

## Areas of cooperation between India and Italy in trade and investments



**H.E. Anil Wadhwa\***  
*Ambassador of India to Italy*

India and Italy are ancient civilizations. Peoples of these two ancient civilizations have known and interacted with each other for over 2000 years. Italian port cities were important trading posts on the spice route of ancient times. The Venetian traveller Marco Polo had travelled to India in 13<sup>th</sup> century and wrote about his experience. Diplomatic relationship between India and Italy were established in 1947 and during PM Nehru's visit to Italy in 1955, a programme of 'Economic Cooperation' was signed between us.

India is the seventh largest economy in the world by nominal GDP and the third largest economy by purchasing power parity (PPP). India is classified as a newly industrialised country. It is one of the members of G-20, a member of BRICS and a developing economy with an average growth rate of approximately 7% over the last two decades. India's economy became the world's fastest growing major economy from

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\* Anil Wadhwa assumed charge as the Indian Ambassador to The Republic of Italy in March 2016. In his previous diplomatic assignments, he served as Third Secretary in the Commission of India, Hong Kong (1981 -1983); Second Secretary/ First Secretary in Embassy of India, Beijing (1983 -.1987); Under Secretary/Deputy Secretary in Ministry of External Affairs, New Delhi (Feb.1987-May 1989); UN Disarmament Fellow in Geneva (July-Nov.1989); First Secretary (Disarmament) at the Permanent Mission of India in Geneva (Dec.1989-Dec.1992); Counsellor in Embassy of India, Beijing (Jan.1993 – Jul.1993); Director/Joint Secretary on deputation to the Provisional Technical Secretariat and later the Technical Secretariat for the Organization for the Prohibition of Chemical Weapons (OPCW) in The Hague (July 1993-July 2000); Chief Adviser, Ministry of External Affairs (Earthquake Relief) in Gujarat State, (Dec.2000 to Jan.2001), Joint Secretary, Central and Eastern Europe, Ministry of External Affairs, New Delhi (Mar.2001 to Feb.2004). Ambassador Wadhwa served as the Indian Ambassador to Poland (March 2004 to August 2007), to the Sultanate of Oman (August 2007 to September 2011), and to the Kingdom of Thailand (Nov 2011 to Jan 2014). Ambassador Wadhwa is married to Ambassador Deepa Gopalan Wadhwa.



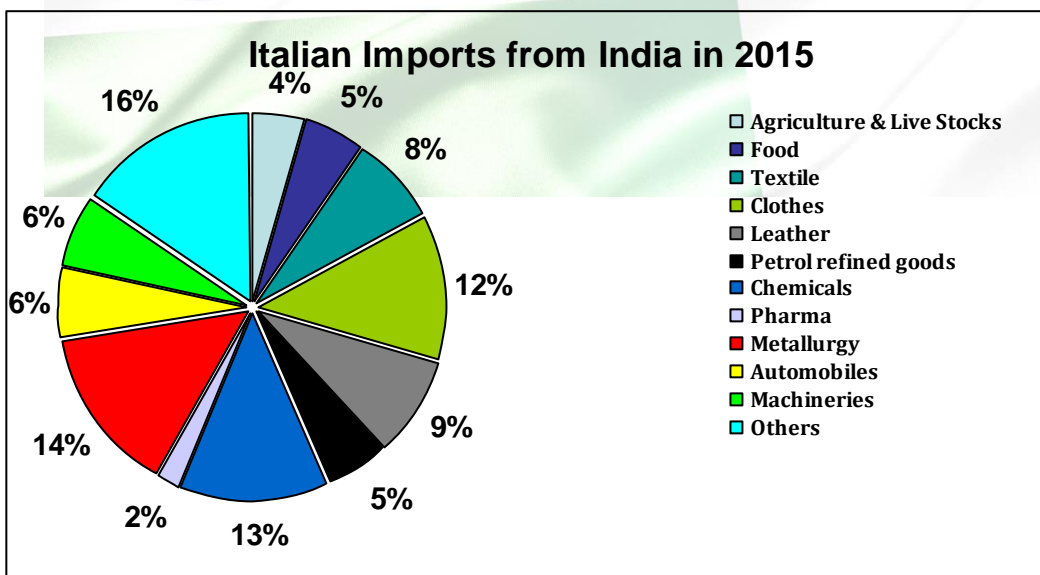
last quarter of 2014. The long term growth perspective of the Indian economy is positive due to large young population correspondingly low dependency ratio, healthy financial & banking systems and increasing integration to the global economy. The Indian economy has the potential to become the world's third largest economy by next decade. The outlook for short term growth is also good as according to International Monetary Fund (IMF), the Indian economy is the "bright spot" in the whole global landscape. India topped the World Bank's growth projections for 2015-16 for the first time with the economy having grown by 7.0% in 2015-16 and expected to grow 7.7-8.0% in 2016-17.

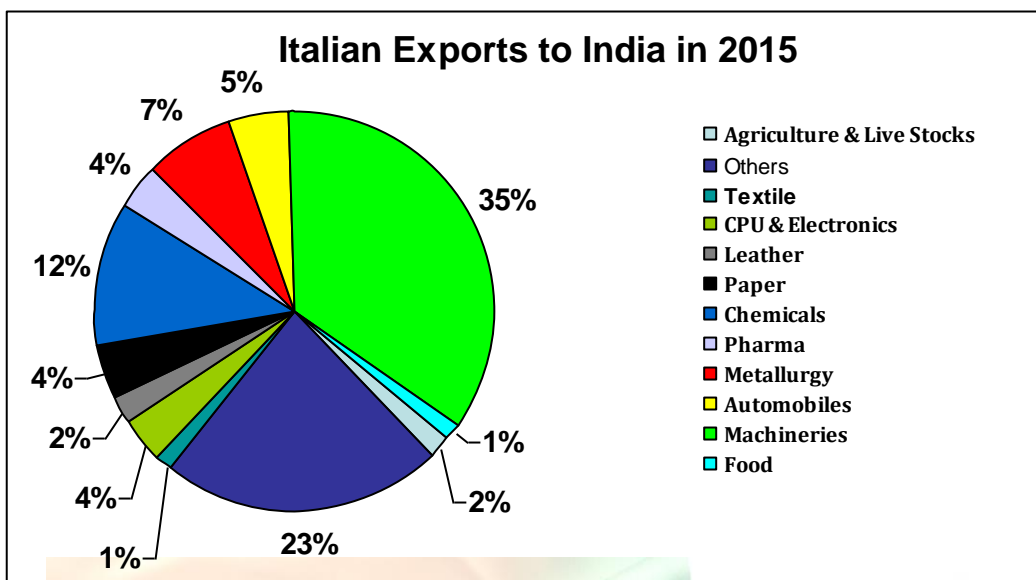
Italy is India's 5<sup>th</sup> largest trading partner in the European Union (EU). The bilateral trade was impacted negatively due to the economic crisis which affected the entire Europe in 2008-09. Bilateral trade witnessed a strong growth until 2009 before worldwide recession of 2008 led to a recession in Italian's economy as a result of which the total quantum of trade registered a negative annual growth rate of 13% on 2009 amounting to Euro 5.65 billion. This contrasts strikingly with the cumulative growth figure of over 75% during the period 2005-07 (i.e. before the 2008 global economic downturn). In 2010, the total bilateral trade was Euro 7.21 billion registering an increasing of 28% from the previous year. Similarly, in 2011, the annual rate of growth of bilateral trade was more than 18% to reach Euro 8.52 billion. In 2012, the total bilateral trade witnessed a significant decline primarily due to the global economic slowdown and to European financial crisis and stood at Euro 7.09 billion (-16.78% over the previous year). In 2013, the Indian exports to Italy were Euro 3.9 billion while imports from Italy were Euro 2.9 billion. In 2014, the total trade was Euro 7.20 billion with a growth of 3.65%. Italy accounts for 1.64% of India's total exports and 1.81% of India's total imports.

The top five items of exports from India to Italy are refined petroleum, apparel articles (knitted and non-knitted), basic iron and steel and of ferro alloys, vehicles other than railways, nuclear reactors, boilers, machinery, mechanical appliances. The top items of India's imports from Italy are nuclear reactors, boilers, machinery, mechanical appliances, electrical machinery and equipment, iron and steel, organic chemicals, plastic. Italy ranks 13<sup>th</sup> in terms of cumulative FDIs investment in India (about 900 million Euros). The top sectors attracting FDI inflows from Italy are automobile industry/transportation (57%), food processing (9.13%), metallurgical industry (8.1%),



textiles (4.53%), electrical equipments including computers, software (4.47%) and others (16.81%). Some of the major Italian companies that have invested in India include Benetton, Zucchi, ermenegildo Zegna, La Perla, Tessitura Monti, Gruppo COIN, Liberti, Tod's, Cavalli (textile and clothing); FIAT, Iveco, Piaggio, Carraro, Magneti Marelli, Graziano Trasmissioni, new Holland, Verlicchi Telai, Brembo (automotive); Impregilo, Finmeccanica, Technip, Interpumps, Technimont ICB, Fomas Group, FG Tecnopolo, Maccaferri, Todini, Ferrovie dello Stato Italiane Group (engineering); ENI Spa, CPL Concordia, Merloni Termosanitari, De Longhi (electrodomestic appliances); Bisazza (ceramic tiles); Telecom Italia (tlc); Nico Nerini, Calzaturificio Pucci (leather shoes); Perfetti Van Melle, Ferrero, Bertuzzi Spa, Lavazza, Segafredo, Ilva di Saronno (food and food processing); Unicredit, IntesaSanpaolo, Monte dei Paschi di Siena – MPS, Banca Popolare di Verona e Novara, UBI Banca, Banca Popolare di Vicenza, Banca Sella (banking); Gruppo Generali, Quest Global (insurance); etc. Apart from these, Italian companies like Prysmian (optical fibre cables) Luxottica Group (glasses), Italcementi (cement), Natuzzi (sofas/furniture), Artsana (childcare articles), Veneta Cucine (kitchen furniture) have also investment in India. Presently, about 400 Italian companies are active in India, covering varied sectors such as fashion and garment, textile, textile machinery, automotive and related components, machinery, infrastructures, chemicals, energy, confectionery, banking, insurance etc.





The size of the Italian economy is \$ 1.86 trillion. Italy is the 8<sup>th</sup> largest economy of the world as per nominal GDP and 11<sup>th</sup> largest economy as per PPP. It is the third largest economy in EU. Service sector contributes about 75% to the economy. Industry and agriculture contribute about 23% and 2% to the economy. After a long recession and negative growth due to the global recession, Italy is expected to grow at 1.6% for the year 2016. Italy is among the few countries that are net exporters of products. The Italian products are valued through out the world for their quality and design. Italy has good technological strengths in sectors like food processing, leather, textile, auto-components, chemicals, pharmaceuticals, electrical and electronics, hospitality, energy and in major sectors like infrastructures, road and highways, shipping, aerospace , aviation, railways etc.

India has kept a target to become a \$10 trillion economy by 2032, for which it has to upgrade its manufacturing base to produce low cost but quality products and will definitely be tough competition with China, Vietnam, Indonesia, South Africa, Brazil, Turkey and Mexico to get a larger share of the world market. To reach the target, India announced the 'Make in India' policy in September 2014 with the objective to make India as a manufacturing hub for world class products. Understanding the importance of foreign investments in technology, research and design, the India Government took multiple steps in recent times to do away obsolete rules and regulations which led to a better investment climate in the country. It also increased caps for foreign investments



in some sectors which had restrictions earlier for foreign investment. In some sectors like defence manufacturing, railways, insurance, banking, sectorial caps were increased and liberalized. Steps were taken to streamline investment proposals under the single window system. The *Make in India* policy identified 25 key sectors where India Government invited foreign investments. Italy has strength in most of the identified key sectors. Both India and Italy can complement each other in producing world class products in India. While India has low cost labour, with skilled human resources, strong R&D base, good infrastructures, Italian companies can provide technology, design and marketing strategy.

Both India and Italy can complement and supplement each other in areas like automotive components, automobile, aviation, chemicals, biotechnology, food processing, leather, textile, electronics, electrical machinery, construction, infrastructure, aerospace, highways & roads, railways, ports & shipping, defence manufacturing, oil & gas, energy including renewable energy, pharmaceuticals, IT & BPM etc. In all these sectors, Italian companies have trade and investment interest in India but the scale of cooperation can be increased up to the level of partnership in producing world class low cost products synergising the strengths of each side.

