government of India to direct the Make in India programme towards self-sufficiency by replacing imports, reflected in the new Self-Reliant India campaign, could generate a new protectionist path in the medium and long term. The measures that the Indian Government is considering include enforcing tax deductions and support measures to the local industry, preference for goods manufacturers in the country under government contracts and the enforcing non-tariff barriers that lead to reduction of imports. The effect that these policies can have on foreign direct investment and, consequently, on the economic growth of India, will be decisive for their continuity in time and to measure their extent.

However, given the geopolitical situation, the imbalances in the Indian economic structure and the enormous economic dimension of the

health crisis in Spain, both countries are going through a moment of economic transition that forces them to look outwards and creates a new opportunity to look at one another, now more than ever. In the case of India, the aim is to increase its relations with its commercial allies to guarantee new supply chains that reduce its dependency on China. In the case of Spain, just as during the 2008 crisis, the aim is to ensure the sustainability of its companies in view of the crisis of its domestic market by internationalising them (see In Detail 4).

In an economy with the complexity of India, the role of the economic and trade offices, in charge of the economic and trade-related institutional relations under the direction of the Secretariat of State for Commerce, is essential to make the most of these opportunities of mutual growth. Similarly, the work they carry out together with ICEX, involving informative, supporting and promoting activities, is essential to facilitate the engagement of Spanish companies in the Indian economy and market (see Case 3). The appointment of Arancha González Laya as Minister of Foreign Affairs, European Union and Cooperation, whose main targets include revitalising the Spanish economic diplomacy, and who has visited India in several occasions and has held numerous meetings with different ministers of the Indian Government during her previous post as Executive Director of the International Trade Centre, is also an important asset. Having González Laya as a negotiator of renowned standing in the field of international trade is an opportunity for India to make its way in accordance with its strategic importance in the Spanish economic diplomacy.

Bilateral synergies to address the transformation of the economic and productive model.

In the transformation process of the economic and productive model that India and Spain are experiencing there are many opportunities resulting from the complementarities between both economies. In view of China's commitment towards relocalisation, the trade in goods with high added value, like auxiliary products for supply chains or final goods without local substitutes that provide continuity to an Indian value chain heavily reliant on China, can experience high demand in the medium and long term.

At the level of investments, the relocations of production from China offer an optimal setting to enter the growing Indian market. Tax benefits in sectors like health, electronics, telecommunications and production of capital goods could be interesting incentives for internationalisation in India. New regulatory reforms, like the relaxation of the land law, could offer a boost for projects of renewable energies and telecommunications.

An economic revitalisation in the sectors of information technologies and pharma can encourage the Indian companies to enter the European market from Spain. Internationalisation in Spain offers Indian companies lower costs in a comparative approach, a good optimal business fabric of services for operations support –also for Latin America–, as well as a place with an excellent quality of life for its expatriates.

The synergies that represent the Indian and Spanish economies are, without a doubt, an opportunity to invest in mutual sustainable growth in the medium and long term, as the Indian authorities repeatedly underline. In order to provide continuity to this opportunity, it is necessary for Spanish companies to participate in the India value chain, either at a technological level, with auxiliary products, or by their establishment, either through subsidiaries or agreements with local partners.

CASE 3

The key work of ICEX and the economic and trade offices of Spain given the complexity of India

ICEX España Exportación e Inversiones (The Spanish Institute for Foreign Trade) and the **Economic and Trade Offices in New Delhi and Mumbai** work closely together with the main business organisations, including Spanish Chambers of Commerce, the employer's confederation CEOE and the Indo-Spanish Chamber of Commerce, in promoting the internationalisation of the Spanish economy and companies in India, as well as attracting and promoting Indian investments in Spain. The Economic and Trade Offices of New Delhi and Mumbai also work closely with the main Indian business and trade associations towards this end.

India has been selected as one of the **PASEs (Countries with Strategic Sectoral Performance) in 2019**, both for its scope for growth in exports and improvement of the coverage rate, and for its potential for attraction of Indian investments in Spain. The strategic sectors identified include railways and transport infrastructures, industry, water, agri-food and consumer goods.

Given the complexity of the market and the difficulty accessing relevant and accurate information, the role that ICEX and the Economic and Trade Offices of New Delhi and

Mumbai play is essential to facilitate the internationalisation of companies and the export of Spanish products in India. In the last year, **more than 1,000 enquiries of Spanish companies** have been solved from the Economic and Trade Offices of New Delhi and Mumbai.

From ICEX and the Economic and Trade Offices of New Delhi and Mumbai, efforts are being made to **support the Spanish business fabric during the COVID-19 pandemic**, at an informative level –through webinars and reports– and a digital adaptation level – including direct virtual missions in diverse sectors, from industrial to consumption goods.

Its main functions and actions developed include:

- Information-Related Work:

- General reports on India: Including economic and trade information and internationalisation guides, e-business, public procurement, investments, businesses, customs formalities, capital repatriation or taxation for expatriates.
- Sectoral reports on India: Including more than forty market studies since 2018, and their executive summaries, as well as dozens of sector fiches and reports of the main fairs (See Illustration 15).
- Information on business opportunities: Of both public-private partnerships and the main international financial institutions.

- Virtual Classroom: Specific webinars on India.
- Social Media: its active work of disseminating information in Spanish on Twitter through @ICEXIndia has been joined by @SpainBiz_India, for information in English .

- Promotion-Related Work:

- Promotion with ICEX Pavilion: ICEX and the Commercial Offices of India are present in the major fairs of the strategic sectors being held annually in the country.
- Conduct Showrooms: Promotion in strategic sectors and market opening in new sectors.
- Invest in Spain Programmes: Presentation of investment opportunities in strategic sectors to Indian investors and promotion of investment in Spain directly with major companies and investors.
- Holding Multilateral Partnerships for Development: Including sectoral meetings with representatives of the main institutions of multilateral financing, the local administration and relevant public companies for the purposes of obtaining tenders, acting as implementing agencies.

- Support-Related Work:

- Support to Internationalisation Services: Including identifying trade partners, setting up meeting agendas, providing customised

information on foreign markets, providing invitations to Spain for buyers and prescribers, purchasing of tender documentation, logistical support or consultancy in e-commerce.

- Information services on financing: Including the Corporate Internationalisation Fund (FIEM), a financial instrument that is increasingly funding more projects in India.
- Business Centres: Venues available in the Economic and Trade Offices of New Delhi and Mumbai for Spanish companies.

But the role of the Economic and Trade Offices does not end there. In addition to being the specialised instrument of the Spanish administration for the internationalisation of our economy and provision of services and support to overseas Spanish companies and entrepreneurs, they are also responsible for **economic and trade institutional relations** and for generating economic information of the countries in their area. In India they have therefore contributed, under the guidelines of the **Secretariat of State for Commerce**, to holding the India-Spain Joint Economic Commission, to the close collaboration with the Indo-Spanish Chamber of Commerce, to the support in holding the **Spain-India CEOs Forum** or the coordination with the **EU Business Delegation in the country**, among many others.

ILLUSTRATION 15 / Market research by ICEX in India

Sectors	Number of Market Studies	Market Studies (from 1st January 2018 to 1st October 2020)
Food and Retailing	9	Fruit (2019); Wine (2019); Olive oil (2019); Soft drinks (2019); Gourmet products (2019); Ingredients and additives (2018); Wholesale distribution of food (2018); Retail distribution of food (2018); Vegetables (2018)
Machinery and Auxiliary Equipment	8	Cleaning machinery (2020); Cold chain machinery (2020); Packaging and packing machinery (2020); Construction and mining machinery (2019); Packaging and packing machinery (2019); Machine tools (2018); Agricultural machinery (2018); Food processing machinery (2018)
Home, Decor and Fashion	7	Home textiles (2019); Lighting (2019); Household appliances (2018); Footwear (2018); Cleaning products (2018); Tiles (2018); Paints and enamels (2018)
Infrastructure and Construction	5	Roads (2019); Railroads–high speed and conventional network (2019); Metro (2019); Transport and intermodal connections (2018); Chemicals in construction (2018)
Environmental Sustainability and Renewable Energies	5	Wind energy (2019); Treatment and management of solid waste (2018); Drinking and wastewater treatment (2018); Water treatment (2018); Photovoltaic energy (2018)
Education	3	Higher Education (2019); Teaching of Spanish (2019); Secondary Education (2018)
Digital Economy	2	Fintech (2020); E-commerce B2C and B2B (2018)
Beauty	2	Cosmetics (2020); Beauty and Personal Care (2019)
Agrochemicals and Fertilisers	1	Agrochemicals (2020)
Health	1	Medical Equipment (2020)
Automotive	1	Automotive Components (2019)

Source: ICEX

2.4.

The European dimension of the bilateral economic and trade relations

The European Union has been India's largest trading partner in 2019, with a bilateral trade of euros 80 billion, accounting to 11.1% of the total Indian trade, at the same level of the United States and ahead of China, with 10.7%. In addition, the UE is the second largest destination of Indian exports, with 14% of the total, second only to the United States (European Commission, 2020a). According

to the Ministry of Commerce and Industry of the Indian Government, trade between both parties amounted to USD 116 billion during the 2018-2019 financial year, and the EU represented 17.33% of its total exports (USD 57.2 billion) and 11.37% of its imports (USD 58.43 billion). Although bilateral trade in goods has grown 72% during the last decade, India is still the tenth partner of the European Union in trading of goods, representing 1.9% of the European Union's total trading of goods in 2019, far behind U.S.–15.2%–, China–13.8%–and the United Kingdom–12.6%. The bilateral trade in services has grown substantially from euros 22.3

ILLUSTRATION 16 / EU-India Relations: consumer goods, services and investment				
Bilateral trade in goods in 2018 and 2019	2018	Growth 2017-2018	2019	Growth 2018-2019
Exports of goods from EU to India, in billion euros	40.1	8.4%	38.2	-4.7%
Exports of Goods from India to EU, in billion euros	37.8	5%	39.6	4.8%
Bilateral trade in services in 2018 and 2019	2017	Growth 2016-2017	2018	Growth 2017-2018
Exports of Services from EU to India, in billions euros	13.5	16.4%	14.2	5.1%
Exports of Services from India to EU, in billions euros	14	17.6%	15.4	10%
Bilateral investment in 2018	Indian investment flow in the EU, in billions euros	EU investment flow in India, in billion euros	Total bilateral investment, in billion euros	
	2.6	67.7	70.3	
Source: European Commission				

billion in 2015 to euros 29.6 billion in 2018 (European Commission, 2020a) (see Illustration 16).

Although the European investment in India is significantly smaller than the European investment in China –euros 175 billion in 2018– or Brazil –euros 312 billion in 2018–, it has grown from 8% to 18% over the last decade, turning the European Union into the first investor in India with euros 68 billion in 2018, lower than the investment of the European companies in India in last the two decades –euros 50 billion since 2000. There are 6,000 European companies present in India, creating 1.7 million direct jobs and 5 million indirect jobs (European Commission, 2020).

India and the EU have strengthened their partnership in support of sustainable modernisation by boosting cooperation to commit to a transition towards a clean energy, the

efficiency of resources and a circular economy, including the participation of the European Bank of Investments, which will promote the internationalisation of European companies in India. However, despite the political commitments in the last crisis, the EU's business relationship with India continues to be the field in which progress is proving to be the most difficult.

The efforts to reach a Bilateral Trade and Investment Agreement (BTIA), which would create a legal framework of trade support and protection of investments, have proven to be insufficient. The negotiations have been suspended since 2013, after sixteen rounds that started in 2007. While the BTIA negotiation is suspended, bilateral agreements for the protection of investments between India and the member states are coming to an end without a possibility to extend or negotiate new ones, as



The transport infrastructure sector has experienced great expansion. In the image, Indira Gandhi Airport terminal in Delhi.

is the case of Spain. A new BTIA will be the key factor to offer legal security to investments and to promote the clearly deficient bilateral trade.

2.5.

The state of bilateral investments and the sectors of greatest outreach

India has been the 9th recipient of global foreign direct investment in 2019 and 12th in 2018, while Spain, which had become 9th in 2018, has ranked 29th. Spain has been the 13th global source of FDI, consecutively in 2018 and 2019 (UNCTAD, 2019b; UNCTAD, 2020c). However, bilateral investment, which in the last years has experienced an upward trend, is lower than the role that both countries have in the international economic context (see Illustration 12).

According to the Spanish Secretariat of State for Commerce, India ranked 54th investor in Spain

in 2018 and 48th in 2019. India, on the other hand, ranked 22nd as destination for Spanish investment in 2018 and 38th in 2019. Spain's stock turnover in India reached 4 billion euros in 2017, with an employment stock of more than 15,500. India's stock in Spain only accounts for 0.06% of the total FDI stock, with a stock turnover of 267 million euros and an employment stock of 1,200. According to the Department for Promotion of Industry and Internal Trade of India, Spain is the 16th investor in India, the 8th at European level, with almost USD 3 billion of investment in the two last decades (Department for Promotion of Industry and Internal Trade, 2019) (see Illustration 17).

Over the past few years, India has become one of the main recipients of foreign direct investment. The Make in India programme has relaxed the requirements for foreign direct investment, allowing most sectors to receive investments through the automatic route –without the need for prior permission of the Indian Government–

ILLUSTRATION 17 / Bilateral investment, investment stock and employment stock from 2017-2019

	2017	Growth 2016-2017	2018	Growth 2017-2018	2019	Growth 2018-2019
Gross investment flow of India in Spain, in million euros	2.3	-40.1%	6.7	188.8%	13.6	103.8%
Gross investment flow of Spain in India, in million euros	168	93.4%	130.3	-22.4%	20	-84.7%
Gross investment balance Spain-India	165,7	99.6%	123.6	-25.4%	6.4	-94.8%
Net investment flow of India in Spain, in million euros	2,3	-37.8%	6.7	194.4%	13.6	103.8%
Net investment flow of Spain in India, in million euros	168	157.4%	129.8	-22.7%	-1.8	-101.4%
Net investment balance Spain-India	165.8	168.9%	123.1	-25.8%	-15.4	-112.5%
Stock turnover of India in Spain, in million euros	200.1	23.9%	267.3	33.6%		
Stock turnover of Spain in India, in million euros	4,030	3.8%	1,119	-72.2%		
Employment stock of India in Spain	954	22.3%	1,193	25.1%		
Employment stock of Spain in India	15,510	-3.3%	15,077	-2.8%		

Source: Spanish Secretariat of State for Commerce

and for up to 100% of the investment –without the need of having a local partner. This relaxation of the rules for FDI, along with the simplification reforms at bureaucratic level, has allowed India to rise 67 positions between 2016 and 2019 in the Ease of Doing Business ranking until reaching the 63rd position, the strongest

rise since the World Bank has been compiling these statistics.

There are more than 200 Spanish companies present in India, either through corporative vehicles, like subsidiaries or joint ventures with local companies, or through non-corporate ones,

like projects offices, representation or purchases, which are mainly focused on infrastructure, renewable energies, automotive components or mono-brand retail trade. However, Spain only accounts for 0.64% of the total investment flows coming into India (Department of Commerce, Export Import Data Bank, 2019).

Indian Investment in Spain is difficult to analyse due to both its low numbers, making it very sensitive to major projects that end up distorting the annual evolution, and to the operations that the major Indian companies carry out in Spain through head offices in other European countries, which do not fall within the FDI statistics. The gross investment flow of India in Spain in 2019 amounted to euros 13.59 million while the previous years it only amounted to euros 6.66 million and euros 2.30 million consecutively in 2018 and 2017 (see Illustration 16). Indian investments are essentially allocated to the manufacturing of motor vehicles, agriculture, research and development, and wholesale trade. There are almost 50 Indian companies in Spain, especially in the information technologies, automotive and pharma sectors.

2.6.

Trade balance and sectors of greatest expansion

The trade flow between Spain and India accounted for more than euros 5.5 billion in 2019, with a 28% growth in the last 5 years, placing Spain as India's sixth trade partner in the European Union and India as Spain's seventh trade partner in Asia –not including the Middle East– (see Illustration 11). This trading exchange figure is far below India's flows with other European countries like Germany –four times the size–, Belgium –three times the size– or Netherlands –twice the size. Trade relations between India and Spain are biased in favour of

India, without an improvement of Spain's trade ratio with India over the past years. The weight of Spanish exports in the trade balance has dropped almost ten percentage points in the last 5 years, from 40% in 2015 to 31.8% in 2019 (Secretariat of State for Commerce, 2020a).

Spanish exports in India have grown 7% in the last 5 years, amounting to euros 1.345 billion in 2019. India ranked 39th in 2019 as destination for Spanish exports, while Spain ranked 43rd as origin of Indian imports. The number of Spanish exporting companies in India in 2017 amounted to 6,362. Of the total exports, the most important sectors were machinery and mechanical appliances, with 17.29%; organic chemicals, with 7.39%; plastic materials and articles thereof, with 6.8%; and tanning and dyeing extracts, with 6.6%. Exporting of machinery and mechanical appliances has ranked first in 2018 and 2019, with a 16.75% and 17.75% export share respectively (see Illustration 18).

Spanish products undergo heavy tariffs, of up to 150% in the case of products like wine, and non-tariff barriers like those established by the Indian Plant Quarantine, which since 2003 regulates imports of fresh products of vegetal origin to India (ICEX, 2019; Department of Agriculture, Cooperation & Farmers Welfare, 2020). Despite these barriers to trade, the consolidation of India as one of the main global markets, with a booming middle class, leads organisations such as the Spanish Chamber of Commerce to show a firm commitment for the South-Asian country (see Case 4).

Indian exports to Spain have grown 27% in the last 5 years, amounting to euros 4.230 billion in 2019. India ranked 21st in 2019 as origin of Spanish imports, while Spain ranked 23rd as destination of Indian exports. The main Indian export goods to Spain in 2019 include clothing garments, with 17.3%; organic chemicals, with

13.7% and mineral fuels and oils, with 12.6%, as reflected in the data of the Secretariat of State for Commerce (see Illustration 18).

Logistic companies play a key role in consolidating and boosting this export flow between Spain and India. Among others, **Grupo Rhenus** expanded its storage capacity in India in July, 2020 with a new mega-warehouse of 350,000 square meters in Gurgaon which, together with Rhenus's

other facilities in this country, have dedicated a total capacity of 1.9 million square meters to logistics. Another noteworthy case is **Alonso Logistics India**, subsidiary of Grupo Alonso in India, one of the reference forwarding agents for the management of operations with origin or destination in India, with its own staff and offices in the country.

ILLUSTRATION 18 / Spain-India trade in goods from 2017 to 2019

	2017	Growth 2016-2017	2018	Growth 2017-2018	2019	Growth 2018-2019
Exports of Spain to India, in million euros	1,274	1.3%	1,330	4.4%	1,345	1.2%
Exports of India to Spain, in million euros	3,880	12.1%	4,013	3.4%	4,231	5.4%
Total, in million euros	5,154	9.2%	5,343	3.7%	5,576	4.4%

Main exported goods from Spain to India in 2018 and 2019

2018			2019		
Element	Value, in million euros	% of total exported goods	Element	Value, in million euros	% of total exported goods
Machines and mechanical appliances	223	16.75%	Machines and mechanical appliances	239	17.75%
Organic chemicals	115	8.68%	Appliances and electrical equipment	96	7.12%
Tannin, dyestuff	95	7.15%	Organic chemicals	92	6.83%

Main exported goods from India to Spain in 2018 and 2019

2018			2019		
Element	Value, in million euros	% of total exported goods	Element	Value, in million euros	% of total exported goods
Garments	716	17.84%	Prendas de vestir	730	17.26%
Organic chemicals	504	12.57%	Organic chemicals	579	13.68%
Smelting, iron and steel	351	8.74%	Smelting, iron and steel	531	12.56%

Source: Spanish Secretariat of State for Commerce

CASE 4

The engagement of the Spanish Chamber of Commerce with India

The Spanish Chamber of Commerce is an institution for companies and entrepreneurs which, in the field of foreign trade, offers services regarding information—like industrial subcontracting, the data base of foreign trade and the directory of exporting and importing companies—, support for procedures—certificates of origin, carnets for temporary admission of goods, commercial document legalisations or certificates of free sale and consumption—and of aid to internationalisation and exports. The **International Promotion Programme (PIP, in Spanish)**, financed by the European Regional Development Fund (ERDF), is targeted towards promoting products and services, informing about internationalisation processes and improving their presence and competitiveness in foreign markets.

The Spanish Chamber of Commerce organises activities at both government and business and trade level with the countries that are the main destinations of Spanish exports. In 2018, approximately **6,000 companies participated in more than 500 activities promoted** by Chambers abroad.



In its relations with India as a high-priority country, the Spanish Chamber of Commerce led the **2018 Spain-India Business Meeting** on the occasion of the visit of the Commerce Secretary of India, Rita Teatodia, held in the Spanish Chamber of Commerce headquarters in Madrid. The activities carried out in 2018 with India at business and trade level include a **business meeting in New Delhi led by the Spanish Chamber of Commerce** and the participation in the official delegation that accompanied the Director General for Commerce and Investments of the Secretariat of State for Commerce in its trip to India.

In its commitment with India, the Spanish Chamber of Commerce has identified the Chamber of Commerce of Valladolid as the Chamber specialised in India, with the creation of an **India Help Desk for Business Solutions**. This India Help Desk is an information and connection point for the

development of India-Spain businesses. The India Help Desk works in collaboration with Casa de la India and has a direct dialogue with the Embassy of India in Spain, the University of Valladolid and the City Council of Valladolid, among other collaborating organisations.

The India Help Desk facilitates the direct contact between the interested companies and the involved institutions, experts and agents, therefore promoting a specific counselling for the establishment, trade operations, and access to businesses opportunities and projects. Within this specialisation work by the Chamber of Commerce of Valladolid they also organised a **direct trade mission of multisectoral nature to India in 2019**, including the cities of New Delhi, Mumbai and Ahmedabad, with the support of ERDF funds and the collaboration of the Spanish Economic and Trade Offices of Mumbai and New Delhi.

2.7.

Public-private partnership and multilateral financing for infrastructure projects

Multilateral financing has made a clear commitment to participate in the economic development of India. International financial institutions like the World Bank –and its International Financial Corporation–, the Asian Development Bank (ADB) or the European Investment Bank develop consulting projects and activities in collaboration with the Indian Government through their own financing mechanisms. India has been the main recipient country of World Bank investments for several consecutive years, with a total investment in the last 20 years of USD 273,402 million for 1,096 projects, of which 485 have been allocated to the transport sector (World Bank, 2020a). On the other hand, the Asian Development Bank has participated cumulatively in 730 projects since 1986, with funding for USD 47,980 million, of which 176 projects, financed with USD 17,100 million, have been allocated to the transports sector (Asian Development Bank, 2020c). The European Investment Bank, present in India since 1993, has participated in 19 projects with an investment of euros 3.480 million, 42% in the transports sector (European Investment Bank, 2020).

Together with multilateral financing, public-private partnerships (PPPs) have been an essential tool for the participation of foreign investors in the implementation and development of Indian public infrastructure projects. The Government of India created an evaluation committee in 2006, the Public Private Partnership Appraisal Committee (PPPAC), to simplify the assessment and approval of these projects. The Hybrid Annuity Model (HAM) has been developed in recent years specifically for the road sector. It

has currently become the most used model by the National Highway Authority of India (NHAI). Since 2004, more than 1,900 projects of this type have been carried out, with a total investment of more than USD 350 billion (Department of Economic Affairs, 2020).

One of the most successful sectors of the multilateral and public-private partnership in India has been transport infrastructures. The Government of India has developed an ambitious plan of infrastructure development in the last two decades, approving an investment in 2019 of USD1.5 trillion for the next five years (see Illustration 19). India has a state road network of 5.5 million kilometres, of which only 2% are highways, suffering 40% of the total traffic. During the 2019-20 financial year, India built 3,979 kilometres of highways (National Investment Promotion and Facilitation Agency, 2020a). Within this field of road infrastructures, Spain already has proven to be a strategic partner for India in the construction, development and operation of road infrastructures (see In Detail 5).

In other areas of the transport infrastructure sector, such as railroads (see In Detail 6) or airports, these bilateral synergies have not yet been implemented with the potential that they have. The Indian railway network is the fourth most extensive one in the world, with a total of 67,415 kilometres; the one that transports the most people, with more than 23.12 million daily passengers; and the fourth in terms of freight traffic, with 3.36 million tons a day. Indian Railways is the largest employer of India and the eighth in the world, with almost 1.27 million employees (Ministry of Statistics and Programme Implementation, 2020c). The projects with an investment projection of USD 190 billion in the railroad sector for the 2020-2025 period include the high-speed project between Mumbai-Ahmedabad; the increment of speed in connecting lines between great urban areas

ILLUSTRATION 19 / Growth of public works in India

Transport infrastructure network of India in 2019

Railway network, in km	Highways, in km	Number of ports	Number of airports
68,155	132,499	224	137

Source: Airports Authority India; India Brand Equity Foundation; Kearney; Ministry of Roads and Highways; Ministry of Shipping; Ministry of Statistics and Programme Implementation

Annual increase of passenger traffic in the transport infrastructure network of India

Railway transport, in million passengers		Air transport, in million passengers	National	International	Maritime transport, in million passengers	
FY 2016-2017	120	FY 2016-2017	36.4	4.6	FY 2016-2017	0.65
FY 2017-2018	70	FY 2017-2018	37.9	6.2	FY 2017-2018	1.51
FY 2018-2019	150	FY 2018-2019	31.9	4	FY 2018-2019	0.49

FY: fiscal year

Total passenger traffic in Indian transport infrastructure for FY 2018-2019, in million people

Railway	8,440	Air	344.7	Maritime	25.1
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Source: India Brand Equity

Source: Airports Authority of India

Source: Ministry of Shipping

Estimated investment in transport infrastructures of India from FY2020 to 2025, in billion USD

Roads and Highways	Railroads	Ports	Metro	Airports
286	182	60	27	19

Source: Kearney

like Delhi-Agra, Chennai-Hyderabad or Mumbai-Goa; two freight corridors in the west-Jawaharlal Nehru Port to Dadri- and another one in the north-Ludhiana to Dankuni-, the electrification and replacement of the rails of all the network in 2025; the production of new locomotives and wagons and the redesign of 90 stations as high-transit hubs (National Investment Promotion and Facilitation Agency, 2020b).

India is the third largest market of civil aviation in the world in terms of air tickets for domestic flights sold, and the one that is growing the most. 91 airlines operate in India, including 86 international ones, in the 137 airports of the

Airport Authority of India (AAI) and the 6 that are managed through Public-Private Partnerships (PPPs) (Airports Authority of India, 2019). The Government of India announced in 2019 the creation of 100 new airports until 2025 (The Economic Times, 2019). Within the field of civil air navigation, around 80% of the Indian sky is monitored through radars of **Indra** and 38 airports use their air traffic control systems and their instrument landing systems.

IN DETAIL 5

The participation of Spain in the development of road infrastructures of India

Numerous Spanish companies in the sector of road infrastructures have proven to have synergies in innovation and capacity in construction and operation of this road infrastructure plan. These companies, whose international experience has been forged in many cases in the complex orography of Latin America, have proven to be essential partners of the Indian business fabric for the development of road infrastructures of India. However, the Spanish representation is still far below its potential. Important Spanish companies of the sector, both major companies and SMEs, have not yet committed to establishing in India.

The major Spanish companies that are already established in India in the field of road construction include **Grupo San Jose**, whose project to widen and improve the two-lane road section of 133 kilometres between the localities of Raebareli and Banda was inaugurated by no other than Prime Minister Modi at the end of 2018; or the company from Sevilla **Ayesa**, which



Toll in Karnataka.

was awarded the consulting and overseeing service in the construction of the highway between Agra-Lucknow in 2015 by the Uttar Pradesh Expressways Industrial Development Authority (UPEIDA). In 2019, UPEIDA again trusted them with the overseeing of a section of the Purvanchal highway, between Sansarpur and Haidariya.

For ten years (2006-2016), **Isolux** was the first European promoter of major infrastructures in India, with four highways under concession. The concessions of Isolux Infrastructure are currently being managed by **Roadis**, the largest European highway manager in India with 707 kilometres of highways under management, with a traffic of 91,776 daily vehicles and a workforce of 1,558 employees. These concessions, located in the north and the northwest of India, are the NH-1

(Panipat-Jalandhar), the NH-2 (Varanasi-Aurangabad), the NH-6 (Hazira-Maharashtra) and the NH-8 (Kishangarh-Beawar). In the south of India, **Abertis** acquired in 2017 the NH-44 (Hyderabad-Jadcherla) and the NH-45 (Trichy-Ulundurpet), as a result of its perseverance with the Indian market (see Case 5).

In the technological field, **Indra** has deployed its systems of tolls, in the states of Karnataka and Andhra Pradesh, and of traffic control for highways in the state of Rajasthan. The control centre of the tunnel of Chenani, the longest one in South Asia and Southeast Asia, is equipped with Indra's comprehensive management solution, Horus. The Catalan company **Tecsidel** has signed the implementation of its intelligent toll systems (ITS) in some of these infrastructures of Spanish management, like the NH-1 of Roadis or the NH-44 and NH-45 of Abertis.

Synergies in the railroad sector.

The more than twenty-five years of high speed since the inauguration of the first line in 1992 have allowed Spain to develop one of the most modern and advanced railroads in the world. The high-speed network reaches 3,402 kilometres and is the largest one in Europe and the second one in the world, only behind China (ADIF). The Spanish companies are world leaders in this sector, with flagship international projects like the **high-speed train Mecca-Medina**. In India's commitment to modernise its railroads, Spain can be a strategic ally, from the construction, operation and maintenance of railways to the manufacturing of rolling stock, as well as auxiliary services such as signalling or ticketing.

In the field of engineering and consulting, this collaboration is already under way, as

proven by companies like **TYPSA**, which leads the consortium that is carrying out the project management for the construction of a section of a double track line of 46 kilometres of the Eastern Dedicated Freight Corridor; **Abengoa**, which has completed more than 500 km of electrification of alternating current lines in India; **Grupo Cobra**, which has participated in the installation of electrification systems in several projects of the Indian railway network; or **Ardanuy Engineering**, which is carrying out the project management and consulting-construction for Rail Vikas Nigam Limited of a new railroad line in the Virbhadrā-Rishikesh section and the consulting services of the Chikjajur-Bellary line in Karnataka, and in association with the Indian multinational Larsen & Toubro, the project management of an electric double-track line from Mughalsarai (Uttar Pradesh) to New Sonnagar (Bihar), of the Eastern Dedicated Freight Corridor.

Prominent in the manufacturing of rolling stock is the case of **Danobat**, of Mondragón group, which has manufactured a machining line, the assembly and inspection of completely automatic axes, wheels and wheelsets for the Indian public company IRCON. It is the most complex wheelset line of India and has played a decisive role in modernising the manufacturing of wheelsets in the South Asian country. **Talgo's** readiness to build its rolling stock in India, as other multinationals like Alstom or GE already do, having inaugurated plants in India for their local production of prototypes, can play a key role in their participation in the ambitious development plans of the Indian railroads.

CASE 5

Abertis, the success of perseverance and commitment with the Indian economy

Abertis is one of the leading international operators in the management of toll highways, with almost 8,600 kilometres of high-capacity and high-quality roads across 16 countries of Europe, America and Asia. It is the first national operator of highways in countries like Spain, Chile, and Brazil, and also has an important presence in France, Italy, Mexico, Puerto Rico and Argentina.

In its internationalisation in India, Abertis has proven the success of its perseverance with the Indian market. After several years committed to India, constant in its internationalisation commitment in the country, in 2017 it acquired

two highways in India, the NH-44 and the NH-45, for a total amount of euros 128 million. Through its **subsidiary Isadak**, Abertis manages 100% of the concession holder Trichy Tollway Private Limited (TTPL) for the NH-45, and 100% of Jadcherla Expressways Private Limited (JEPL) for the NH-44.

The NH-45 highway is located in the State of Tamil Nadu. With a length of 94 kilometres, the NH-45 represents a corridor of great importance for India, connecting the industrial areas of Trichy and Madurai with the State Capital, Chennai. **The NH-44 is in the State of Telangana**, in the centre-south of India. This highway is part of the primary north-south freight corridor and connects Hyderabad with Bangalore, the two main technological hubs of the country. Throughout its 58 kilometres it crosses a highly

industrialised, trade and mining area.

The presence of Abertis in India is also a **commitment to innovation and road security of the country**. Abertis invests in technology and intelligent engineering to assure maximum security and comfort in its roads. At a global level, between 2013 and 2016 Abertis reduced the number of accidents by 12% and the number of victims by 24%. In India, Abertis has managed to **reduce the number of accidents by 26% and the number of victims by 42%** ever since it arrived. This drop is even more valuable when we combine it with an increase in traffic during the same period by 35%. This commitment with road security is complemented with the promotion of an international network of Abertis Chair for Management of Transport Infrastructures.

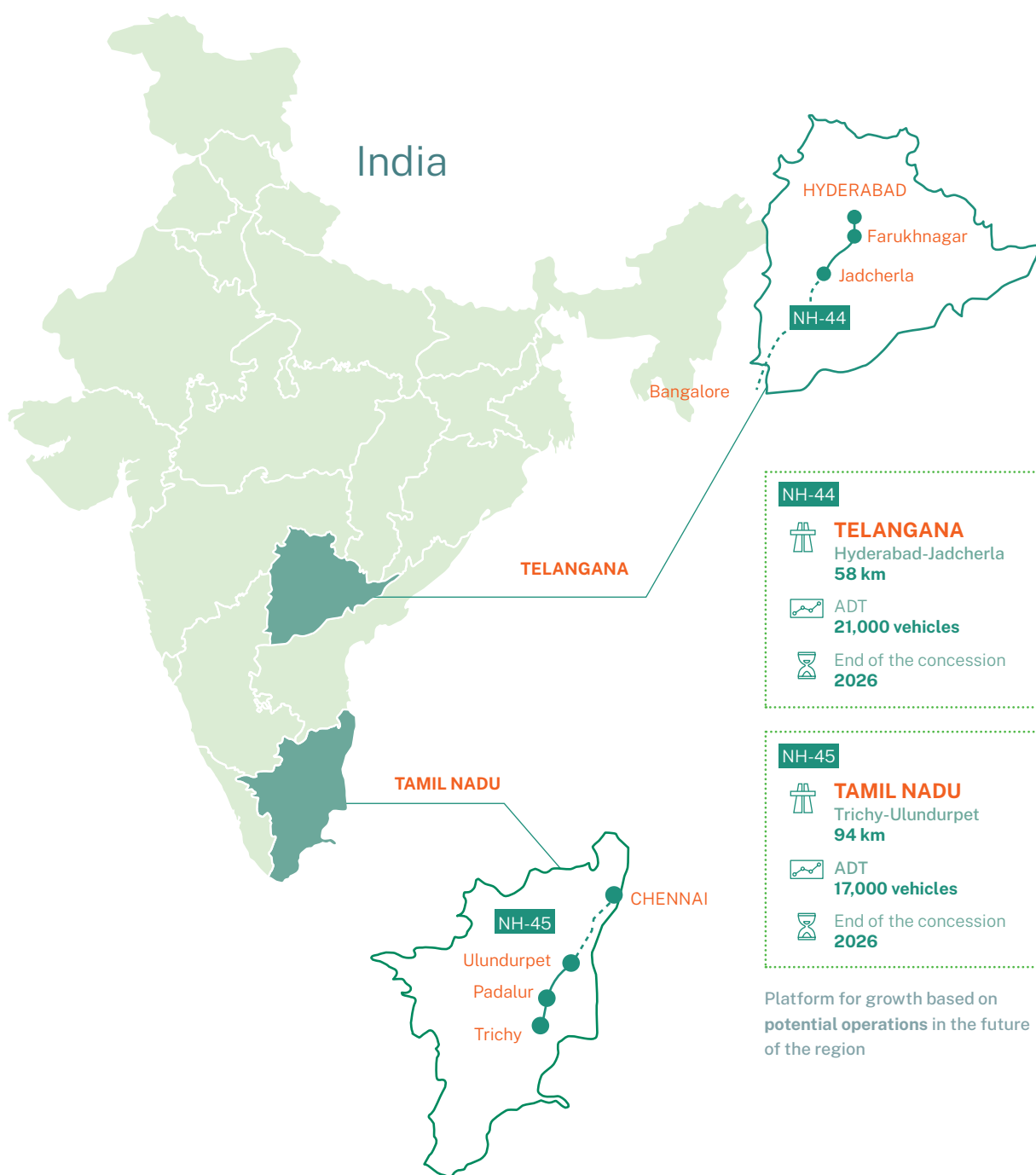


ILLUSTRATION 20 / Presence of Abertis in India

THE GROUP ENTERS THE ASIAN CONTINENT FOR THE FIRST TIME

Abertis acquires two highways in India

Two essential road corridors for the country



Ideas and proposals for the revitalisation of the economic and trade relations

Despite the increase in our trade exchanges and investments in recent years, there is still a major scope for growth in our economic and trade relations. Forecasts show that in less than ten years, India will become the first demographic power, the third consumer market in the world and the third world economic power. The consolidation of India as a domestic market, with more than 700 million millennial and generation Z consumers, induces the Spanish companies and products to remain committed to India. The trend of production outsourcing in India from other Asian points is also an opportunity for India to gain importance in the total Asian imports in Spain and for Spanish investments to commit to India and enter its market with local productions.

The attraction of Indian investment in Spain and the increase of Spanish investments in India still has strong potential for development. The ambitious economic reforms agenda, which has led India to work its way up in the World Bank Ease of Doing Business ranking from 142nd in 2015 to 63rd in 2020, above countries like Qatar, Colombia or Luxembourg; the government programmes to turn the country into a global production hub for manufactures and the investments in infrastructure development plans, India being one of the main recipients of multilateral funds in the region and at a global level, also encourage Spanish companies to commit to their establishment in India. In the continuous process of internationalisation that Indian companies are carrying out in the world, Spain does not rank as a target destination of its investment, despite the significant advantages that Spain offers as a European market and operations hub for Latin America, with a very

competitive compared operating cost and very good quality of life for its expatriate employees.

The measures compiled in this process of joint reflection that could make the most of the opportunities of the new global economic situation to support the increase of our trade and investment exchanges include:

1. **Maintaining and reinforcing the economic and trade dialogue** that the Secretariat of State for Commerce has implemented through periodic meetings of the joint economic and trade commission, that would allow an increase in bilateral trade and investments, including the elimination of non-tariff barriers and the promotion of investment in sectors with mutual growth opportunities. Making the most of the assets of having a Minister of Foreign Affairs, European Union and Cooperation who is an expert in the commercial sector, such as Arancha González Laya, who also has great experience in negotiations with the Indian Government, during her previous position as executive director of the International Trade Centre, to **revitalise the Spanish economic diplomacy with India**.
2. Since 2016, Spain and India have not had a mutual investment protection agreement, pending its signing at a European level, which has prevented bilateral investments from enjoying a legal framework of reciprocal protection. The signing of a bilateral agreement on trade and investments between the European Union and India would not only equip our investments with this legal framework of protection, but our trade exchanges would also be protected by a bilateral agreement, which has never existed to date, that would allow the relaxation of the until-now high tariff and non-tariff trade barriers. Spain could **play an active role in the support to the negotiations in the trade**

and investments agreement between the European Union and India.

3. Spain and India have not signed to date a comprehensive MoU on railroads, the 2016 MoU on ports finalised in 2020 and the 2012 MoU on highways has not been implemented in the most optimal way. These transport infrastructure sectors, in which Spain is world leader, both at a level of technology and development of projects, offer great synergies of mutual growth in view of the ambitious public-private infrastructure development programmes in India with multilateral financing. The signing of these **sectoral MoUs in the field of transport infrastructures**, in addition to promoting a permanent political dialogue, a bilateral technological cooperation and a platform of collaboration between business fabrics, would also promote having a continuous exchange at both public and private level that would allow Spain to participate in the development of India's transport infrastructure programme.
4. The existing scope for growth in trade exchanges and for the increase of bilateral investments leads to continue working in the same economic-trade strategic line of action with India. Given the current economic situation, added to the difficulties generated by the Covid-19 pandemic, it would be convenient to continue supporting the internationalization strategy of the Secretariat of State for Commerce, which has selected India as a PASE country (Country with Strategic Sectoral Performance) in its strategy for the next years.
5. The current global economic scenario offers new opportunities, for both India to attract the relocation of manufacturing production from other points of Asia and for Spanish technological products to be used as a substitute within the Indian industry value chain. Likewise, the current Covid-19 pandemic and its repercussions in the field of hygiene have revealed the needs of the Indian market in processing and packaging. It would be advisable to **support the work of trade offices and ICEX in the promotion of Spanish products with high technological components and auxiliary products for supply chains and final goods without local substitutes**, including the participation as partner country or with its own pavilion in fairs of high-priority sectors such as advanced manufacture –IMTEX Bangalore–, food processing –ANUTEC Mumbai– or packaging and packings –PACKEX New Delhi.
6. When the health situation allows it, it would be appropriate to **resume bilateral visits of missions and delegations** that allow connecting the business fabrics of both countries of different sectors through the coordinated action of the main bilateral stakeholders in the economic and trade field. Unlike what happens with other European countries, with which the Indian business fabric is more interconnected, in Spain the promotion of missions and delegations from the institutions is essential to maintaining an optimal level of business dialogue at a sectoral level. Given the hopeful result of virtual missions, **hybrid systems** could be used. First, the companies would do a digital matchmaking, followed by a face-to-face contact within the framework of the mission or the delegation.
7. Having consolidated the relations with the major business organisations –CII, FICCI and ASSOCHAM–, it would be advisable to **increase the cooperation with Indian sectoral organisations**. A fruitful collaboration with associations that act as private multipliers at sectoral level, like the Internet Mobile

Association of India, for mobile applications, or with the Forum of Indian Food Importers, for product promotion, would allow having a greater impact in the exchanges between business fabrics of both countries.

be advisable to continue supporting the coordinated action of ICEX, the Spanish Chamber of Commerce and the Indo-Spanish Chamber of Commerce in India, including joint projects with specific financing.

8. Promoting innovative investment programmes in sectors of mutual interest,

with special emphasis in the automotive sector, renewable energies, information technologies, transport infrastructures and the pharma industry. The promotion model implemented by other European countries could be followed, like Choose France, a platform to promote investment in France at maximum level of government representation that is organised on the eve of the Davos World Economic Forum, making the most of the presence of major businessmen in Europe. Spain could make similar events of sectoral character in the eve of international meetings like the Mobile World Congress of Barcelona.

* The proposals and ideas collected in this working document do not necessarily reflect the position of the Spain-India Council Foundation, nor that of its trustees, nor that of the Indo-Spanish Chamber of Commerce, nor that of any of the entities or individuals who have contributed to this exercise.

9. Further promoting direct channels of information for companies,

in collaboration with the main business organisations and Chambers of Commerce, for **infrastructure projects with multilateral financing from their sector**, including those projects financed by international financial institutions or the external aid instruments of the European Union. The economic and commercial offices of Spain in India can serve as direct sources of information on infrastructure projects that have multilateral financing, as well as to organize Multilateral Partnerships, as platforms of direct interaction among the objectives of the Government, multilateral financial institutions and Spanish companies.

10. Given the complexity of the Indian economy and market, the work of the institutions plays a key role in supporting the internationalisation of Spanish products and companies. It would

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We have collected the visions and anonymous considerations of 200 people and institutions interested in our bilateral relations through surveys and online forms, as well as from 80 bilateral stakeholders through customised virtual interviews.

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