

INDIA-SWEDEN TIES: FORGING A COHESIVE PARTNERSHIP

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From areas like human rights and political differences to climate and sustainability, both countries often differ on certain points, sometimes causing friction in their bilateral relations. Most prominently, India and Sweden differ notably in their approach to Russia. While New Delhi sees Russia as a historical ally and key supplier of defense equipment, Sweden (and the EU at large) view Russia as an imminent security threat. These distinct approaches are shaped not only by their historical lenses, but also by their different strategic priorities and geopolitical alignments. Both countries have sought to manage these differences pragmatically while continuing to focus on other areas of cooperation.

Despite these challenges, the India-Sweden relationship is marked by mutual respect and underpinned by robust economic relations. Both are regarded as natural partners in that they share strong democratic values, pluralism, and institutional foundations. Although Russia remains a point of divergence, India and Sweden have thus far navigated the issue well. In fact, many voices in Europe would argue that the strategic value of EU-India relations outweighs disagreements, and there is a need to continue to interact and collaborate on points of convergence.

India's rising economic and strategic profile underscores its strategic importance for Sweden. As the world's fifth-largest economy, India is a hub for trade, investment, and innovation, attracting global attention with its thriving start-up ecosystem and ambitious digital transformation. Strategically too, India occupies a pivotal location in the Indo-Pacific, serving as a key player in regional and global security. On its part, Sweden is an important economic and strategic partner for India due to its advanced technological capabilities, focus on sustainability, and alignment with India's developmental priorities.

Looking forward, while collaborations in sustainability, innovation, and defense have grown, deeper engagement in areas like digital transformation, healthcare innovation, and advanced manufacturing could unlock new opportunities. Trade volumes, though increasing, still do not reflect the full potential of both economies. Greater investment and technology transfer, particularly in green hydrogen and renewable energy storage, could amplify outcomes. Furthermore, stronger people-to-people connections, academic exchanges, and cultural partnerships can enhance mutual understanding.

Introduction

In May 2023, the Indian External Affairs Minister S. Jaishankar's visit to Sweden, which marked 75 years of diplomatic relations between India and Sweden, was a packed affair with multiple high-intensity meetings during both the second edition of the European Union (EU) Indo-Pacific Ministerial Forum and the inaugural session of the India Trilateral Forum (India, Europe, and the U.S.) that he attended with the then Swedish Foreign Minister Tobias Billstrom.¹

Importantly, Jaishankar's trip epitomized India's enhanced current and—more importantly—potential engagement with Sweden in technology, connectivity, and trade and finance.² Both countries are increasingly looking at new technologies like artificial intelligence (AI), digitalization, climate action, trade and investment, as well as European and Indo-Pacific strategic concerns such as inter-regional security. Concurrently, Billstrom's multiple trips (e.g., participation in the annual Raisina Dialogue – India's flagship conference on geopolitics and geo-economics co-organized by the Indian Ministry of External Affairs – successively in 2023 and 2024 or visit to the Indian state of Karnataka in early 2024) to India during his tenure were also instrumental in elevating the strategic aspects of the partnership.³

As both nations navigate rapidly evolving geopolitical and economic landscapes, this policy brief looks at how they can forge a more cohesive partnership. It delves into the critical challenges and opportunities that shape this dynamic partnership, exploring how India-Sweden collaboration can foster stronger institutional frameworks and unlock its full potential.

Challenges Aboard

While the India-Sweden partnership holds great promise, it also faces significant challenges. For one, Sweden's newly released strategic document for the region, titled “Defence Policy Direction for Cooperation with Countries in the Indo-Pacific

Region,” which was publicly launched in September 2024, does not directly mention India.⁴ On the other hand, the Policy Direction does clearly refer to cooperation with the North Atlantic Treaty Organization (NATO)'s Indo-Pacific partners. This indicates that Sweden's priority partners are Australia, Japan, New Zealand, and South Korea as well as the strategically important Southeast Asian powerhouse Singapore.

From areas like human rights and political differences to climate and sustainability, both countries often differ on certain points, sometimes causing friction in their bilateral relations. Despite their conceptual support for human rights and shared values, Sweden has voiced its disapproval of India's legislative changes in Kashmir⁵—which is often not welcomed by New Delhi. In the climate change domain, India's developmental priorities and differentiated approach, emphasizing historical emissions responsibility and the need for financial and technological support from developed nations like Sweden, can at times clash with Sweden's more ambitious climate policies. India, for instance, has criticized the EU's Carbon Border Adjustment Mechanism (CBAM), as being “unfair” and “detrimental” to a developing economy like India.⁶ These issues tend to carry over in the trade domain. India sees the EU's insistence on environmental measures, like the CBAM, and emphasis on labor standards in free trade negotiations as being protectionist.

Most prominently, India and Sweden differ notably in their approach to Russia. While New Delhi sees Russia as a historical partner and key supplier of defense equipment, Sweden (and the EU at large) view Russia as an imminent security threat.⁷ These distinct approaches are shaped not only by their historical lenses, but also by their different strategic priorities and geopolitical alignments.

Sweden has taken a firm stance against Russia's full-scale invasion of Ukraine, by providing consistent and increasing support to Ukraine, imposing sanctions in line with other EU countries

and, at the same time, working to strengthen its preparedness in the event of a direct conflict with Moscow.⁸ Notably, Stockholm reversed its decades-old policy of neutrality—meaning non-participation in military alliances and wars—by joining the NATO as a full member. This significant shift in policy is a clear indication of Sweden’s recognition of Russia as a security threat and the changing landscape in its immediate neighborhood.

This divergence has created some friction between the two states, for instance in multilateral settings where Sweden advocates for stricter measures against Moscow while India prefers diplomatic engagement and strategic autonomy. Both countries have sought to manage these differences pragmatically while continuing to focus on other areas of cooperation. As the Russia-Ukraine conflict persists however, and the transatlantic alliance becomes increasingly stressed, the EU will be more focused on Russia. Already, there are some indications of this. Although few Indian companies were sanctioned by the EU for continued trade of embargoed goods with Russia, the recently enacted U.S. and EU sanctions have impacted several ships, carrying about 230 million barrels of crude oil to India.⁹ The goal of these sanctions is to push India and China back into the compliant oil market and seek more supply from the U.S., Africa and the Middle East.

Do Strategic Gains Outshine Challenges?

Despite these challenges, the India-Sweden relationship is marked by mutual respect and underpinned by robust economic relations. Both are regarded as natural partners in that they share strong democratic values, pluralism, and institutional foundations. Although Russia remains a point of divergence, India and Sweden have thus far navigated the issue well. In fact, many voices in Europe would argue that the strategic value of EU-India relations outweighs disagreements, and there is a need to continue to interact and collaborate on

points of convergence.¹⁰

While Sweden (and other Nordic countries) boast of high standards of innovation, green technologies, clean energy, and energy diversification, India complements these as a fast-growing economic powerhouse, a vast market and resourceful talent pool, and a growing clean energy infrastructure.

India’s growing economic clout and status as an Indo-Pacific power, coupled with Sweden’s enhanced role in the already interlinked European and Indo-Pacific security concerns after joining NATO in March 2024, presents the partnership with significant opportunities. Sweden’s entry into NATO is certainly vital because it strengthens European collective security against Russia; more importantly, however, it “marks NATO’s firm hold over not only the Baltic Sea region but also the Arctic.”¹¹

Further, India’s trade ties with the other EU and NATO members, including Nordic-Baltic states in general have received a fillip in the recent years, too. This will not only impact Sweden’s ties with India but also help India’s vision for a consolidated outreach with the broader European region, including the Nordics. This is primarily because of Europe’s varied interests in the Indo-Pacific region, which after the release of the European Indo-Pacific strategies has become not only a zone for fulfilling economic needs but also a strategic pivot for Europe.

Notably, the return of Donald Trump, a transactional and protectionist leader, brings uncertainty for both European and Indo-Pacific politics, making it crucial for Sweden to strengthen its ties with India, a major Asian power. This is especially important for the sake of multilateralism, too. Two major issues include 1) the all-important climate challenge, which will be greatly impacted by America’s exit from the Paris Agreement,¹² and 2) global health that is set to face further setbacks in the post-COVID era due to the U.S. withdrawal from the World Health Organization (WHO), giving a fillip to China’s already rising influence in

global health governance.¹³ Against such a scenario, India and Sweden, along with other like-minded democracies, will need to increase efforts to create better international solidarity than the one that exists today. Sweden is cognizant of these changing realities in the global landscape today.

This new geopolitical awareness, including the stance for collaboration for fighting multilateral challenges, was also reiterated by Sweden's new Minister for Foreign Affairs Maria Malmer Stenergard, at a lecture at the International Institute for Strategic Studies in Singapore in November 2024. Stenergard not only stressed on "strengthening cross-regional security" between Sweden and the Indo-Pacific, but also India's "essential role" addressing global challenges, including climate action and as a "defender of democracy, multilateralism, and the UN Charter."¹⁴ She added that India should not be viewed as a "component of a de-risking agenda", and that Sweden and the EU will need to adapt their strategy to work effectively with a more confident India on the world stage.

Such a characterization by Sweden's Foreign Minister Maria Malmer Stenergard for India is a great boost for India-Sweden ties and bodes well for the immediate and long-term future, notwithstanding the lack of a mention of India in Sweden's latest defense policy paper. More than anything else, this points to a willingness in Europe to look at the relationship with fresh eyes and find ways to cooperate, even when they are not fully aligned and there exist certain frustrations on both sides with the other's positions.

Positioning China

India's relationship with European states like Sweden is often considered in context of Europe's dynamics with India's principal adversary, China. China is and will likely continue to be a crucial economic partner for the EU due to their deep trade ties as well as technological interdependence. Nevertheless, there are deep-rooted challenges to the relationship, which has forced the EU to recognize China as a partner, competitor, and systemic rival. In the

Arctic, for example, the growing Russia-China cooperation amid a raging Ukraine war will not be without consequences, particularly for China (and to some extent, India) that may get "ostracized" for its growing camaraderie with Russia,¹⁵ as now seven out of the eight Arctic states (namely Canada, Denmark, Finland, Iceland, Norway, the Russian Federation, Sweden, the United States) are now in NATO.¹⁶ This is of notable concern for Sweden, as it could pose major economic, environmental and security challenges for Sweden.

That is not to say that similar challenges do not exist in the India-EU relationship. However, given India's democratic framework, commitment to a multipolar, rules-based order, and shared security concerns in the Indo-Pacific, New Delhi is potentially a more politically aligned partner.

Importantly, India-Sweden (and EU) relations still remain grossly under their full potential – even as China's ties with the EU and NATO member-states continue to grow. In 2023, EU-China trade amounted to Euro 739 billion while EU-India trade was merely Euro 122 billion.¹⁷ This points to the vast gap that still exists—as well as the potential for India and its European partners, like Sweden, to enhance economic ties. In this sense, India is not simply an alternative to China for the EU, but an important partner in its own right and one where there exists considerable potential for growth.

Moreover, not only is China set to emerge as a bigger technological and economic power,¹⁸ the China-U.S. strategic competition will only get tougher under Trump and his penchant for tariffs.¹⁹ Therefore, a stronger India and Sweden relationship, with both pushing for effective multilateralism amid sound, multifaceted bilateral ties that extend from climate action to defense and security will be imperative for both the Indo-Pacific and Europe.

Therefore, keeping in perspective the extensiveness of the India-Sweden convergence on values and world views, it has become important for both countries to raise their partnership to new strategic heights and consider how they can work together in a new,

rapidly changing geopolitical environment.

This policy brief outlines a five-fold approach to deepen and expand this bilateral relationship, positioning it as a model for India-Nordic and India-EU ties.

Strategic Essence: Creating Bilateral & Regional Opportunities?

Over the past decade, the India-Sweden bilateral relationship has witnessed a sharp upswing through regular high-level and working level interactions, including 10 Head of State/Head of Government level meetings, as well as several new initiatives across sectors.²⁰ Prime Minister Narendra Modi's 2018 visit to Sweden was a key turning point in bilateral ties, providing them with new impetus. With the aim to build a "win-win" partnership, Delhi and Stockholm inked a Joint Action Plan and an Innovation Partnership for a Sustainable Future agreement which leverage India's development programs for mutual gains.²¹

Alongside this, both leaders also highlighted their extensive cooperation in the defense and security sector, as well as areas like climate change, high-tech and innovation, research and development, healthcare innovation, trade and investment, and broader industrial cooperation. The leaders of both countries agreed that they would look to further enhance their close cooperation on the regional and global levels.²²

In this context, 2018 marked the onset of a more strategically oriented India-Sweden partnership. Subsequently, in 2023, both countries celebrated 75 years of diplomatic relations, an event that provided both countries an opportunity to review their bilateral ties and served as a crucial reminder of their longstanding friendship.²³ As a result, India and Sweden have deliberately, over the past decade, built a dynamic, more proactive and strategic relationship. In each of their focus areas, both countries possess a high degree of proficiency and/or resources. Working together can therefore allow them to leverage their strengths and further enhance capacity

to achieve shared political, social, and economic goals.

The strategic essence of the India-Sweden relationship, therefore, draws on several elements.

Firstly, India's rising economic and strategic profile underscores its strategic importance for Sweden. India's rising economic and strategic profile is reshaping global dynamics, driven by its robust economic growth (it is expected to sustain a 6.5 percent growth in 2025 and 2026),²⁴ strategic geographic position, and active international engagement. As the world's fifth-largest economy, India is a hub for trade, investment, and innovation, attracting global attention with its thriving start-up ecosystem and ambitious digital transformation. It offers an ideal hub for businesses to efficiently manage their logistics and supply chain across the Asia-Pacific.²⁵

Strategically too, India occupies a pivotal location in the Indo-Pacific, serving as a key player in regional and global security. Its role in forums like the Quadrilateral Security Dialogue (officially called the Quad, comprising Australia, India, Japan, and the United States) in the Indo-Pacific security architecture, BRICS (which has expanded to include Egypt, Ethiopia, Indonesia, Iran, and the United Arab Emirates (UAE) besides the core members Brazil, Russia, India, China, South Africa) as a key forum representing the so-called "Global South," as well as the Group of Twenty (G20) showcases India's commitment to multilateralism and rules-based international order.

India's ambitious renewable energy targets and leadership in climate action through platforms like the International Solar Alliance (ISA)—of which Sweden is also a member—further enhance India's global standing. It is therefore not only an economic powerhouse but also a strategic partner for addressing global challenges and ensuring sustainable development. Outside its traditional focus on China and Japan, Sweden's growing interest in India reflects a strategic recalibration in Sweden's outreach to the region. For Sweden, India represents a stable and reliable partner in the Indo-Pacific and beyond.

Secondly, Sweden is an important economic and strategic partner for India due to its advanced technological capabilities, focus on sustainability, and alignment with India's developmental priorities. Some prominent Indian companies with a presence in Sweden include Tata Group, Aditya Birla Group, Bharat Forge, Wipro, HCL Technologies, Tech Mahindra, Larsen & Toubro Infotech, Cadila Pharmaceuticals, and Crompton Greaves, focusing on sectors like IT, automotive, pharmaceuticals, and biotechnology. Economically, Sweden's expertise in sectors like green technologies, renewable energy and advanced manufacturing complement India's goals of energy transition, industrial modernization and sustainable growth. India ranks as Sweden's third largest trade partner in Asia, with several Swedish businesses having a prominent presence in India.²⁶ These include Ericsson, Spotify, and Truecaller in the IT sector; automobiles Volvo and Scania in the automobiles sector; Alfa Laval, and Scania in the earth moving and mining sector; Sandvik in the process plant equipment sector; ABB and SKF in the electrical engineering and AI domain; AstraZeneca in the pharmaceuticals sector; Tetra Pak in the packaging sector; retail IKEA and H&M in the retail space; and Saab in the defense sector.

In particular, Swedish companies, with their innovation-driven approach, are key contributors to India's "Make in India" initiative and its thriving start-up ecosystem.²⁷ Notably, as a pivotal step in this direction, Saab started the construction of a production unit for the shoulder-launched iconic Carl-Gustaf M4 weapon systems in India (state of Haryana) in March 2024.²⁸ It is a pivotal step toward enhancing strategic cooperation. Moreover, as per company reports, this will be the first Carl-Gustaf manufacturing facility outside Sweden.²⁹

Further, Sweden can serve as an indispensable partner and a pivotal gateway for India's relations with the Nordic countries. As the largest Nordic economy in terms of overall gross domestic product (GDP),³⁰ it provides a natural entry point for India to engage more deeply and more comprehensively with the Nordic region—which ranks as the 10th

largest economy in the world.³¹ With an impressive 60 companies on Forbes World's 2000 largest publicly listed companies, the region boasts of high productivity (40 percent higher than the EU average) and one of the best purchasing power parity rates in the world (78 percent higher than the EU average). This, along with its innovation, early tech adoption, sustainability focus, and highly integrated model, make it an attractive trade and investment partner for India.

Sweden's active participation in regional platforms like the Nordic Council and its strong ties with Denmark, Finland, Norway, and Iceland—the other four Nordic states—would enable India to expand its partnerships across the Nordic states. By building on its strong bilateral ties with Sweden, India can effectively tap into the collective potential of the Nordic states, advancing mutual goals in trade, innovation, and climate action.

A Comprehensive Partnership in the Making: Will It Reach a High Point?

Despite such progress in bilateral engagements, there remains untapped potential in the strategic ties between Sweden and India. Even as the two states celebrated 75 years of bilateral cooperation and long-standing business ties,³² the lack of a sustained strategic push has been obvious until very recently. It would be not incorrect to posit that one of the major factors that enabled a reconnect between Sweden and India was the COVID-19 pandemic and the ensuing deficit of trust with China due to supply chain dependencies.

Looking forward, while collaborations in sustainability, innovation, and defense have grown, deeper engagement in areas like digital transformation, healthcare innovation, and advanced manufacturing could unlock new opportunities. Trade volumes, though increasing, still do not reflect the full potential of both economies. Greater investment and technology transfer, particularly in green hydrogen and renewable energy storage, could amplify outcomes. Furthermore, stronger

people-to-people connections, academic exchanges, and cultural partnerships can enhance mutual understanding.

By addressing these gaps, the India-Sweden partnership can evolve into a more comprehensive and transformative collaboration.

Five Essential Areas of Focus/ Convergence

To this end, there are five areas where India and Sweden should focus in order to further their partnership, namely innovation and technology, energy, sustainable development, defense, trade and investment, and climate action. Focusing on these dimensions can provide a structured and holistic framework for their bilateral relationship and foster it as a strategic and forward-looking partnership.

Innovation & Technology

Under Narendra Modi, the science and technology domain has been one of special focus and high prioritization, particularly as India has sought to reposition itself as a frontline nation, or a powerhouse, in the domain. Flagship programs like Digital India, Aadhaar (a unique proof of identity for Indian residents), Unified Payments Interface (UPI, an Indian instant real-time payment system and protocol), eSign, and Government e-marketplace have sought to create a “tech-first” India; this is complemented by India’s advancements in the space and deep-sea sectors.³³

Considering Sweden’s strength in the domain—it has for long been recognized as a leading innovation economy known for its technological competences—India has sought to leverage its partnership to enhance its own ecosystem in the domain. In fact, India considers technology, innovation, investment and research and development (R&D) to be the bedrocks of the modern India-Sweden relationship.³⁴ Sweden leads the EU in terms of R&D intensity. In 2023, it spent 3.6 percent of its GDP on R&D;³⁵ by comparison, the EU average amounts to 2.2 percent. Furthermore, Sweden ranks third in innovation

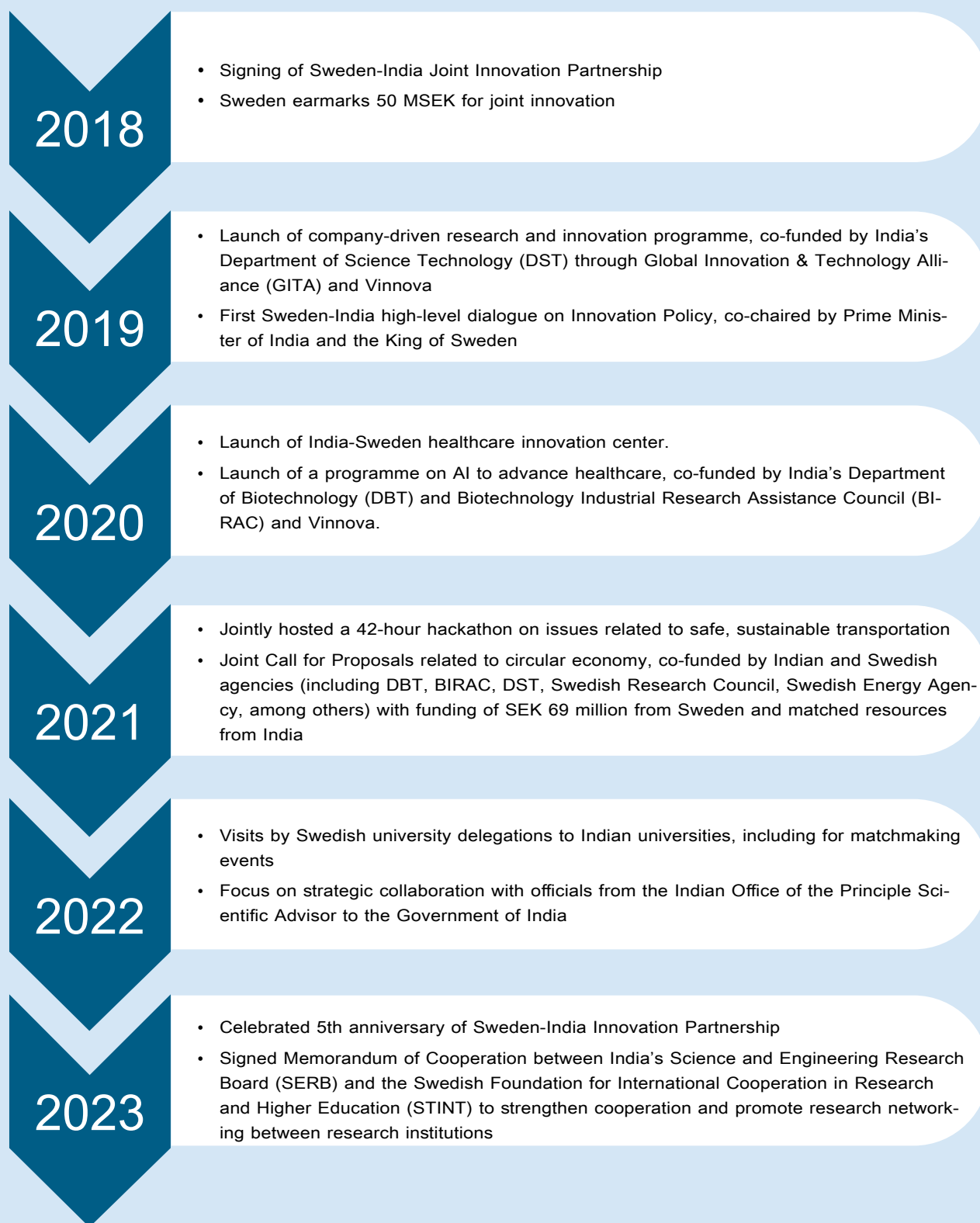
inputs and second in innovation outputs on the Global Innovation Index 2024 (it overtook the United States in 2023 as the world’s second most innovative economy)—an index where India is fast climbing.³⁶

To capitalize on this, India and Sweden signed a joint innovation partnership in 2018 in a bid to formalize bilateral collaboration mechanisms in the area. Figure 1 displays the rapid advancements in the partnership since the onset of this agreement. The partnership is based on the principles of co-funding, co-development, and co-creation, toward mutual benefits using the synergy between India’s burgeoning tech sector and Sweden’s R&D capabilities. Both countries are already working together to a certain extent in areas like smart cities, green energy and transportation; smart industry, AI and digitizations and Intellectual Property Rights (IPR) issues; new materials and advanced manufacturing; space and aeronautics; circular and bio-based economy; and health and life sciences.³⁷ For instance, Sweden has officially joined ISRO’s Venus Orbiter Mission (VOM), launching in 2028, and will provide a Venusian Neutrals Analyser instrument for the same.³⁸

Since being re-elected in June 2024, the Modi government has unveiled a series of ambitious infrastructure and logistics projects, including a policy to boost bio-manufacturing and the launch of a new venture capital fund for incubating space technology. This creates further avenues for both countries to deepen their partnership in the sector.

Nevertheless, tech cooperation is a sensitive area. Issues like regulatory differences, IPR concerns, market access barriers, and digital security concerns lead to hesitancy on tech transfer, limiting deeper partnerships. By contrast, Japan, South Korea, and Taiwan align more closely with the EU’s digital framework, often making them more viable tech partners. Yet, India is one of the world’s fastest-growing digital economies and talent pool with complementary strengths in innovation. A stronger Sweden-India tech partnership therefore helps Stockholm balance its strategic portfolio without

Figure 1: Timeline of the Sweden-India Innovation Partnership



Source: Prepared by the authors based on Office of Science and Innovation (Embassy of Sweden in New Delhi), Sweden-India Partners in Research and Innovation (January 2024), <https://www.swedenabroad.se/globalassets/ambassader/indien-new-delhi/documents/sweden-india-partners-in--research-and-innovation-2-compressed-1.pdf>.

relying only on East Asia partners, for example.

Accordingly, much more can be done to take the partnership forward. There is currently limited commercialization of joint research, with most initiatives being led by government agencies on both sides. Still insufficient investments in pilot projects and slow bureaucratic processes also hinder scaling up of collaborative ventures. Both countries should now focus on expanding their innovation partnership by establishing dedicated India-Sweden R&D funds and innovation hubs. Promoting venture capital flows can further help energize start-up exchange programs to co-develop solutions in areas like healthcare, circular economy, and green energy. Alongside this, it will be vital to consistently expand people-to-people relations through academic and cultural exchanges in order to create an environment that promotes joint innovation.

Green Energy

Renewable energy cooperation, especially in solar and wind power, aligns with both countries' climate goals. Both countries first signed a Memorandum of Understanding on renewable energy cooperation in 2010.³⁹ To put greater impetus into collaborations on clean energy, both countries inaugurated the India-Sweden Sustainability Day on March 4, 2024. As Cecilia Oskarsson, Trade and Invest Commissioner of Sweden to India and South Asia stated, together with India, Sweden is committed to 'pioneering the possible' by providing innovative solutions and best-in-class technologies and expertise for the heavy industry through channels like the Sustainability by Sweden Ecosystem.⁴⁰

Although India has a much better record of per capita emissions than many developed nations⁴¹—India's global share of carbon emission is less than 5 percent despite being home to 17 percent of the global population—it surpassed the EU to become the third largest emitter of greenhouse gases globally in 2023 and its CO2 emissions have tripled over the last two decades.⁴² New Delhi has further announced a highly ambitious target of

achieving net-zero emissions by 2070, transitioning 50 percent of the country's installed capacity to renewable energy sources, and reducing carbon intensity by 45 percent by 2030. This will require not only stringent measures and regulations to promote green transition strategies across sectors, but also industry-to-industry collaborations. India's manufacturing industries like iron, steel, cement, chemicals and fertilizers have some of the highest emission footprints. To achieve their carbon neutral targets while remaining competitive will require collaboration in developing and scaling fossil free solutions and technologies, such as green hydrogen.⁴³

The India-Sweden Green Industrial Transition Partnership (ITP), launched in 2024, seeks to help achieve this goal and accelerate the transition of the heavy industry in India.⁴⁴ It functions as a platform for various ministries, agencies, companies, research institutes and experts to open policy dialogue, promote mutual learning, generate more opportunities and enable co-development of technology. While still in its nascent stage, the ITP has already set up five working groups, defined deliverables and started identifying priority actions. Moving forward, they will look to implement flagship projects in the steel and cement sectors, mobilize multilateral technical and financial assistance, work on emerging market-based instruments, as well as support activities under the innovation partnership. This marks a significant step in the right direction for both countries.

In particular, the ITP should work to expand collaboration on green hydrogen production, storage and utilization. Sweden's advanced research in hydrogen technology can complement India's ambitious National Hydrogen Mission, creating pathways for joint projects and technology transfer. Both can also work to develop cost-effective and scalable battery storage solutions is essential for integrating renewable energy into grids. Enhancing the efficiency of solar and wind energy systems through joint research on smart grids and energy optimization technologies can significantly improve

renewable adoption in both countries. In addition, exploring carbon capture, utilization, and storage (CCUS) technologies can help both nations achieve their climate targets. Collaborative research can focus on industrial applications and scaling cost-efficient solutions.

Sustainable Development

Related to green energy, India and Sweden are also strengthening their ties for sustainable development.⁴⁵ Sweden's early adoption of progressive policies and innovations in the sector have made it a leader in sustainability. For instance, its Extended Producer Responsibility (EPR) regulations, which were established in the 1990s, remain a benchmark for managing packaging waste and promoting a circular economy. As sustainability partners, with regular dialogues on the issue, both countries have fostered a conducive environment for sharing knowledge and solutions.

Shared commitments to sustainable development goals (SDGs) open avenues for partnerships in circular economy models, waste management, and carbon neutrality. Areas like electric vehicle (EV) infrastructure, EV regulatory frameworks, technology transfer, solid waste and wastewater management, and other circular production practices have emerged as key areas for collaboration. In the EV space for instance, companies like Volvo and Hitachi are working with Indian-Swedish university partnership between Indian Institute of Technology (IIT) Bombay and the University of Gothenburg on e-mobility to develop charging infrastructure and electric buses in India.⁴⁶ Many of the 280 Swedish companies present in India are also implementing circular production lines and helping their domestic partners and customers develop more efficient practices.

In several areas, however, cooperation has been underexplored and could be further expanded for greater impact. In sustainable agriculture, for example, India can leverage Sweden's expertise in precision farming, resource-efficient irrigation, and organic farming practices. Joint projects in

wastewater management and water recycling systems could also help address acute water scarcity and pollution challenges. Both countries could also expand focus to joint projects on developing sustainable and climate resilient infrastructure.

Defense Trade and Security

In terms of their security partnership, Sweden's recent accession to NATO opens new doors for collaboration. In July 2024, shortly after becoming NATO's 37th member, the Swedish Ministry of Defense presented a defense policy direction for cooperation between Sweden and the countries of the Indo-Pacific region.⁴⁷ This was driven by the fact that Sweden, like many countries of the NATO, recognizes that the Euro-Atlantic and Indo-Pacific regions are inherently linked, and that China's authoritarianism and cooperation with Russia, as well as the U.S.' resource allocation between Ukraine and the Indo-Pacific impact Europe's security situation. As a member of NATO, Sweden brings advanced defense expertise and robust multilateral networks, which complement India's security interests in the Indo-Pacific and beyond. In other words, Sweden's NATO membership thus amplifies its strategic relevance to India, fostering deeper ties in defense, innovation, and global governance.

Furthermore, Sweden's reputation for cutting-edge defense technology aligns with India's push for defense modernization and self-reliance through initiatives like "Make in India." Collaborations in areas such as aerospace, cyber defense, and joint R&D can deepen their defense partnership while fostering technology transfer and innovation. Under the "Atmanirbhar Bharat" (self-reliant India) initiative, India increased the foreign direct investment (FDI) limit to 74 percent through the automatic route, encouraging foreign original equipment manufacturers to invest in India and collaborate with local industry. The Indian government further released three positive lists for indigenization—that is, lists of defense equipment with an import embargo—to pave the way for strategic partnerships between foreign and Indian companies.⁴⁸

Saab, a Swedish defense manufacturer which already has a massive presence in India, is a good example of such a partnership.⁴⁹ Besides the start of the aforementioned construction of the Carl-Gustaf weapon systems facility, as part of India's initiative to acquire 114 Multi-Role Fighter Aircraft (MRFA), Saab has also offered to delivering its Gripen fighter aircraft under an accelerated timeline of 36 months.⁵⁰ While the first 18 aircraft will be developed and assembled in Sweden, the remaining 96 will be manufactured in India; therefore, Saab is set to establish substantial domestic production capabilities in India. This facility would be an “independent industrial base that can design, develop, produce, upgrade and maintain the Gripen system, thereby going beyond just building subcomponents with Indian partners”.⁵¹ It will also offer technological support India's Light Combat Aircraft (LCA) and Advanced Medium Combat Aircraft (AMCA). Saab has already displayed a full-scale replica of its Gripen E fighter jet at an inaugural security dialogue in India, ahead of the Aero India 2025, India's premier hub for exploring new avenues and partnerships in the aerospace sector.⁵²

While India has not yet accepted the offer—it is still considering its strategic requirements—it is worthy to note that Saab is the only global company approved for 100 percent ownership of an India-based operation, and therefore a trusted partner for the Indian government.⁵³ Such measures create immense potential for defense industrial cooperation, particularly toward boosting India's goals for facilitating indigenization as well as self-reliance in defense procurement.⁵⁴

Importantly, like in the technology sector, defense trade and security cooperation faces serious challenges due to Sweden's strict export controls, India's complex procurement processes and geopolitical misalignments on Russia. Sweden, as part of the EU and now NATO, adheres to strict security and export control regimes, whereas India follows a non-aligned, multi-partner defense approach, which includes engaging with Russia. Their divergent threat perceptions naturally raise

concerns in European security circles limiting strategic alignment. India's slower bureaucratic procurement system and preference for technology transfer and local manufacturing create further hurdles. Nevertheless, these barriers can be addressed by streamlining export policies, setting clearer tech transfer agreements and building greater trust between the two partners. For Sweden, building defense cooperation is a way for it to prompt India's defense diversification beyond the U.S., France, and (most importantly) Russia, as well as expanding its global defense footprint. By addressing the challenges and continuing to focus on security cooperation, both countries can unlock long-term strategic benefits.

Trade and Investment

India-Sweden trade and investment relations have rapidly grown in recent years. Trade in goods increased from USD 3 billion in 2016 to USD 5 billion in 2022.⁵⁵ Nevertheless, India is only Sweden's 19th largest export market, with most growth driven by sharp increases in iron and steel, pulp and waste paper, and paper and paper products. By comparison, Sweden shares a dynamic trade relationship with China, which is its largest trade partner. Swedish exports to China amounted to USD 7.03 billion in 2023 (a 7.8 percent year-on-year increase from 2022), with chemicals, machinery and transport equipment being key sectors. Sweden ranks as the 21st largest investor in India, with total FDI at USD 2.51 billion from April 2000 to March 2024. Clearly, there is immense scope for the bilateral trade relationship to grow further.

Most prominently, bilateral trade is limited by the lack of an India-EU Free Trade Agreement (FTA), which is currently being negotiated but is unlikely to be concluded in the short term future. Finalizing the FTA should be an active priority for both since it can help reduce trade barriers, facilitate smoother investment processes, and therefore unlock their trade potential. However, while the India-EU FTA remains elusive, both countries can work bilaterally to expand collaboration on high-growth sectors—like renewable energy and innovative technologies—

as well as simplify regulatory frameworks. Ensuring consistent regulations can help address non-tariff trade barriers and improve the ease of doing business with each other, thus boosting bilateral trade volumes. At the same time, India and Sweden can leverage multilateral platforms like the United Nations (UN) and the World Trade Organization (WTO) to advocate for shared goals, such as those pertaining to equitable trade practices, reduced non-tariff barriers, and fair market access.

Conclusion

Each of the aforementioned areas demonstrate both progress and challenges. For instance, while trade volumes have grown, non-tariff barriers and regulatory hurdles need resolution. Similarly, while there is momentum in green energy collaboration, investments must scale up. Needless to say, the India-Sweden relationship is at a critical juncture. With the right mix of political will, strategic vision, and institutional frameworks, this partnership can evolve into a cornerstone of India's Nordic and EU engagements. A focus on the above-discussed five-fold agenda will ensure that both nations reap mutual benefits while setting a global example of bilateral cooperation.

Importantly, by building their relationship into a strategic one, India and Sweden can act as a model for regional relations. For instance, by showcasing success in bilateral projects, India-Sweden ties can inspire similar engagements across the Nordic region. Similarly, Sweden's role as a facilitator within the EU can enhance India's access to European markets and policymaking processes.

Both nations share a commitment to multilateralism and a rules-based international order. A stronger India-Sweden partnership can contribute to a balanced global power structure, especially at a time when global leadership is marked by increasing polarization, geopolitical tensions, and the need for collaborative solutions to transnational challenges.

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