

An Overview of
INDIA – ITALY
TRADE RELATION
Today & Tomorrow



INTRODUCTION

OVERVIEW

Italy is among India's top 5 trading partners in the EU. The balance of trade has been in India's favor since the early eighties. The bilateral trade witnessed a strong growth till 2007, before the world-wide recession of 2008 led to a marked slowdown in the Italian economy, which had an adverse impact on the bilateral trade. In 2011-12, the bilateral trade stood at nearly 9.29 billion USD registering an increase of 18% vis-à-vis 2010-11 owing primarily to the global economic recovery. However, in 2012-13 the total bilateral trade decreased to about 7.73 billion USD due to the onset of a severe economic recession in Italy coupled with the economic austerity and reform program initiated by the Italian government in 2012. In 2014-15, the total trade was of US\$9 billion with a negative growth of 1.12%.

ECONOMY OF INDIA

As the world's third largest economy in purchasing parity terms, India aspires to better the lives of all its citizens and become a high-middle income country by 2030. Between 2011-15, more than 90 million people escaped extreme poverty and improved their living standards thanks to robust economic growth. However, India's growth rate has decelerated in the past two years.

India's ability to achieve rapid, sustainable development will have profound implications for the world. India's success will be central to the world's collective ambition of ending extreme poverty and promoting shared prosperity, as well as for achieving the 2030 Sustainable Development Goals (SDGs). Indeed, the world will be able to eliminate poverty only if India succeeds in lifting its citizens above the poverty line.

Previously, the growth was projected to be 6.0 percent this fiscal year and expected to rise to 6.9 percent in 2020/21 and to 7.2 percent in the following year.



INDIA'S GROWTH PROJECTIONS REVISED DOWN

Given the challenges that businesses and people are facing currently, the Indian economy is most likely to experience a lower growth during the last quarter of the current fiscal. In case the spread of corona virus continues, growth may remain subdued in the first quarter of FY 20-21 as well. Most multilateral agencies and credit rating agencies have therefore revised their 2020 and 2021 growth projections for India keeping in view the negative impact of coronavirus-induced travel restrictions, supply chain disruptions, subdued consumption and investment levels on the growth of both the global and the Indian economy.

The Economist Intelligence Unit (EIU)

in its post-Covid-19-outbreak revised the growth forecast for G20 countries in 2020 downgraded projected FY21 GDP growth of India to 2.1 per cent from 6 per cent before the outbreak. While this looked like a free fall but when compared with other G20 countries, India's growth projection stood on the top while others are set to dive deep into recession except for two other countries – China and Indonesia, where both of these country will grow at 1 per cent in 2020.

The biggest contraction in the GDP growth this year among the rest 17 of the G20 countries would be suffered by Italy (-7 per cent), Germany (-6.8 per cent) and Argentina (-6.7 per cent) followed by Brazil (-5.5 per cent), Mexico (-5.4 per cent), France (-5 per cent), Saudi Arabia (-5 per cent), and UK (-5 per cent). The US economy would contract by -2.2 per cent in 2020.

Moody's Investors

Service on Tuesday slashed India's growth forecast for the calendar year 2020 to 0.2%, from 2.5% projected in March. For 2021, the rating agency expects India's growth to rebound to 6.2%. China is projected to grow 1 per cent in 2020 and 7.1 per cent in 2021.

The International Monetary Fund (IMF)

IMF further slashed India's growth estimate for FY21 to 1.9% from 5.8% estimated in January, warning that the "worst recession since the Great Depression" will dwarf the economic damage caused by the global financial crisis a decade back. It also said that India and China would be the only two major economies likely to register growth, with all others contracting.

AN OVERVIEW OF THE INDIAN ECONOMY AND LATEST DEVELOPMENTS

(INR trillion)

MACRO ECONOMIC INDICATORS	2016	2017	2018	2019	2020
GDP at market prices	153.6	7.2	6.8	5.8	6.2
Total domestic demand	156.3	9.9	7.7	5	6.1
Exports of goods and services	29.5	4.7	12.5	5	4.4
Imports of goods and services	32.2	17.6	15.4	2.2	4.4
Net exports 1	-2.7	-2.8	-1.1	0.5	-0.2

India's share in global trade

India's share in global trade (merchandise and services) was 2.1% (481.74 USD billion out of total 23,044 USD billion) for exports and 2.6% (600.62 USD billion out of total 23,112 USD billion) for imports in 2017.

Total exports from India (Merchandise and Services) registered a growth of 2.13 per cent year-on-year during April 2019-February 2020 to US\$ 491.64 billion, while total imports are estimated at US\$ 559.45 billion, according to data from the Ministry of Commerce & Industry. While India's share in Italy is only 1.30 for import and 0.86 % for export.

ECONOMY OF ITALY

In recent years, supportive global economic conditions, expansionary monetary policy, structural reforms and prudent fiscal policy supported Italy's gradual economic recovery. Exports, private consumption and more recently investment drove growth, buttressed by a shift of export industries towards higher value-added products. The employment rate has increased by 3 percentage points since 2015 and the health of the banking system has improved. However, the recovery has slowed. GDP is projected to contract by 0.2% in 2019 and expand by 0.5% in 2020. Expansionary fiscal policy and low growth will push the general government budget deficit to 2.5% of GDP in 2019 from 2.1% in 2018.

A wholly unpredictable shock hit the Italian economy in February 2020, as Covid-19 began to spread nationwide. It is a combined supply and demand shock: many business activities around the country have been brought to a halt for an indeterminate period in order to limit the spread of the virus, while demand for goods and services collapsed at home and abroad. During this crisis, the outlook for the economy has dramatically worsened. And it is unclear when it might improve, even on the supply side.

If the health situation does not improve compatibly with this supply scenario, then the economic projections will have to be revised downwards. Inevitably, GDP will fall sharply in 2020 - by -6.0% according to the forecasts.

The International Olympic Committee (IOC) announced that the 2026 Winter Olympics will be staged at the Italian venue of Milan/Cortina d'Ampezzo. It has been estimated that the Games will generate five billion euros (\$5.69 billion) and create 20,000 jobs for Italy. This might improve the economy of Italy.

AN OVERVIEW OF THE ITALIAN ECONOMY

(Euro million)

MACRO ECONOMIC INDICATORS	2016	2017	2018	2019	2020
Gross domestic product	1.2	1.7	0.8	-0.2	0.5
Total domestic demand	1.6	1.3	0.9	-0.4	0.6
Exports of goods and services	2.3	6.4	1.4	2.7	2.3
Imports of goods and services	3.8	5.8	1.8	2.1	2.7
Net exports	-0.4	0.4	-0.1	0.2	-0.1

*Based on the Interim Economic Outlook released on 6 March 2019, taking account of the second estimate of 2018Q4 on 8 March 2019.

ITALY IMPORT-EXPORT

Italy is the 7th largest export economy in the world and the 20th most complex economy according to the Economic Complexity Index (ECI). In 2017, Italy exported \$482B and imported \$441B, resulting in a positive trade balance of \$40.8B. In 2017, the GDP of Italy was \$1.93T and its GDP per capita was \$39.4k.

Since the country's manufacturing sector is specialized in high-quality goods, Italy plays an important role in the global market of luxury goods. The country's main exports are mechanical machinery and equipment, which account for around 24% of total exports, as well as motor vehicles and luxury vehicles (7.2%). Home to some of



world's most famous fashion brands, Italy occupies a special niche in the global market of fashion and clothing. In fact, exports of clothing and footwear account for around 11.0% of the country's total exports. Other important exports include electronic equipment (5.6%) and pharmaceutical products (4.6%).

The top export destinations are listed below (%):

Export Destination	Germany	France	USA	UK	China	Turkey	India
Products %	12%	10%	9.3%	5.2%	3.40%	2.40%	0.86%
Machinery (Auto ancillary parts)	22	21	22	22	32	34	44
Transportation	13	13	21	12	15	15	5
Chemical product	11	8.7	15	11	11	9	14
Textiles	5.2	6.2	4.3	7.5	7.9	5.2	1.9
Animal Hides	1.3	3.6	2.5	2.7	5.7	-	2.3
Metal	15	11	4.7	6.2	5.4	8.9	7.6
Instrument	2	2.5	4.1	2.7	5	2.4	4
Plastic and Rubber	7.6	6.4	2.2	4.2	3.9	8.1	5.9
Footwear & Headwear	1.9	3.5	2.9	3.2	2.2	-	-
Foodstuffs	6.4	5.3	7.7	10	1.9	-	-
Mineral Products	0.83	2.2	1.1	0.96	1.7	6.5	4.6
Paper Goods	2.2	3.1	0.65	2.2	1.6	1.7	2.7
Stone and glasses	1.9	2.8	3.2	1.6	-	-	-
Precious Metal	0.83	1.5	0.68	2.6	-	2.8	-
Animal Products	1.8	2	0.91	1.8	-	-	-
Vegetable Products	4.1	2.3	0.74	2.1	-	-	-

Italy's main imports are fuels, which account for around 17% of total imports. This is due to the country's lack of natural resources, which makes it highly dependent on energy imports. Other imports include machinery (14.2%), raw materials (10.0%) and food (7.0%). Italy is a net food importer because the landscape is not suitable for developing agriculture.

Since the financial crisis, merchandise imports have expanded at a slower rate on average than merchandise exports. In fact, in the last six years, merchandise imports have grown a meager 0.4%.

The top export destinations are listed below (%):

Export Destination	Germany	France	China	Netherlands	Spain	India
Products %	16%	9%	7.20%	5.6%	5.1%	1.30%
Machinery (Auto ancillary parts)	24	14	37	32	7.2	11
Transportation	21	15	3.6	2.8	23	4.6
Chemical product	13	16	5.8	17	12	10
Textiles	2.2	4.2	16	3	3.9	15
Animal Hides	0.44	2.7	3.5	1.5	1.7	4.7
Metal	9.4	8.7	9.3	7.1	8.6	25
Instrument	4.6	3.1	4.9	6.5	0.79	-
Plastic and Rubber	8.2	7.2	4.7	6.9	6.4	6.4
Footwear & Headwear	0.39	1.4	3.7	1.6	1.3	2.8
Foodstuffs	4	4.7	-	4.5	1.3	-
Mineral Products	2	5.4	-	3.4	3.2	6.1
Paper Goods	2.3	1.8	-	1.1	1.6	-
Stone and glasses	1	1	1.6	0.29	1.2	-
Precious Metal	1.3	2.3	-	0.24	1.7	2.8
Animal Products	3.8	7	-	5.7	7.4	3
Vegetable Products	0.85	3.1	-	4	5.2	5.1

INDIA-ITALY ECONOMIC RELATIONS

India is Italy's fifth largest trading partner in the EU. Balance of trade has been in India's favor since 1988. The volume of bilateral trade during 2016 has reached Euro 7516.90 million. The exports from India reached 4,620.84 million USD, with an increase of 5.94% in comparison to 2015. During 2016, India's imports from Italy stood at 3,573.38 million USD, registering a decrease of -2.17% compared to 2015. Thus, the balance of trade remained in India's favor (+960.88 million).



Future Prospects for investment and trade are encouraging, as India is increasingly being seen as an emerging economic power in the world and an important economic partner in Asia, both in terms of trade and investment

INVEST INDIA & ITALIAN TRADE AGENCY SIGN MOU

Invest India signed a Memorandum of Understanding (MoU) with Italian Trade Agency (ITA), which marks the start of an Indo-Italian partnership focusing on deepening engagement among stakeholders in both the ecosystems, providing favorable business environment and necessary guidance to companies of both countries for sustainable growth of their businesses in India and Italy, respectively. The MoU was signed between Mr. Deepak Bagla, CEO & MD, Invest India and Mr. Michelle Scannavini, President, ITA, on the side lines of the India-Italy CEO Roundtable. Invest India is the national Investment Promotion and Facilitation Agency of the Government of India, mandated to facilitate investments in India as it is envisaged to be the first point of reference for potential investors. ITA is the governmental organisation mandated to promote the internationalization of Italian companies. The salient features of the MoU include:

- Sharing economic information related to foreign direct investment
- Promoting and facilitating inbound FDI, coming from or proposed by Indian and Italian investors respectively
- Sharing and exchange of business information regarding various investment sectors including the legal and regulatory framework

TITAGARH-MERMEC JOINT VENTURE AGREEMENT

A venture named **Devadoot** started operating from 2017 in India. The Indian Railways is carrying on an important investment plan to implement the safety of the railways and to optimize the maintenance management. To properly accomplish, the project requires the joint effort of strong international players, market leader companies and the more advanced national railways sector. To give this effort a fillip, Titagarh and Mermec, both leaders in their respective railways markets, signed a Joint Venture Agreement to cooperate in India and some neighboring countries. Mr.

Umesh Chowdhary, MD, Titagarh Wagons Ltd. and Mr. Vito Pertosa, CEO and President, Mermec Spa signed and exchanged the MoU.

The Joint Venture, named Devadoot is designed to manufacture, sell, rent and manage, high-tech systems and measuring trains, for the safety of the railway lines and trains. The venture will develop and manufacture also high-tech and cost-effective trackside signaling systems. The accessible market (value) for the venture is around 1.5 billion Euros.



INDIA & ITALY SET UP FAST-TRACK MECHANISM TO FACILITATE INVESTMENT



The fast-track system will be reviewed twice a year at the level of Director General for Internationalization and Trade Promotion, Ministry of Economic Development, Italy and Indian Ambassador in Italy. The Indian Embassy and Ministry of Economic Development, Italy, will meet on the working level at shorter intervals as and when required to review the progress achieved. On 17 July 2019, a fast-track system was made by the companies and investors of India. Italy decided to make investment

proposals in both the countries. The main aim is to facilitate the Italian companies and investors in India. Indian companies and investors in Italy decided to establish a fast-track system for companies and investors of both the countries.

The key objective of the system in India is to pave the way to identify and solve problems faced by the Italian companies and investors with their operations in India. It serves as a platform for discussing general suggestions from the point of view of Italian companies and investors. The Department for Promotion of Industry

and Internal Trade (DPIIT), under the ministry, will represent the Indian side in this system. The department will facilitate the participation of other relevant ministries and authorities on a case by case basis. The Italian Embassy in India, in close cooperation with the Italian Trade Agency and relevant Ministries in Italy, will represent the Italian side of this system in India.

ITALY'S WARM GESTURE TO INDIA

India was scheduled to host the G20 summit in 2021 and Italy in 2022. But Prime Minister Narendra Modi said he had requested Italy to host the summit in 2021 and allow India to host it in 2022, on the occasion of the 75th year of India's independence.

Italy agreed to let India host the G20 summit in 2022 in its place owing to the momentum in bilateral ties in the past two years that allowed the two countries to overcome the dispute over two Italian marines accused of killing two Indian fishermen. It highlights the long-standing collaboration between Indian and Italian institutions, which will be further enhanced through a center of excellence.

ITALIAN INVESTMENT IN INDIA

According to the Italian Embassy in India, there are approximately 600 Italian companies currently operating in the country. To put this figure in perspective, 1,500 German companies and 750 French companies are also active in India. Italy ranks 17th in FDI inflow in India April 2000 to December 2018. Total FDI inflows from Italy are USD 2.72 billion during this period.

The highest FDI inflows from Italy to India sector wise include:

- Automobile at 54 percent;
- Services at 6 percent; and
- Railways at 4 percent

Year	FDI from Japan (USD million)
2013-14	185
2014-15	167
2015-16	279
2016-17	364
2017-18	308

Traditionally, Italian companies have gravitated towards India's major cities such as Delhi and Mumbai. But, with rapid urban growth, Italian manufacturers are identifying India's growing tier II cities as strategic sites for doing business. These smaller cities offer competitive labor and real estate prices and are making dramatic improvements in connectivity and infrastructure.

For instance, Bonfiglioli, an Italian manufacturer of gearboxes and gear motors, will be investing US\$13 million by February 2018 in order to expand their existing manufacturing plants near the southern city of Chennai as well as to establish a new facility in the western city of Pune. Manufacturing in India's tier II cities not only provides foreign companies with more direct access to India's domestic market but serves as an export base to neighboring Asian countries.

Top Italian Companies in India-

- Carraro India Pvt Ltd
- Ferrero India Pvt Ltd
- Piaggio Vehicles Pvt. Ltd
- Same Deutz Fahr India Pvt Ltd
- Benetton India Pvt Ltd
- Fiat India Automobiles Pvt Ltd
- Magneti Marelli Powertrain India Pvt Ltd
- Mecc Alte India Pvt Ltd
- Streparava India Pvt Ltd
- Tecnimont Pvt Ltd

TRADE RELATIONS

The Indo-Italian bilateral trend had been constantly increasing at high rates till 2011 and only in 2012 and 2013 the trend registered a negative growth, by -16.67% and -2.62% respectively, due to the global economic recession. The bilateral trade crossed for the first time with 7 billion Euro in 2010 and 8 billion Euro in 2011. In 2015 the bilateral trade registered a positive growth by +2.12% over the previous year and in 2016 the growth was +2.25%.

Bilateral trade statistics for the past few years are given below:

(Euro million)

Year	2012	2013	2014	2015	2016
India's export to Italy	3,749.10	3,973.90	4,158.50	4,001.10	4238.89
YoY Growth rate (%)	-	6.00	4.65	-3.79	5.94
India's import from Italy	3,346.40	2,971.40	3,040.50	3,350.80	3278.01
YoY Growth rate (%)	-	-11.21	2.33	10.21	-2.17
India-Italy bilateral trade	7,095.50	6,945.30	7,199.00	7,351.80	7516.9
YoY Growth rate (%)	-	-2.12	3.65	2.12	2.25

Top Products India Imported from Italy are:

(Euro million)

S.No.	HS Code	Commodity	2016-2017	%Growth
1.	8422	Dish Washing Machines; Machinery For Cleaning Or Drying Bottles Or Other Containers; Machinery For Filling, Closing, Sealing Or Labelling Bottles, Canes, Boxes, Bags Or Other Containers; Machinery For Capsuling Bottles Jars, Tubes And Similar Containers;	2105.8	4.3
2.	8481	Taps, Cocks, Valves And Similar Appliances For Pipes, Boiler Shells, Tanks, Vats Or The Like, Including Pressure-reducing Valves And Thermostatically Controlled Valves	1178.0	2.4
3.	8479	Machines And Mechanical Appliances Having Individual Functions, Not Specified Or Included Elsewhere In This Chapter	1032.8	2.11
4.	3004	Unsaturated Acyclic Monocarboxylic Acids, Cyclic Monocarboxylic Acids, Their Anhydrides, Halides, Peroxides And Peroxyacids; Their Halogenated, Sulphonated, Nitrated Or Nitrosated Derivatives	992.8	2.03
5.	8708	Parts And Accessories Of The Motor Vehicles Of Headings 8701 To 8705	975.0	1.99
6.	8430	Other Moving, Grading, Levelling, Scrapping, Excavating, Tamping, Compacting, Extracting Or Boring Machinery, For Earth, Minerals Or Ores; Pile-drivers And Pile-extractors; Snow-ploughs And Snow-blowers	960.3	1.96
7.	4802	Uncoated Paper And Paperboard, Of A Kind Used For Writing, Printing Or Other Graphic Purposes, And Non-perforated Punch Card And Punch Tape Paper , In Rolls Or Rectangular (including Square)sheets Of Any Size, Other Than Paper Of Heading 4801 Or 4803;	958.4	1.96
8.	8413	Pumps For Liquids, Whether Or Not Fitted With A Measuring Device; Liquid Elevators	930.9	1.9
9.	8445	Machines For Preparing Textile Fibres; Spinning, Doubling Or Twisting Machines And Other Machinery For Producing Textile Yarns; Textile Reeling Or Winding (including Weft-winding) Machines And Machines For Preparing Textile Yarns	912.6	1.86
10.	8483	Transmission Shafts (including Cam Shafts And Crank Shafts) And Cranks; Bearings Housings And Plain Shaft Bearings; Gears And Gearing; Ball Or Roller Screws; Gear Boxes And Other Speed Changers, Including Torque Converters; Flywheels And Pulleys	904.2	1.85
11.	Others	N/A	38035.1	77.65

Top Products India Exported to Italy are:

(Euro million)

S.No.	HS Code	Commodity	2016-2017	%Growth
1.	307	Molluscs, Whether In Shell Or Not, Live, Fresh, Chilled, Frozen, Dried, Salted Or In Brine; Smoked Molluscs, Whether In Shell Or Not, Whether Or Not Cooked Before Or During The Smoking Process; Flours, Meals And Pellets Of Molluscs, Fit For Human Consumption	2474.0	5.06
2.	7601	Unwrought Aluminium	2104.5	4.3
3.	7209	Flat-rolled Products Of Iron Or Non-alloy Steel, Of A Width Of 600 Mm Or More, Cold-rolled (cold-reduced), Not Clad, Plated Or Coated	2058.8	4.21
4.	7208	Flat-rolled Products Of Iron Or Non-alloy Steel, Of A Width Of 600 Mm Or More, Hot-rolled, Not Clad, Plated Or Coated	1633.4	3.34
5.	901	Coffee, Whether Or Not Roasted Or Decaffeinated; Coffee Husks And Skins; Coffee Substitutes Containing Coffee In Any Proportion	1565.9	3.2
6.	2933	Carboxyimide-function Compounds (including Saccharin And Its Salts) And Imine-function Compounds	1393.5	2.85
7.	6403	Footwear With Outer Soles Of Rubber, Plastics, Leather Or Composition Leather And Uppers Of Leather	1315.6	2.69
8.	7207	Semi-finished Products Of Iron Or Non-alloy Steel	1285.0	2.63
9.	8708	Parts And Accessories Of The Motor Vehicles Of Headings 8701 To 8705	1224.1	2.5
10.	7210	Flat-rolled Products Of Iron Or Non-alloy Steel, Of A Width Of 600 Mm Or More, Clad, Plated Or Coated	1154.0	2.36
			32679.9	66.85

IMPACT OF COVID-19

The Indian economy has been experiencing significant slowdown over the past few quarters. In the third quarter of the current fiscal, the economy grew at a six-year low rate of 4.7%. There is a hope of recovery in a few months.

Italy is one of the countries most affected by the coronavirus outbreak across the globe, as the incidences have rising at a significant pace than any other country. In Italy, the death toll from COVID-19 surpassed 4,00,000 as on 8th June, 2020 witnessing a high fatal rate.

COVID-19 pandemic had a devastating impact on the Italian economy, as the industrial output fell significantly. Italy had a considerable position in the value of industrial production in the EU member states. For instance, as per the Eurostat, more than 75% of the value of sold industrial production in EU 28 was generated by six member states, including Germany, Italy, France, UK, Spain, and Poland with 28%, 16%, 12%, 9%, 8%, and 5%, of total EU respectively (Eurostat). The country accounted for nearly 2.4% (\$2.1 trillion) of the world's GDP in 2018.



SECTORAL IMPACT



As of now, many countries are going to ban the global exports of the components to the other country. It signifies that dependence on one country is hurting the global economy and countries are now on a lookout for alternative production hubs. The void created by disruption in global supplies can be filled by India, and it is a great opportunity for India to recover its economy by focusing on increasing the production in these categories.

Based on industry classification, the Italy economy is segmented into automobile, food & beverage, aviation, BFSI, retail, travel and tourism, healthcare, personal protective equipment, and others. Due to the COVID-19 pandemic, the Italian government has put the lockdown strategy to limit its spread. As a result, major automobile companies have temporarily shut down their factories to minimize the spread of coronavirus.

China accounts for half of Italy's Asian exports and imports. Lower production due to factory shutdowns and reduced demand could affect Italy's trade in Asia.

This critical situation will make the world think and formulate strategies to reduce the over dependence on only 1 country. Going by that policy, Italy is also likely to look out for other countries besides China, as presently among 21% of Asian trade 7% of imports in Italy is from China only.

Major items imported from **China** includes Machinery, metal, Textiles, chemical products, Instruments etc.

Some identified **opportunity areas** where India can expand its business are:

(fig.2017 in %)

Year	Current Exports to Italy	
	1.30	
Metal	25	For metal, the country majorly depends on India
Textiles	15	For Metals, the country majorly depends on China followed by Turkey
Machine (Auto ancillary parts)	11	For machinery, the country primarily depends on China, Netherland followed by Japan
Chemical product	10	For Chemical, the country majorly depends on Netherland and France followed by India and Japan.

As every cloud has silver lining, this pandemic situation can open doors for India to increase its bilateral trade with Italy. At present, India exports machinery and equipment worth USD 611 million and Italy majorly depends on China for machineries. With 'Make in India' initiative by the government of India, the country is focusing majorly on machinery and ancillary parts at present, and can increase its bilateral trade value in this sector

In textile sector, with lockdown in China, the price of Man-Made Fiber (MMF) imports is expected to rise significantly, resulting in higher price for some goods in the domestic market. If the current scenario persists over the next few months, the domestic retail market would also be impacted significantly. The shift in paradigm will allow India to open up more export avenues in Machinery sector along with Textiles.

The FDI equity flows in textile sector (per cent of total) is 0.75 percent (Apr 2000-Dec 2019). The key export markets for textile includes US, UK, Canada, Russia, UAE, Italy. The sector is one of the largest employers in the country, employing nearly 45 million of workforce.

Automobiles contributes 7.1 per cent to GDP and auto components contributes 2.3 per cent to GDP. The FDI equity flows in the sector (per cent of total) is 5.2 percent

(Apr 2000- Dec 2019). The key export markets for automotive includes US, Mexico, Bangladesh, African region and Asia.

The other commodities/ sectors where India has an edge include Plastic & Rubber, mineral products, vegetables etc. which can be exported in large scale to Italy to increase its share which is at present only 1.30% of Italy's import share.

OPPORTUNITY AREAS FOR INDIA-ITALY PARTNERSHIP

The 20th Session of India-Italy Joint Commission for Economic Cooperation (JCEC) was held on 26 – 27 February, 2019 in New Delhi. The JCEC is an institutional mechanism for bilateral trade engagement. In the meeting it was highlighted the importance of Italy as an important trading partner for India. Italy is India's 5th largest trading partner in the European Union and 25th in the World during 2017-18. Italy has inherent strengths in manufacturing, design and innovation and skills training while India has a vast pool of skilled human resources, competitive wage rates and an edge in sectors such as leather, gems and jewellery, auto components and textiles. There is an immense potential for the Italian and the Indian industries to have partnership and cooperation. The Indian government is committed to an early and balanced outcome of India-EU BTIA (Broad-based Bilateral Trade and Investment Agreement) negotiations.

Italian companies are keen to invest in India and it is time to put in place practical mechanism on the line of the working group on agriculture that has been set up to facilitate investment/joint venture in the agricultural sector of both the countries. Italy is also looking to work in areas like financial services, renewable energy, infrastructure, transport development in railways, construction and the auto motive sector, and India can use this opportunity to increase its trade share. At present, Indian government is already in talks with many foreign companies who are ready to move out of China with a bouquet of offerings to invest and set up in India.

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