



Confederation of Indian Industry

india - italy

ENDURING PARTNERSHIP

A P R I L 2 0 2 3

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Introduction

India and Italy both are ancient civilizations but young states. These two ancient civilizations have known, interacted and traded with each other for over 2000 years. Modern day contacts between the two nations were formed through exchanges between the intellectuals from both sides. Nobel Laureate Rabindranath Tagore visited Italy in 1926, on invitation of Carlo Formichi, a Professor of Sanskrit at the University of Rome. Mahatma Gandhi visited Rome in 1931 on his way back to India from the Round Table Conference held at London.

Political relations between India and Italy were established in 1947. The two countries enjoy a cordial relationship. There has been a regular exchange of visits at political and official levels between both countries. The Indian community in Italy (estimated at 0.25 million including Persons of Indian Origin (PIO)) is the third largest community of Indians in Europe.

The 8th session of the India-Italy Foreign Office Consultations was held in February 2022 in Rome where the two sides reviewed the entire gamut of bilateral relations.

India and Italy agreed to explore the development of green hydrogen, setting up renewable energy corridors, and joint projects in the natural gas sector as the two nations sought to strengthen partnerships in energy transition.

During Prime Minister Giorgia Meloni's visit to India in March 2023, ties between the two countries were elevated to a 'Strategic Partnership', a landmark for the two countries. The two Governments signed a Declaration of Intent on Migration and Mobility and announced the India-Italy Startup Bridge, among other outcomes.

The two countries enjoy a cordial relationship. There has been a regular exchange of visits at political and official levels between both countries.



India – Italy Relations

There have been constant collaborations between India and Italy across sectors that have given impetus to bilateral trade relations. On the business front, there has been a series of trade delegations and government-led trade initiatives that have enabled Italy to successfully establish a more dynamic relationship with India.

Political relations between the two countries were established in 1947, with regular visits and interactions between the leaders of both countries. From the Indian side, Prime Minister Narendra Modi visited Italy in November and 2021, and on the Italian side, the most recent visit was Prime Minister Giorgia Meloni's visit to India in March this year. Both countries regularly hold an institutionalized Senior Officials Dialogue (Foreign Office Consultations). An Italy-India Parliamentary Friendship Association was established in the IPU Italy Chapter in 2004.

India has invited investments from Italy and joint ventures in Ultra Mega Power Projects, textile machinery, agricultural food processing, automotive components, and wine technology.



India has been offering its expertise in Railways, Information Technology and Textiles, while the Italian side offers to help India with E-Identity cards, SMEs, shipping, and development of ports.

There are an estimated 2,00,000 Indian's living in Italy, as of 2022, the second largest community of Indians in Europe, after the United Kingdom.



Indian Economy

India is a bright spot in the global economy and is expected to contribute **15% to global growth** rate over 2023.

The Indian Government estimates a GDP growth rate of **9.1% for 2021-22 and 7% for 2022-23.**

India is the **5th largest** economy in the world in 2022 at **US\$ 3.5 trillion.**

Inflation in India has remained range-bound despite global upward pressures. India's central bank has raised interest rates **5 times by 250** basis points since May 2022.

Corporate balance sheets have improved with healthy bottomlines and banks are ready to lend.

There are low downside risks to India's growth, given its macroeconomic stability and sound fundamentals. The debt to GDP ratio is manageable, standing at **84%**. Fiscal deficit is on the downward trend and is projected at **5.9% for 2023-24**. Current account deficit has strengthened to **2.2%** in the December quarter from **4.4%** in September quarter on account of rising exports.

India's reforms are on track. The Government has announced more PLI schemes and a green hydrogen plan.

Government is pushing public capital expenditure to stabilise the economy and this is going into infrastructure which is a sector of high potential.

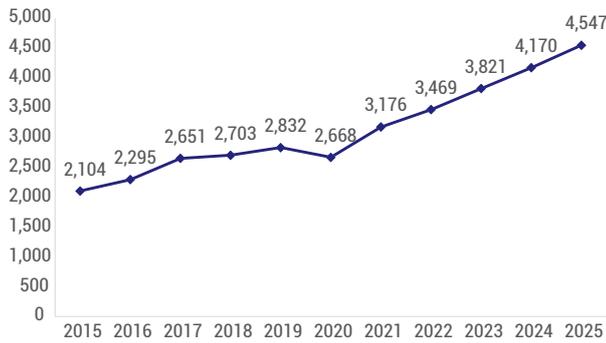
India has recovered smartly from the Covid period, supported by an expansionary fiscal policy that targeted infrastructure creation and assistance to vulnerable sections of society. It was able to avoid a stimulus-related inflation, to counter which many central banks have resorted to unprecedented interest rate increases

India GDP Growth Rate, %



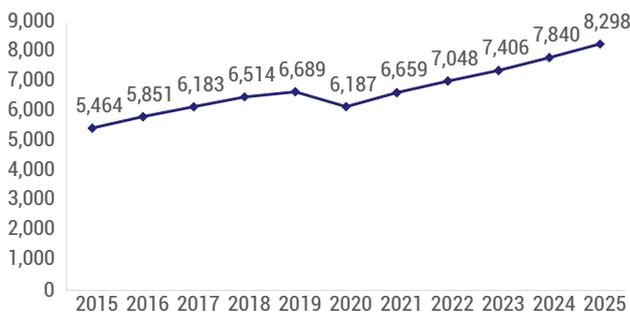
Source: IMF World Economic Outlook October 2022; Estimates from 2021

India GDP, US\$ Billions



Source: IMF World Economic Outlook October 2022; Estimates from 2021

India Per Capita Income, PPP US\$



Source: IMF World Economic Outlook October 2022; Estimates from 2021

India Trade and Investment

India's external profile has jumped in the post Covid period as it tapped overseas markets. Total trade of exports and imports of goods and services crossed US\$1.5 trillion in April-February of fiscal year 2022-23.

India's merchandise exports expanded from US\$ 303 billion in 2017-18 to US\$ 422 billion in 2021-22, a growth of 45% over the previous year.

Merchandise imports too rose rapidly from US\$ 465 billion in 2017-18 to US\$ 613 billion in 2021-22.

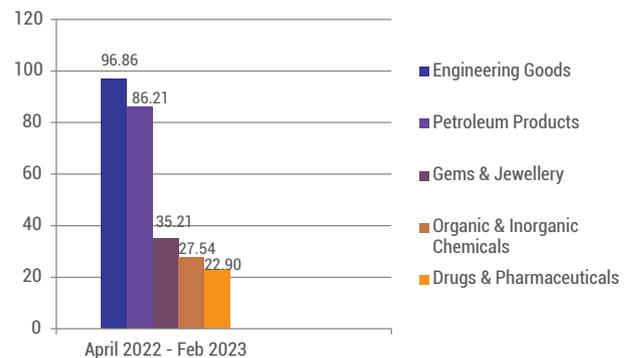
India's Foreign Trade in April-February 2022-23 (US\$ billion)



Source: PIB Press Release

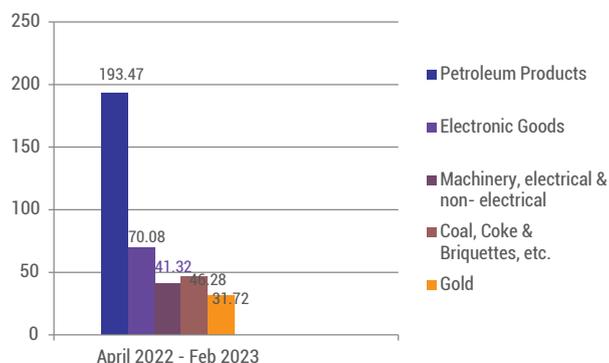
India's Top Traded Items

India's Top 5 Exports (US\$ billion)



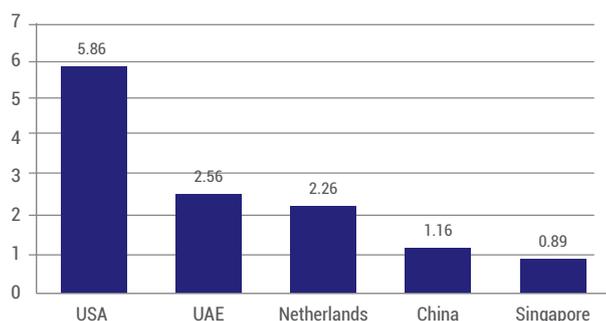
Source: Department of Commerce, Ministry of Commerce & Industry, India

India's Top 5 Imports (US\$ billion)

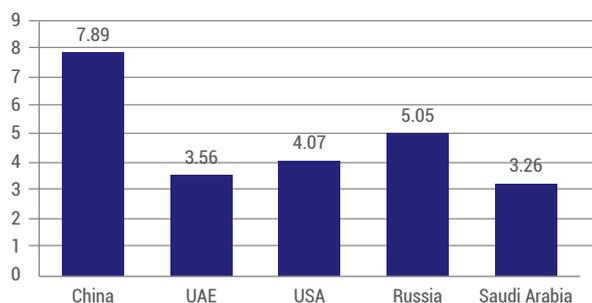


Source: Department of Commerce, Ministry of Commerce & Industry, India

India's Top 5 Export Partners, January 2023 (US\$ billion)



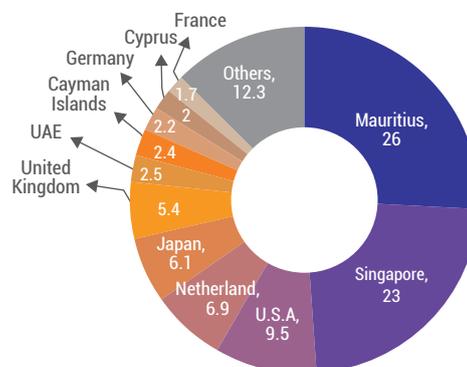
India's Top 5 Import Partners, January 2023 (US\$ billion)



Source: System of Foreign Trade Performance Analysis, Department of Commerce

FDI inflows into India have been robust and maintained the pace even during the Covid years. Annual inflows during 2021-22 reached close to US\$ 85 billion, the highest level for the country.

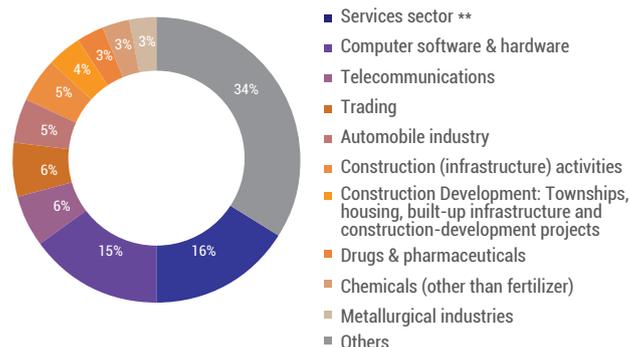
Top FDI Sources, cumulative from April 2000 – December 2022



Source: Ministry of Commerce and Industry, India

Mauritius and Singapore are the two largest sources of FDI coming into India, including from third countries. France stands at 11th as a source country for India, accounting for 1.7% share and over US\$ 10 billion in cumulative investments.

Cumulative equity inflows to India, sector-wise (% of total) between April 2000-December 2022



Note:(i)** Services sector includes Financial, Banking, Insurance, Non-Financial / Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other

The top 10 sectors attracting FDI in India include the services sectors, computer and telecom, among others.



Bilateral Trade

With a bilateral trade of **US\$ 13.2 billion** in 2021-22, which is a **53.87%** increase over the previous financial year, Italy is India's 4th largest trading partner in the EU. Italy ranks 17th in FDI inflows in India from April 2000 to September 2022 with an FDI inflow of **US\$ 3.2 billion** during this period.

India-Italy Trade

Values in US \$ Millions

Year	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
EXPORT	5,709.85	5,593.42	4,970.81	4,735.74	8,180.76
%Growth		-2.04	-11.13	-4.73	72.74
IMPORT	4,706.89	5,292.38	4,490.92	3,862.05	5,048.47
%Growth		12.44	-15.14	-14.00	30.72
TOTAL TRADE	10,416.74	10,885.80	9,461.74	8,597.79	13,229.22
%Growth		4.50	-13.08	-9.13	53.87
TRADE BALANCE	1,002.97	301.04	479.89	873.69	3,132.29

Source: Ministry of Commerce and Industry, India*

With a bilateral trade of US\$ 13.2 billion in 2021-22, which is a 53.87% increase over the previous financial year, Italy is India's 4th largest trading partner in the EU.

Major Exported Items from India to Italy

- India exported **4,648** commodities to Italy in FY21.
- India's export to Italy stood at **US\$ 8.18 billion** in FY 2021-22.
- Major exported items from India to Italy include iron and steel (**US\$ 2,144.70 million**); followed by nuclear reactors, boilers, machinery, and mechanical appliances; parts thereof (**US\$ 602.09 million**) in FY21.
- India's export to Italy stood at **US\$ 5.5 billion** during April-November 2022.
- Major exported items from India to Italy include iron and steel (**US\$ 1,146 million**) followed by telecom instruments (**US\$ 418 million**) etc. during April-November 2022.

Major Imported Items by India from Italy

- India imported **5,290** commodities from Italy in FY21.
- Imports from Italy to India stood at **US\$ 5.045 billion** in 2021-22.
- India's imports from Italy include nuclear reactors, boilers, machinery, and mechanical appliances; parts thereof (**US\$ 1,759.35 million**); followed by organic chemicals (**US\$ 287.76 million**) in FY21.
- Imports from Italy to India stood at **US\$ 3.6 billion** during April-November 2022.
- India's imports from Italy include industrial machinery for dairy etc. (**US\$ 575 million**) followed by residual chemicals and allied products (**US\$ 205 million**) etc. during April-November 2022.

Source: IBEF*



Bilateral Investments

Italy's presence in India has been historically strong thanks to important direct investments. Presently around 400 Italian companies are in India, through subsidiaries or liaison offices and often in Joint Venture with local companies. Italy is 17th largest FDI contributor to India.

Some of the major Italian companies that have invested in India are FIAT Auto, Heinz Italia, Ferraro, CNH Industrial, ENEL, FIOIA, Italcementi, Necchi Compressori, Perfetti, Lavazza and Fata Hunter Engineering, among others.

Moreover, Italian Small and Medium Enterprises have been recently showing a strong interest and a new vitality towards

the Indian market. Italian companies are mainly concentrated around New Delhi and Mumbai/Pune; however other industrial poles are emerging, such as Chennai and Bangalore.

The prominent Indian companies operating in Italy include Tata, TCS, Wipro, Engineers India Limited, L&T, Mahindra & Mahindra, Ranbaxy and Raymonds, among others.

Apart from this, six Italian Banks have representation in India. Moreover, India's top sectors attracting FDI inflows are the automobile industry / transportation, food processing, metallurgical industry, textiles, electrical equipment, and others.





Potential Areas of Collaboration

Manufacturing Sector

Italy's economic strength is in the processing and the manufacturing of goods, primarily in small and medium-sized family-owned firms. The most noteworthy manufactured products include machine tools, textiles and clothing, motorized road vehicles, domestic appliances, arms, fertilizers, and petrochemicals.

- Most manufacturing firms are in the north of the country, with very few large factories in Southern Italy. When Italy experienced its economic miracle in the 1950s and 1960s, the manufacturing heart of the country was the industrial triangle of Milan, Genoa, and Turin.
- The region however has now been replaced by Lombardy, the Veneto, and Friuli, as the engine of the Italian economy. Certain large enterprises have relocated some of their operations to Southern Italy to benefit from tax breaks and a more flexible workforce.



The Automotive Industry

The automotive industry makes up for an important part of both the countries manufacturing sector.

In India, Fiat began its operations in 1997, when Fiat India Automobiles Limited (FIAT) got established at Ranjangaon in the Pune district of Maharashtra on January 2.

In the following years at least 50 other manufacturers appeared, the best-known being Isotta Fraschini in 1900, Lancia in 1906, Alfa Romeo in 1910, Maserati in 1914, Ferrari in 1939, and Lamborghini in 1963. CA India stopped making Fiat cars at its Ranjangaon plant in 2019.

The highest FDI inflow from Italy was directed at the automobile sector, at 54 percent. There exists significant scope to deepen collaboration between India and Italy in the automobile space.

India's Automotive Mission Plan 2016 – 2026 has the intention to place India as one of the top three automobile manufacturing hubs in the world with gross revenue of US\$ 300 billion by 2026 from the current US\$ 93 billion. Global car majors have been ramping up investments in India and setting up manufacturing plants to boost the domestic demand. There is still scope for new players to enter the market and many companies are planning to leverage India's competitive advantage to set up export-oriented production hubs. In order to make India a prominent manufacturing destination, the Indian Government



introduced favourable initiatives and is promoting innovation and R&D in the Automotive Industry.

India has also embarked upon boosting the electric vehicle industry, both for public transport as well as private vehicles. Sales of e-vehicles include two-wheelers, passenger cars and buses. EV sales in India crossed 1 million in 2022, primarily in the two-wheeler segment. The government of India has introduced the National Electric Mobility Mission Plan for faster adoption of EVs in 2013 with Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME) scheme. The scheme provides incentives for manufacturing EVs as also for buyers to make them affordable. Cities across India are ramping up charging stations to meet the growing demand. For Italy, the sector represents an opportunity for manufacturing of vehicles, charging stations, and R&D, among others.

Information Technology



India and Italy share a framework of cooperation in Information Technology by the way of a Memorandum of Understanding signed on April 26, 2001.

- E-governance, electronic voting machines, e-medicine and e-identity cards are some areas where the IT sector of both the countries have agreed to cooperate.
- The MoU also lays down the foundation for exploring opportunities in terms of training manpower and more business-to-business engagements.
- Tata Consultancy Services (TCS), who have been present in Italy for over a decade has also tapped into Italy's high value luxury car market and provides technology support to Ferrari for both its luxury and racing cars.

Civil Aviation



India's aviation sector is among its most dynamic industries with about 123 million passengers in 2022 and around 400 airports and airstrips. The recent order of 470 aircraft by the newly privatised Air India will bring in many new opportunities for manufacturing, maintenance, repair and operations in the aviation sector as well. Italian and Indian companies can cooperate to:

- Design and supply Air Traffic Control systems for large number of airports being developed in India.
- Optimize air space usage.
- Design and build airport infrastructure.
- Explore opportunities in supplying aircraft components and systems.

Defence



- There exists between the two countries tremendous potential for enhancing cooperation in the defence sector, particularly in the context of defence offset policy. It has now under its scope 'Civil Aviation' and 'Internal Security' and 'Training'.
- This will give international OEMs wider range of opportunities for meeting their offset obligations.
- Italy has traditionally been strong in the sector with expertise in the areas of air-defence, communication, technology, avionics, and surface/submarine naval systems. Italian firms are eager to enter the Indian defence and aerospace sector.

Renewable Energy



Green infrastructure: India and Italy can share best practices and expertise in planning, designing, and implementing green infrastructure projects. For example, Italy can assist India in developing green infrastructure guidelines and standards, as well as provide technical assistance in project management and funding. India, on the other hand, can share its experiences in community engagement and co-creation of green infrastructure projects, which can enhance social and environmental outcomes.

Green cities: India is rapidly urbanizing, and this presents both a challenge and an opportunity for the country to invest in green infrastructure. Several Indian cities have already taken steps to improve their green infrastructure, such as Mumbai's plan to create a 1,500-hectare urban forest and Chennai's restoration of the Buckingham Canal. However, there is still a long way to go, and Italy can provide valuable expertise and technical assistance in this regard.

Luxury Goods and Fashion

The luxury goods market in India is one of the world's most diverse, exciting, and challenging markets. Brands and retailers that want to capture a share of this fast-paced business need to learn to adapt, or risk missing one of the next greatest and untapped opportunities for the luxury business.

India is one of the fastest-growing luxury markets in the world. The size of the Indian luxury market is expected to grow from the current US \$30 billion to more than \$200 billion. The fast-emerging Indian market is not only witnessing demand for luxury products from the large metro cities but also Tier I and Tier II cities. Alongside, an increase in wealth for the middle class coupled with internet penetration has resulted in newer segments of first-time luxury buyers. This has given ample space for many overseas brands to set up shop in India and retail their brands through distribution networks. This will be the next growth driver for luxury companies in India.

The top-selling items in the luxury market are watches, automobile, fashion accessories, handbags, super premium beauty/personal care products, luxury electronic gadgets, shoes and apparel.

India is also a huge sourcing destination for components of luxury goods. The government too is making conscious efforts to open up the sector as well attract FDI in the sector. Key growth segments include fine dining, electronics, luxury travel,

personal care, jewellery, and luxury cars. Forecasts identify fragrances, watches, and jewellery to be the major growth areas followed by skin care and apparel.

- Luxury and fashion items are witnessing a steep demand in India.
- The young demographics of the Indian population, strong economic growth and rising income levels are expected to help drive luxury goods.
- The market for the sector has not only demand for traditional products but also modern and upmarket products.
- Italy has long been a leader of the world's fashion industry and is also a leading player in the global luxury goods market.
- With the growing demand for luxury goods in India, the opportunities are immense for Italian fashion and luxury brands to explore the nascent but highly dynamic market.

The Textile and the Clothing Industry

The textiles and the clothing industry is another crucial industry for the Italian manufacturing sector. The industry has some of the world's best-known fashion labels, such as Valentino, Armani, Versace, Gianfranco Ferré, and Krizia. However, the more casual clothing market accounts for the financial success of this sector.

- The design, quality, and relatively inexpensive prices of its products have made textile manufacturing Italy's third largest business. There are very few large enterprises in this industry; most producers have small or medium-sized factories.
- The real strength of the sector lies in the efficiency of its distribution networks, and in the fame they enjoy, particularly in newer markets like the United States and Asia where the top labels are status symbols.
- While many of the more famous brand names are situated in northern Italy, the textile sector is reasonably strong in southern Italy, where an increasing number of producers have relocated some of their manufacturing.



- Fashion houses tend to outsource their production to small, family-run businesses in Naples or in Puglia, where workers are more flexible. They specialize in the manufacture of leather, from which clothes, handbags, wallets, and purses are made.

India's textiles and garments industry enjoys large exports to the European Union. It contributes 4% share to global trade in textiles and apparel as one of the largest producers of cotton and silk in the world. With a huge variety of styles and designs as part of its inherent heritage, the country can offer many new opportunities for modernisation and expansion of the sector. The Government proposes to set up mega textiles parks in the country with high level infrastructure to attract investments across the value chain.

Leather Goods

Bilateral trade in this sector has traditionally been strong. India's strength in terms of availability of raw material and skilled labour can be productively combined with the strength of Italian brands, technology and design capabilities. This would also give the right impetus to increase not only in trade but also in investments in the sector.

The Indian leather sector contribute 13% of the world's leather production and exports footwear and leather garments. It is the 5th largest exporter of leather goods and accessories in the world. The mega leather footwear and accessories scheme provides for world-class units with modern infrastructure in clusters where there is a large concentration of the industry.

With Italy as one of the world's leading nations in leather products, garments and accessories, cooperation with India is an area of high potential which is being promoted by the two Governments.



GUCCI









Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering Industry, Government and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, with around 9000 members from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 300,000 enterprises from 286 national and regional sectoral industry bodies.

For more than 125 years, CII has been engaged in shaping India's development journey and works proactively on transforming Indian Industry's engagement in national development. CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, livelihoods, diversity management, skill development, empowerment of women, and sustainable development, to name a few.

As India completes 75 years of Independence in 2022, it must position itself for global leadership with a long-term vision for India@100 in 2047. The role played by Indian industry will be central to the country's progress and success as a nation. CII, with the Theme for 2022-23 as Beyond India@75: Competitiveness, Growth, Sustainability, Internationalisation has prioritized 7 action points under these 4 sub-themes that will catalyze the journey of the country towards the vision of India@100.

With 62 offices, including 10 Centres of Excellence, in India, and 8 overseas offices in Australia, Egypt, Germany, Indonesia, Singapore, UAE, UK, and USA, as well as institutional partnerships with 350 counterpart organizations in 133 countries, CII serves as a reference point for Indian industry and the international business community.

Confederation of Indian Industry

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