



ITALY - INDIA
TRADE RELATIONS

1.1 International Trade

In the post-liberalisation period India's trade has increased almost 9 folds. India's trade to GDP ratio more than doubled from 13.1 per cent in 1990-91 to 34.7 per cent in 2007-08.¹ Although India's share in the global trade is still small it has improved over the years as shown in Table 1. In 2007, India's merchandise global trade has increased to €93 billion from €35 billion in 1997.² During the same period India's services trade increased from €38 billion to €18 billion.³ In fact, the growth of services trade has been phenomenal. Before 1995, India was a small player in the global trade in services. Post-liberalization, India's trade in services as a percentage of total trade increased from 20 per cent in 1995 to 30 per cent in 2007. Services exports as percentage of total exports have more than doubled since 1995.

Table 1: Share of India in the World Total Trade

	1997	2000	2001	2002	2003	2004	2005	2006	2007	2008
Goods										
Exports	0.64	0.68	0.74	0.80	0.82	0.86	0.99	1.03	1.05	1.11
Imports	0.84	0.85	0.84	0.86	0.91	1.05	1.30	1.39	1.56	1.81
Total trade	0.74	0.76	0.79	0.83	0.87	0.96	1.14	1.22	1.31	1.45
Services										
Exports	0.67	1.10	1.14	1.19	1.27	1.68	2.19	2.65	2.65	2.84
Imports	0.91	1.27	1.31	1.29	1.34	1.61	1.96	2.33	2.40	2.62
Total trade	0.79	1.18	1.23	1.24	1.30	1.64	2.08	2.48	2.53	2.74

Source : BOP (2008), IMF, International Trade Statistics (2008), WTO (2009)

With global integration, India's ranking among WTO member countries have improved significantly both in terms of goods and services trade. In 2008, India ranked 26th among merchandise exporter and 17th amongst importer in the world (Table 2). In services, India ranked 9th largest exporter and 12th largest importer in the same year (Table 3). The comparative position of Italy among WTO member countries is given in Tables 2 and 3.

¹ Economic Survey various issues.

² Own calculations from DGFT

³ BOP (2008), IMF and WTO (2009) (Press Release 24 March 2009)

Table 2: Leading Merchandise Exporters and Importers in the World

Exporters	Share in 2008 (rank)	Share in 1998 (rank)	Importers	Share in 2008 (rank)	Share in 1998 (rank)
Germany	9.1 (1 st)	10.0 (2 nd)	USA	13.2 (1 st)	16.8 (1 st)
China	8.9 (2 nd)	3.4 (9 th)	Germany	7.3 (2 nd)	8.3 (2 nd)
USA	8.1 (3 rd)	12.6 (1 st)	China	6.9 (3 rd)	2.5 (11 th)
Japan	4.9 (4 th)	7.2 (3 rd)	Japan	4.6 (4 th)	5.0 (5 th)
Netherlands	3.9 (5 th)	3.7 (8 th)	France	4.3 (5 th)	5.1 (4 th)
France	3.8 (6 th)	5.6 (4 th)	UK	3.8 (6 th)	5.6 (3 rd)
Italy	3.3 (7th)	4.5 (6th)	Netherlands	3.5 (7 th)	3.3 (9 th)
Belgium	3.0 (8 th)	3.6 (10 th)	Italy	3.4 (8th)	3.8 (6th)
Russia	2.9 (9 th)	1.4 (19 th)	Belgium	2.9 (9 th)	3.0 (10 th)
UK	2.8 (10 th)	5.0 (5 th)	Korea	2.7 (10 th)	1.7 (16 th)
India	1.1 (26th)	Not in list	India	1.8 (17th)	0.8 (28th)

Source: WTO (1999) and WTO (2009)

Note: Figures for 2008 are Provisional.

Table 3: Leading Exporters and Importers in world trade in Commercial Services

Exporters	Share in 2008 (rank)	Share in 1998 (rank)	Importers	Share in 2008 (rank)	Share in 1998 (rank)
USA	14.0 (1 st)	18.2 (1 st)	USA	10.5 (1 st)	12.7 (1 st)
UK	7.6 (2 nd)	7.6 (2 nd)	Germany	8.2 (2 nd)	9.6 (2 nd)
Germany	6.3 (3 rd)	6.0 (4 th)	UK	5.7 (3 rd)	6.0 (4 th)
France	4.1 (4 th)	6.4 (3 rd)	Japan	4.8 (4 th)	8.5 (3 rd)
Japan	3.9 (5 th)	4.7 (6 th)	China	4.4 (5 th)	2.2 (11 th)
Spain	3.8 (6 th)	3.7 (8 th)	France	3.9 (6 th)	5.0 (5 th)
China	3.7 (7 th)	1.8 (14 th)	Italy	3.8 (7th)	4.8 (6th)
Italy	3.3 (8th)	5.0 (5th)	Spain	3.1 (8 th)	2.1 (12 th)
India	2.8 (9th)	0.8 (26th)	Ireland	3.0 (9 th)	1.5 (17 th)
Netherlands	2.7 (10th)	3.9 (7th)	Korea	2.7 (10th)	1.8 (13th)
Ireland	2.6 (11th)	Not in list	Netherlands	2.6 (11th)	3.6 (7th)
Hong Kong, China	2.4 (12th)	2.6 (10th)	India	2.6 (12th)	1.1 (25th)

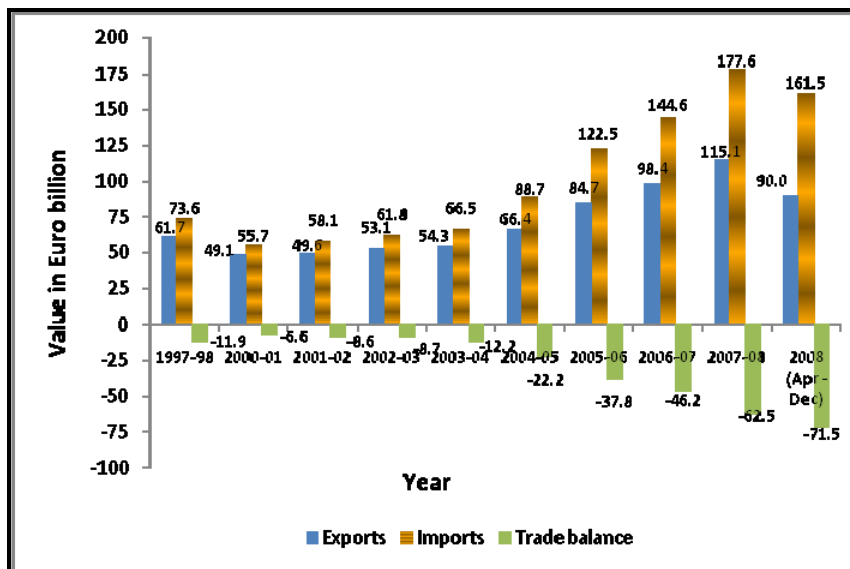
Source: WTO (1999) and WTO (2009)

Note: Figures for 2008 are Provisional.

Figure 1 shows India's trade in goods from 1997-98 to 2008-09. In 1997-98, India's merchandise exports was valued at €1.7 billion and in 2007-08 it increased to €15 billion, exhibiting a compound annual growth rate (CAGR) of 6.4 per cent. Between 2006-07 and 2007-08, India's merchandise exports recorded a growth of 17 per cent, which was much higher than that of the

world economy as well as economies such as the US and EU. India's imports have also increased since 1997-98 and the deficit in balance of trade in the country has been increasing (see Figure 1). The prime reason for this deficit is the shortage of fossil fuel in the country and high import bill of petroleum products.

Figure 1: Trade Trends of India's Merchandise Global Trade

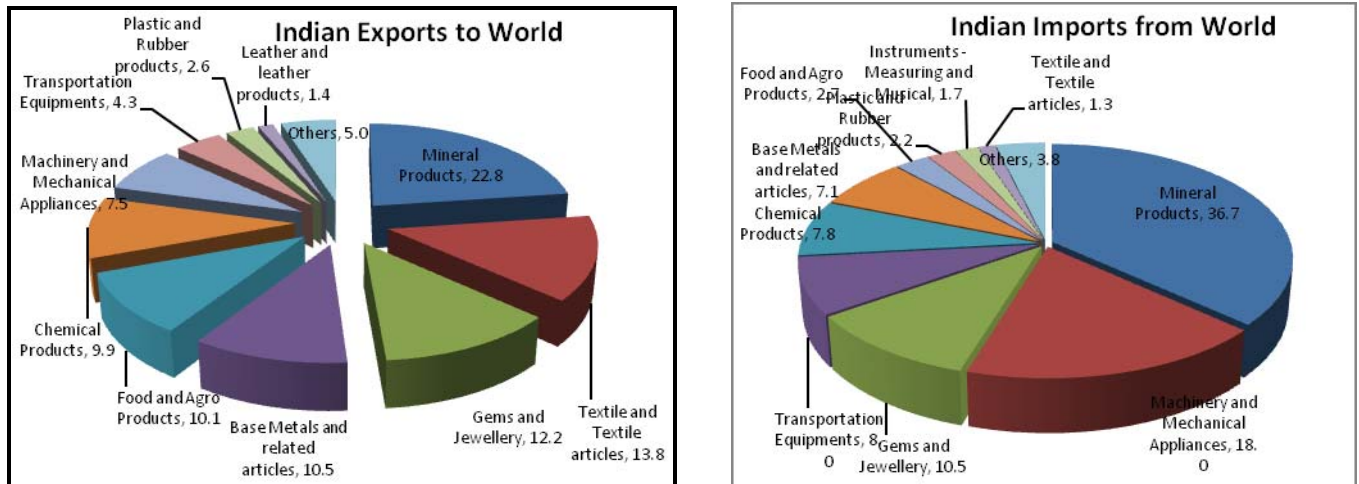


Source : Own calculations from Export Import Databank, DGFT, Govt. of India

Note : Exchange rate : 2000 : 1Euro =Rs.41.4832; 2001 : 1Euro = Rs. 42.1811; 2002 : 1Euro = 48.0901; 2003 : 1 Euro = 53.9896; 2004 : 1 Euro = 56.5130; 2005 : 1 Euro = 53.9124; 2006 : 1 Euro = 58.1110; 2007 : 1 Euro = 56.9906; 2008 (Apr-Dec) : 1 Euro = 65.2767 (Source: RBI and Foreign Exchange Dealers' Association of India, <http://www.fedai.org.in/>)

India's exports cover a wide range of items including mineral products, textile and textile articles, gems and jewellery, chemicals and related products etc, whereas India's imports mainly comprise of mineral products, machinery and mechanical appliances, gems and jewellery, transportation equipments, chemical products and base metals for industrial production and technological upgradation as shown in Figure 2.

Figure 2 : Composition of Indian Exports and Imports in 2007 (in percentage)

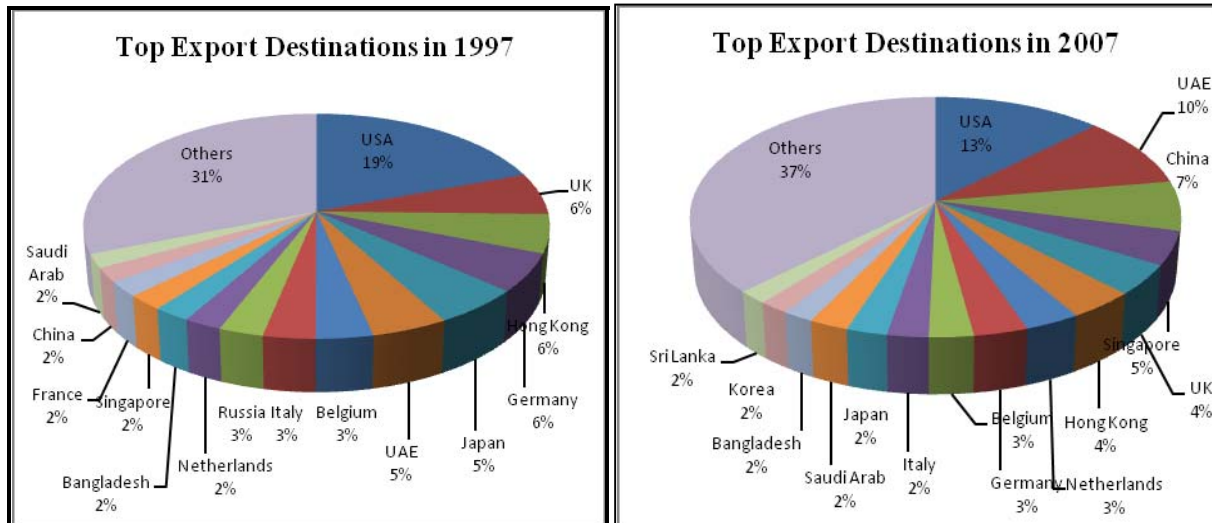


Source : Own calculations from Export Import Databank, DGFT, Govt. of India

Over the years there have been changes in India's export and import destinations. The export and import destinations in 1997 and 2007 are given in Figures 3 and 4. The US has traditionally been India's leading export destination but its share is falling. India's export market is now more diversified and it is a conscious decision of the government to diversify the export markets.⁴ India trade with developing countries, especially Asian countries is increasing. Among the EU members, the UK ranked fifth in the top export destinations in 2007, followed by the Netherlands (7th), Germany (8th) and Belgium (9th). Italy had the 10th position for merchandise exports and its share is declining. In the case of imports, China has emerged as the main destination while the share of Italy remained unchanged.

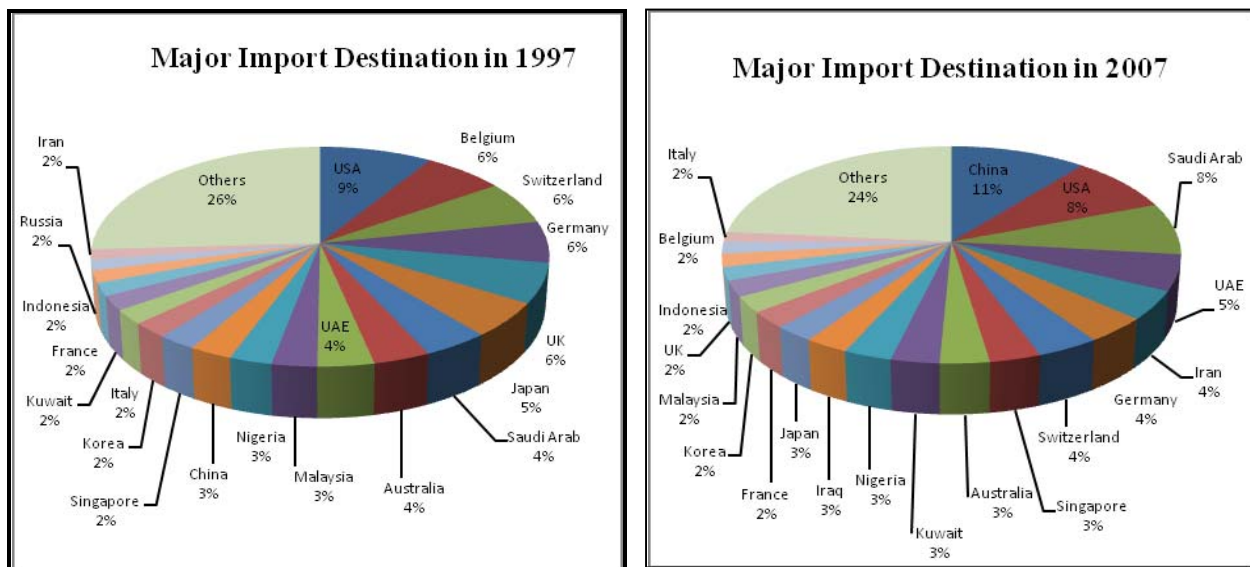
⁴ Foreign Trade Policy (2009-14)

Figure 3 : Top Ten Export Destination of India in 1997 and 2007



Source : Own calculations from Export-Import Databank, DGFT, Govt. of India

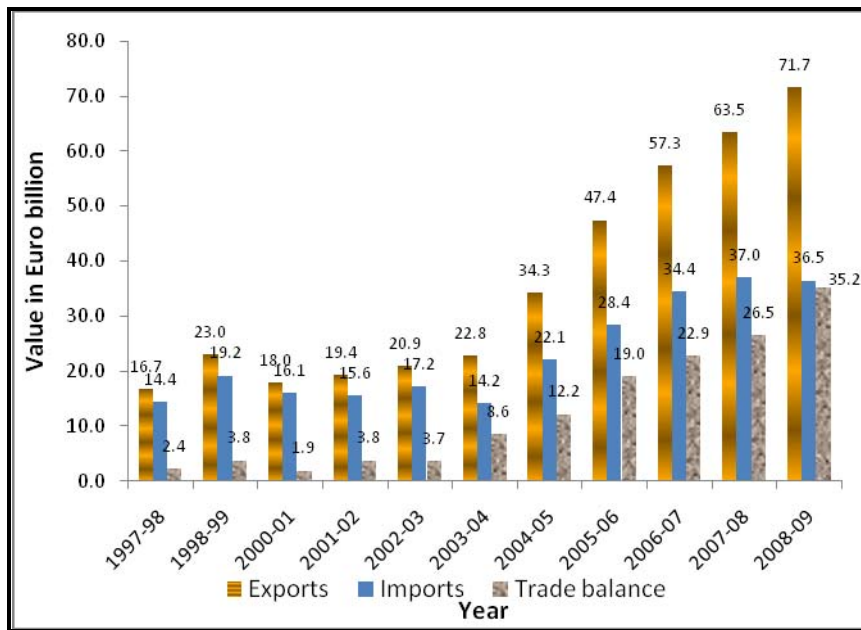
Figure 4: India's Major Import Destination in 1997 and 2007



Source : Own calculations from Export-Import Databank, DGFT, Govt. of India

Unlike goods, India has a positive trade balance in services (Figure 5). India primarily exports knowledge-based services and imports infrastructure services. India's top 10 export and import destinations is given in Tables 4. Bulk of India's services trade is with developed countries such as the US and EU.

Figure 5: India's Global Trade in Services



Source : RBI database

Table 4 India's Top Ten Exporting and Importing Destination of Services in 2006

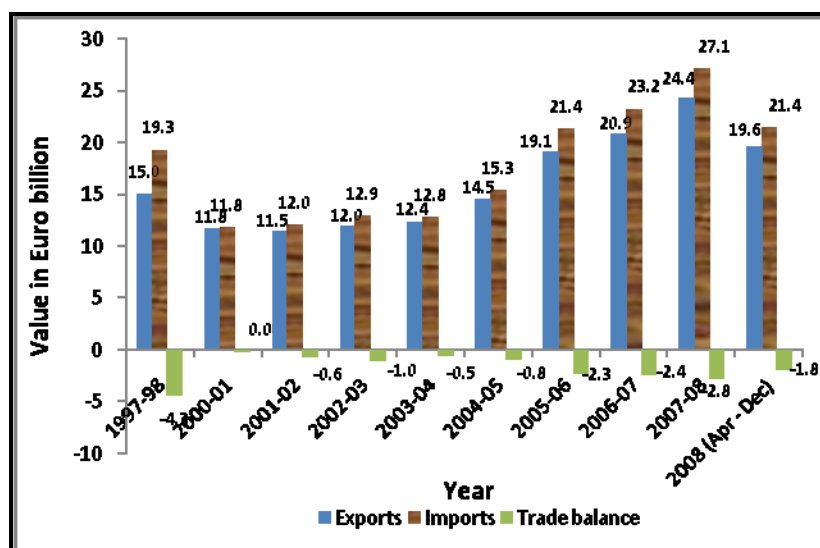
Rank	Country	Exports (in US \$ Million)	Country	Imports (in US \$ Million)
1	USA	6659.0	USA	6721.0
2	UK	2732.0	UK	2620.3
3	France	702.5	Germany	1403.0
4	Hong Kong	429.0	France	1272.0
5	Netherlands	417.7	Australia	1156.5
6	Japan	411.0	Japan	760.1
7	Denmark	408.9	Denmark	667.3
8	Italy	373.8	Netherlands	644.8
9	Canada	355.3	Hong Kong	620.0
10	Australia	287.1	Italy	466.7

Source : OECD International Trade in Services Statistics – Data by Partner Country,
<http://stats.oecd.org/wbos/Index.aspx?DatasetCode=TISP>

1.2 India -EU Trade

The EU is India's largest trading partner in goods and second largest trading partner in services (after the US). It accounts for around one-fifth of India's merchandise trade (17.6 per cent in 2007-08), whereas India contributes to only around 2.1 per cent of total EU trade and is its 9th largest trading partner.⁵ India-EU trade in goods is given in Figure 1.2.1 below. India has a negative trade balance with the EU. Although in absolute terms, India's trade with the EU has increased, but in relative terms, the share of the EU in the India's trade is declining. In 2000, India-EU (15) trade constituted about 23.36 per cent of total Indian trade, but in 2007-08, it has declined to 17.6 per cent. On the other hand, the share of India in the EU's total trade is still increasing. In 2007-08, the share of India in the EU's total trade has increased to 2.24 per cent as compared to only 1.39 per cent in 2000-01. Composition of products in India-EU exports and imports is given in Figures 1.2.2.

Figure 1.2.1: Trends of India's Merchandise Trade with the EU



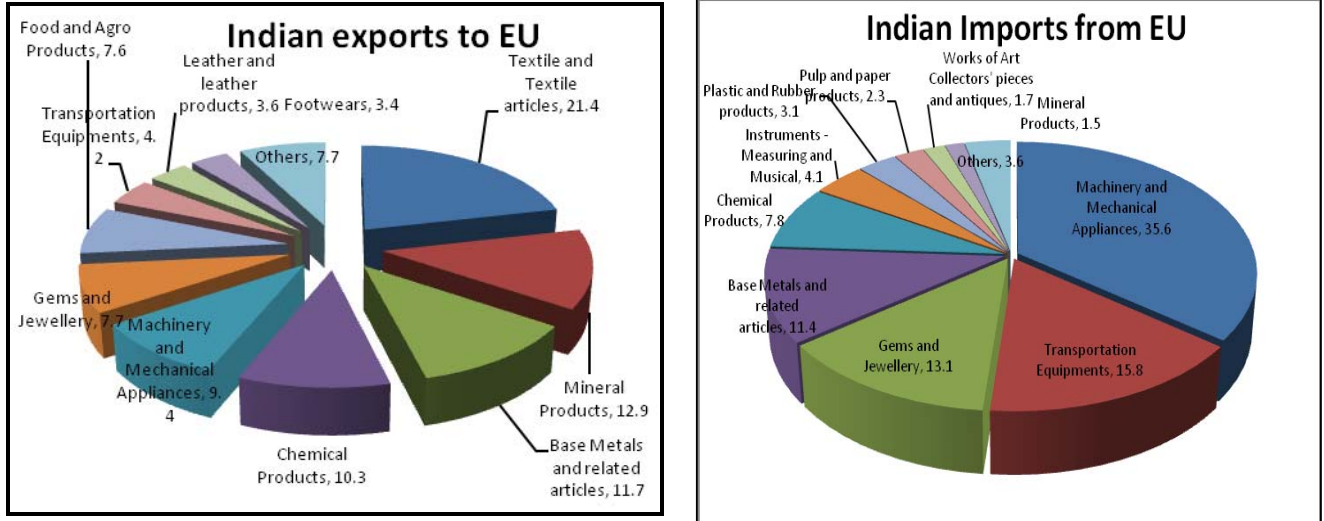
Source : Own calculations from Export-Import Databank, DGFT, Govt. of India

Note : (a) Figures : From 2000-2003 – EU15; 2004-2005 – EU25, and 2006 onwards – EU27

(b) Exchange rate : 2000 : 1Euro =Rs.41.4832; 2001 : 1Euro = Rs. 42.1811; 2002 : 1Euro = 48.0901; 2003 : 1 Euro = 53.9896; 2004 : 1 Euro = 56.5130; 2005 : 1 Euro = 53.9124; 2006 : 1 Euro = 58.1110; 2007 : 1 Euro = 56.9906; 2008 (Apr-Dec) : 1 Euro = 65.2767 (Source: RBI and Foreign Exchange Dealers' Association of India, <http://www.fedai.org.in/>)

⁵ Eurostat 2008, http://ec.europa.eu/trade/issues/bilateral/countries/india/index_en.htm

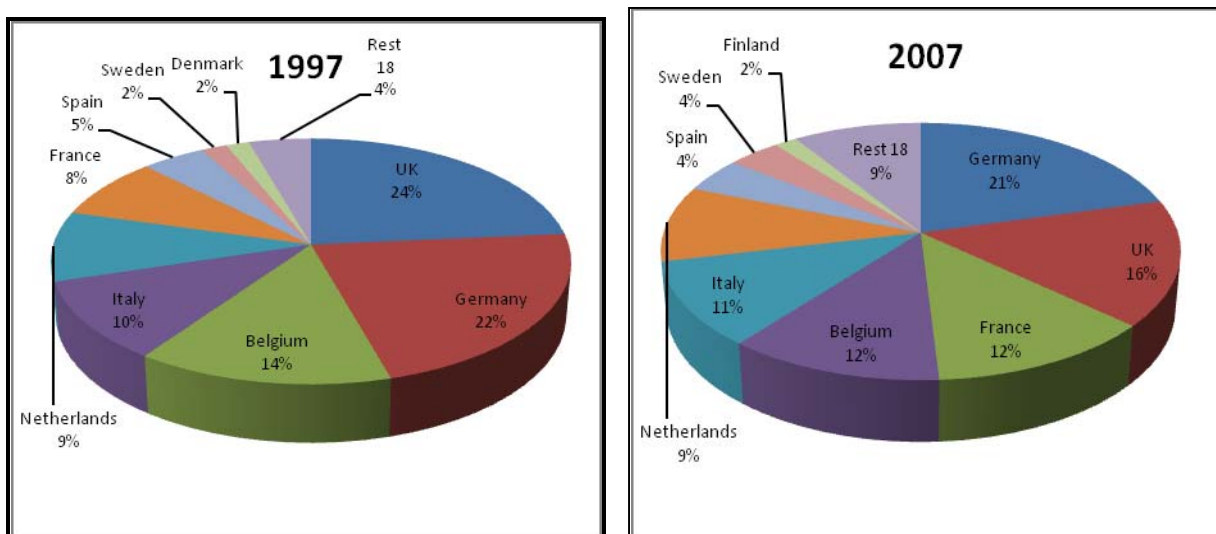
Figure 1.2.2: India's Commodity-wise Imports from EU in 2007 (in %)



Source : Own calculations from Export-Import Databank, DGFT, Govt. of India

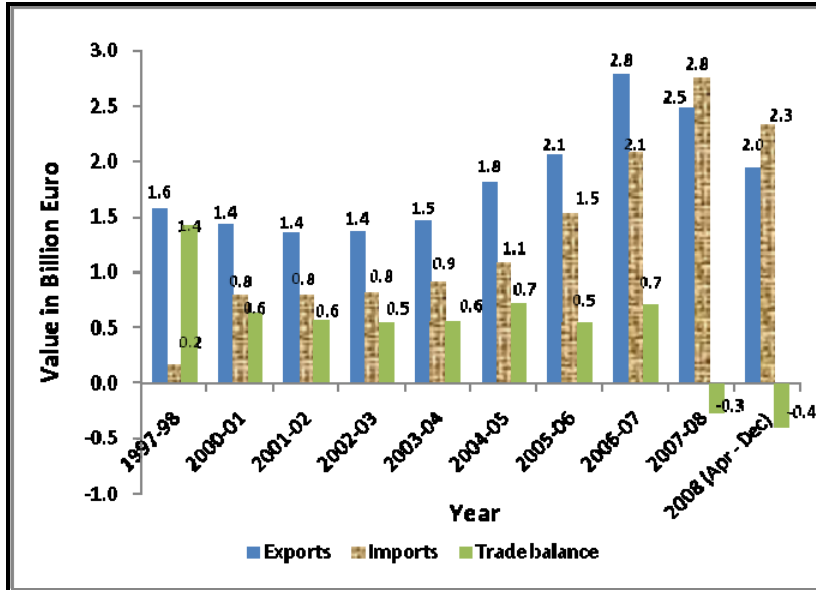
India's major trading partners in the EU are given in Figure 1.2.3. Although the share of some important countries like UK has declines the share of Italy remains more or less same. Within the EU, Italy was India's fifth largest trading partner in 2007. The volume of trade between India and Italy has increased as shown in Figure 1.2.4 and commodity-wise exports and imports are shown in Figures 1.2.5.

Figure 1.2.3: India's Major Trading Partners in the EU



Source : Own calculations from Export-Import Data Bank, DGFT

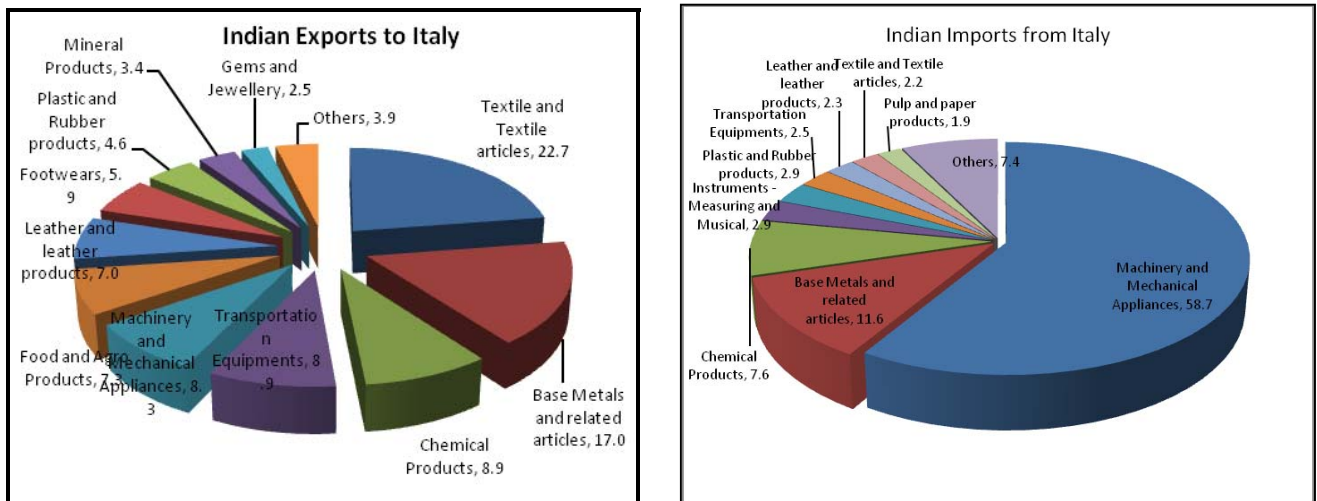
Figure 1.2.4: Trade Trends of India and Italy



Source : Own calculations from Export-Import Databank, DGFT, Govt. of India

Note : Exchange rate : 2000 : 1Euro =Rs.41.4832; 2001 : 1Euro = Rs. 42.1811; 2002 : 1Euro = 48.0901; 2003 : 1 Euro = 53.9896; 2004 : 1 Euro = 56.5130; 2005 : 1 Euro = 53.9124; 2006 : 1 Euro = 58.1110; 2007 : 1 Euro = 56.9906; 2008 (Apr-Dec) : 1 Euro = 65.2767 (Source: RBI and Foreign Exchange Dealers' Association of India, <http://www.fedai.org.in/>)

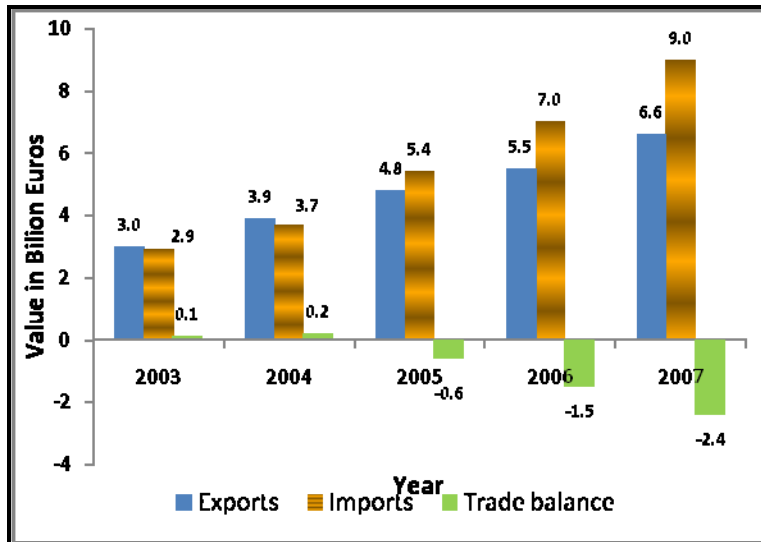
Figure1.2.5: Composition of India's Exports and Imports to Italy in 2007 (in %)



Source : Own calculations from Export-Import Databank, DGFT, Govt. of India

The India-EU bilateral services trade has also increased, but unlike India's global trade it has a negative trade balance with the EU (Figure 1.2.6). Upto 2003, India was the exporter of services to the Italy but now India has become a net importer of services from Italy (Figure 1.2.7).

Figure 1.2.6: India-EU Trade in Services

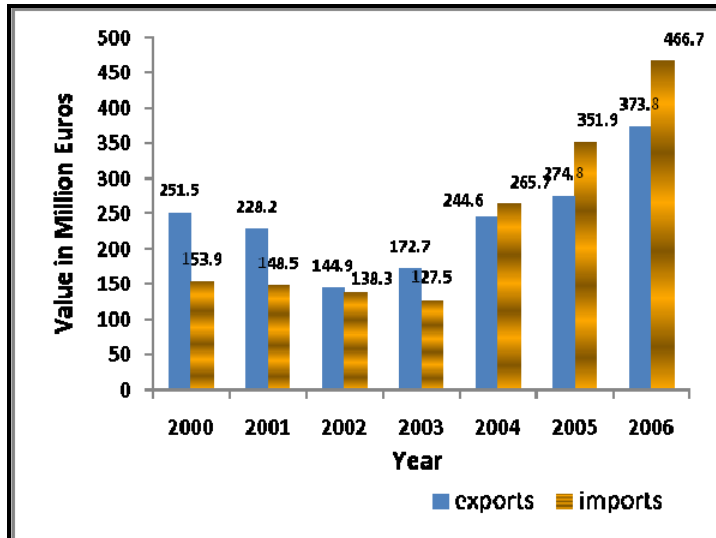


Source : European Union : International Trade in Services – Analytical Aspects, 2008 and http://www.edstatis.de/en/press/download/08_09/134-2008-09-26.pdf

Note : (a) Figures : From 2000-2003 – EU15; 2004-2005 – EU25, and 2006 onwards – EU27

(b) Exchange rate : 2000 : 1Euro =Rs.41.4832; 2001 : 1Euro = Rs. 42.1811; 2002 : 1Euro = 48.0901; 2003 : 1 Euro = 53.9896; 2004 : 1 Euro = 56.5130; 2005 : 1 Euro = 53.9124; 2006 : 1 Euro = 58.1110; 2007 : 1 Euro = 56.9906; 2008 (Apr–Dec) : 1 Euro = 65.2767 (Source: RBI and Foreign Exchange Dealers' Association of India, <http://www.fedai.org.in/>)

Figure 1.2.7: India-Italy Trade in Services



Source : OECD International Trade in Services Statistics – Data by Partner Country, <http://stats.oecd.org/wbos/Index.aspx?DatasetCode=TISP>

The recent global slowdown has impacted the India-EU trade. However, the recent bilateral trade data are not yet available for analysis. It is also worth mentioning that the trade between India and EU member countries is much lower than potential due to the existence of both tariffs and non-tariff barriers on both sides. India has the high tariffs as compared to the EU. Among the non-tariff barriers, quality and health standard has proved to be a major barriers on India's exports to the EU. These standards are based on the health and safety aspects and risk analysis factors as per the Europe standards. Environment and safety regulations such as *REACH* (*Registration, Evaluation, Authorization and Restriction of Chemicals*) has put the Burden of Proof on the Indian industries. In the EU, there are different standards in every company, and Indian companies have to fulfill all the standards at all levels - EU, country and company. The India-EU BTIA is expected to reduce some of these barriers. Due to the slowdown 17 out of G20 countries, including India and Italy have now taken protectionist measures which can impede trade.

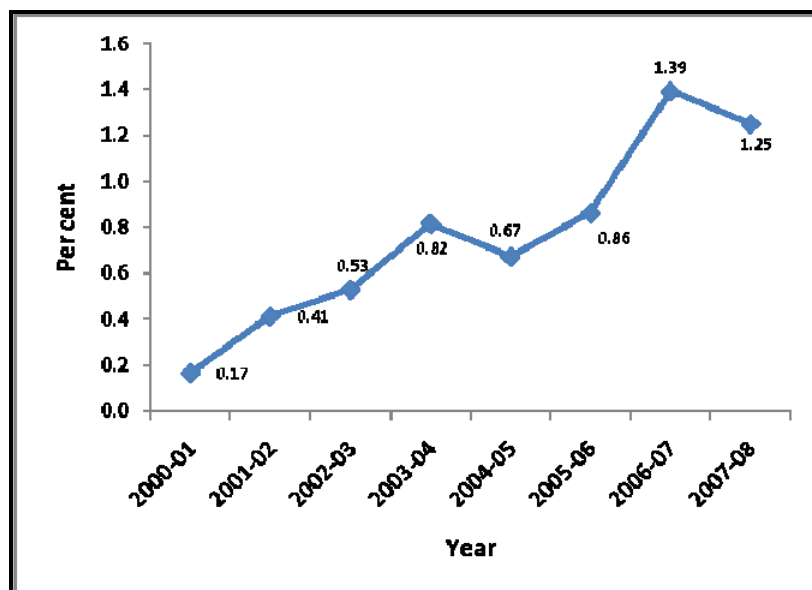
1.3 Degree of openness and Entry Routes

Since 1991, the tariffs have gone down substantially. The tariff rates in India have reduced from more than 100 per cent in 1990 to less than 10 per cent in 2007-08. It is expected to further come down to 5 per cent. In post-liberalization, the quantitative restrictions on imports have also been abolished in a phased manner.

1.3.1 FDI Inflows

The FDI regime has been progressively liberalized and India today has one of the most liberal and transparent policies on FDI among the emerging economies. India's share in the world FDI inflows is given in Figure 1.3.1.

Figure 1.3.1 : India's share in world FDI inflows



Source : World Investment Reports (2002, 2006, 2008), UNCTAD

The cumulative FDI inflows from the world and the EU in top five sectors are given in Table 1.3.1. The EU is a second biggest investor in India – in terms of FDI inflows. It is also important to note that many investments from EU member countries are routed through countries like Mauritius.

Table 1.3.1: Top Sector-wise Cumulative FDI inflows from the World and the EU

Sector	FDI inflows from World (From April 2000 to June 2009)		Sector	FDI inflows from the EU (From January 2000 to November 2008)	
	Amount (in \$ Million)	Per cent share in total inflows		Amount (in \$ Million)	Per cent share in total inflows
Services	21,103	21.79	Services	4,565.73	28.24
Computer software & hardware	9193	9.49	Automobile Industry	1,322.66	8.06

Telecommunications	7,051	7.28	Misc. Industries	978.43	6.07
Housing & Real Estate	6,693	6.91	Chemicals (other than fertilizers)	935.97	5.9
Construction Activities (including roads & highways)	5,874	6.06	Computer Software & Hardware	934.08	5.84

Source: FDI Factsheet (June 2009), Department of Industrial Policy and Promotion (DIPP)

The top most investing countries in India from April 2000 to June 2009 are given in table 1.3.2. Among the EU member countries, the UK accounted for the highest FDI inflows followed by Netherlands, Cyprus, Germany and France.

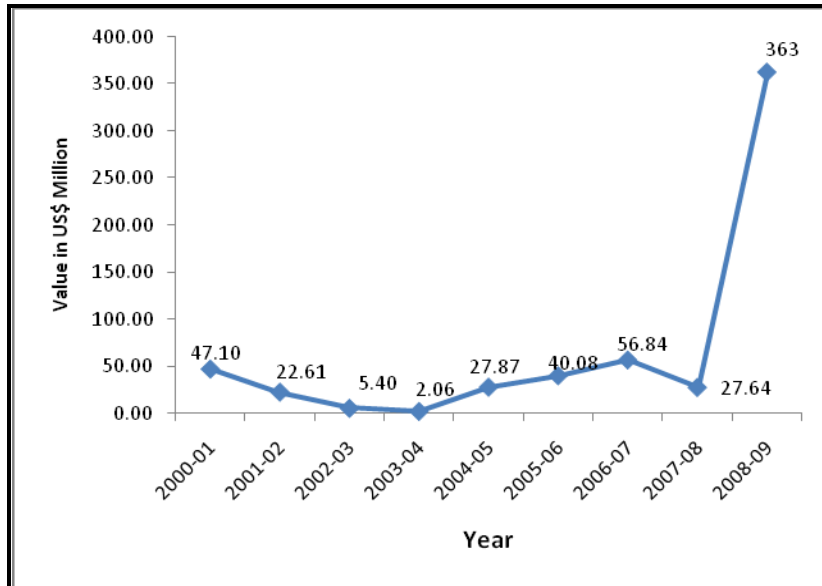
Table 1.3.2: Top 15 Investing Countries in India (From April 2000 to June 2009)

Ranks	Country	Amount in \$ Million	% of total FDI inflows
1	Mauritius	40,233.77	44.08
2	Singapore	8,182.60	8.84
3	USA	7,147.52	7.90
4	UK	5,330.18	5.80
5	Netherlands	3,791.42	4.17
6	Japan	2,999.02	3.35
7	Cyprus	2,751.70	3.07
8	Germany	2,454.75	2.69
9	France	1,300.12	1.45
10	UAE	1,073.66	1.18
11	Switzerland	867.90	0.96
12	Italy	646.46	0.69
13	Cayman island	662.25	0.68
14	Sweden	515.64	0.56
15	Bermuda	488.86	0.54

Source: FDI Factsheet (June 2009), DIPP

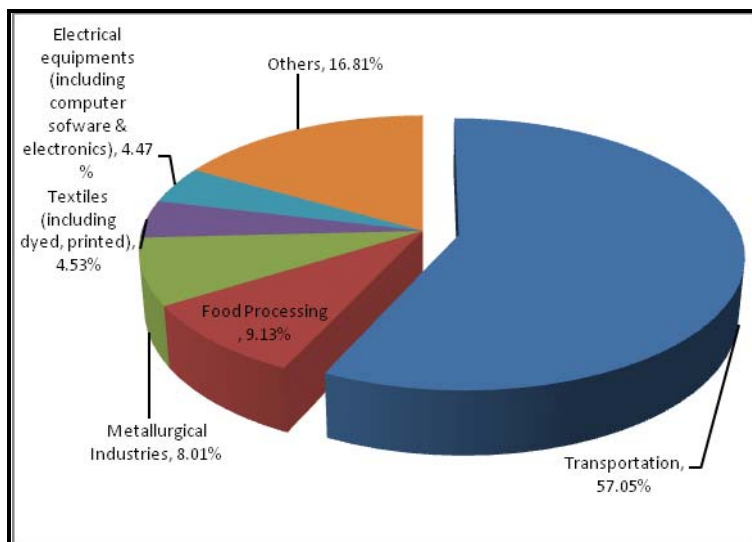
During the period April 2000 to June 2009, Italy ranked 12th among the top investing countries with a share of less than one percent (0.69 per cent) (Table 1.3.2). The yearly and sector-wise total FDI inflow from Italy to India is given in Figures 1.3.2 and 1.3.3.

Figure 1.3.2: FDI inflows from Italy to India



Source : Various SIA newsletters

Figure 1.3.3: Sector-wise FDI inflows from Italy



Source : <http://www.ficci.com/international/countries/Italy/italycommercialrelation.htm>

In terms of the destination of FDI, the inflows are not equally spread across India, the bulk of the inflow placed in Maharashtra (37.1 per cent) and National Capital Region (17 per cent) followed by Bangalore (6.6 per cent), Ahmadabad (6.3 per cent) and Chennai (5.5 per cent).⁶

⁶ FDI Factsheet (June 2009), DIPP

In India, FDI is allowed in almost all sectors except a few like multi-brand retailing, lottery, gambling and betting and legal services. There is a partial FDI limits in a few sectors such as single brand retailing (51 per cent), air transport service (49 per cent and subject to the condition that no direct/indirect participation by foreign airlines), banking service (74 per cent), insurance (26 per cent), newspapers and periodicals (26 per cent) and cable network and DTH (49 per cent, FDI+FII) among others. FDI up to 100 per cent is allowed in construction sector subject to certain restrictions.⁷ FDI is not yet allowed in real estate business.

Retail, especially multi-brand, food and grocery retailing, is a sensitive sector in India. Retail is probably the only sector which has seen reversal of government policy during the liberalization period. Prior to 1997, there was no specific regulation restricting the entry of foreign players. In 1997, when rest of the economy was being liberalized, a ban on FDI was imposed in this sector due to the fear of job losses in the traditional sector and threat of FDI outflows. Although foreign players were allowed in wholesale cash and carry and franchising⁸, the first major step towards liberalization was in 2006. In that year, FDI up to 100 per cent was allowed through automatic route for cash and carry wholesale trading and export trading.⁹

In 2006, government also allowed 51 per cent FDI in “single-brand retailing” subject to Foreign Investment Promotion Board (FIPB) approval (prior approval is required) and subject to conditions that (a) only single brand products would be sold (i.e., retailing of goods of multi-brand even if produced by the same manufacturer would not be allowed), (b) products should be sold under the same brand internationally, (c) single brand product-retailing would only cover products which are branded during manufacturing and (d) any addition to product categories to be sold under “single brand” would require fresh approval from the government.

Even before 2006, FDI up to 100 per cent with FIPB approval was allowed for trading of items sourced from small-scale sector, test marketing¹⁰, trading of items for social sector, trading of hi-tech, medical and diagnostic items, and domestic sourcing of products for exports subject to the provision of EXIM (Export Import) Policy. Domestic trading of products of joint ventures is permitted at the wholesale level for such trading companies who wish to market manufactures’ products on behalf of their joint ventures in which they have equity participation in India. FDI up to 100 per cent is permitted for e-commerce activities. However, these companies are only allowed to do business-to-business (B2B) e-commerce and not in retail trading. There is no clear definition of direct marketing. In India it is covering under B2B while in countries like Italy and the US, it is treated as retailing.

⁷ For details see DIPP Press Note 2 (2005), <http://siadipp.nic.in/policy/changes.htm>

⁸ In the case of franchising FDI (unless otherwise prohibited) is allowed with the approval of the Central Bank (Reserve Bank of India).

⁹ Subject to the guidelines for FDI in trading issued by the Department of Industrial Policy and Promotion see Press Note 3 (2006 series).

¹⁰ Subject to the condition that the test marketing approval will be for a period of two years and the company will set up manufacturing facilities in India.

In franchising and Commission Agents services, FDI (unless otherwise prohibited) is allowed with the approval of the RBI (under the Foreign Exchange Management Act). In manufacturing (including sports goods manufacturing) and sourcing from India there are no FDI restrictions. Foreign companies are, in fact, encouraged to set up representative offices or use buying agents, distributions to source from India.

The policy of allowing 50 per cent FDI in single brand retailing was adopted to improve the availability of brands to Indian consumers. Brands can now come into India through this route or franchising route or can even test the market through test marketing. It was expected that the joint venture will allow Indian companies to access global designs, technologies and best management practices and this in turn will increase sourcing from India. This enabled the foreign companies to share the profits with Indian partners. After this policy, companies such as Marks and Spencers changed their mode of operation from franchising to single brand retailing. Some foreign companies which have already applied and got approvals through this route includes Etamint (Brussels, Belgium) for the brand “Etam”, TRIO Selection (Canada) for single brand retailing and production of sports goods, apparel and accessories, Louis Vuitton (France) for retail trade of its brand, Grotto SPA (Italy) for whole sale cash and carry, sourcing, manufacturing, marketing and retailing of its brand “Gas” (casual clothing and accessories), Ermenegildo Zegna Holditalia SPA for single brand Zegna stores and marketing, Dolce & Gabbana SRL (Italy) for fashion and lifestyle products including clothing, footwear, bags, perfume and eyewear. The existing approval shows that while luxury products are using this mode for market entry, apart from a few, the sports companies have not used this mode. One of the reason behind this, often multi-brands are sold by the same company, for example, Reebok and Addidas brands have the same parent company.

The single brand retail policy has certain drawbacks. The policy requires the foreign partner should be the original owner of the brand and not distributors, dealer etc. This is to ensure that the international quality and standard of the product is maintained. Internationally, many brands are marketed through dealers, distributors and companies from Europe often have distributors/dealers for Asia Pacific region that looks after India. Also, there is no screening of the Indian partner (the Indian partner just has to be credit worthy and resident Indian). Some companies raised concerns about sleeping partner. Others such as IKEA have raised concerns about transferring technology to competing Indian companies. Some have gone for complementary partners like real estate companies such as Giorgio Armani, Ermenegildo Zegna, Dolce and Gabbana and Salvatore Ferragamo with DLF group. But the complementary partner may not have knowledge of retail.

In India, a single brand entry approval takes 2-3 months. It is examined by the Department of Industrial Policy and Promotion (DIPP) up to the Minister level. Then it goes to the FIPB for approval. Once it is approved, it takes 3-4 weeks. As of date there are approximately forty proposals in pipeline for approvals for single brand retail, largely from developed countries.

The FDI inflow through this route is much less than what was originally expected. From April 2000 to June 2009, cumulative FDI inflow was only 0.05 per cent of the total FDI inflows - \$45.34 million (€38.68 million).

Country wise break up of FDI and technology transfer cases related to retail trading between August 1991 and November 2008 from EU member states is given in Table 1.3.3.

Table 1.3.3 : FDI Inflows and Foreign Technology Transfer Cases from the Top 5 EU Countries (From August 1991 to November 2008)

Rank	Country	No. of approvals	Amount of FDI (in \$ Million)	% with FDI approved
1	Italy	6	11.44	48.67
2	Netherlands	6	7.29	32.87
3	Belgium	2	2.63	12.63
4	France	6	1.19	5.61
5	UK	3	0.05	0.23
	EU total	24	22.61	

Source : DIPP

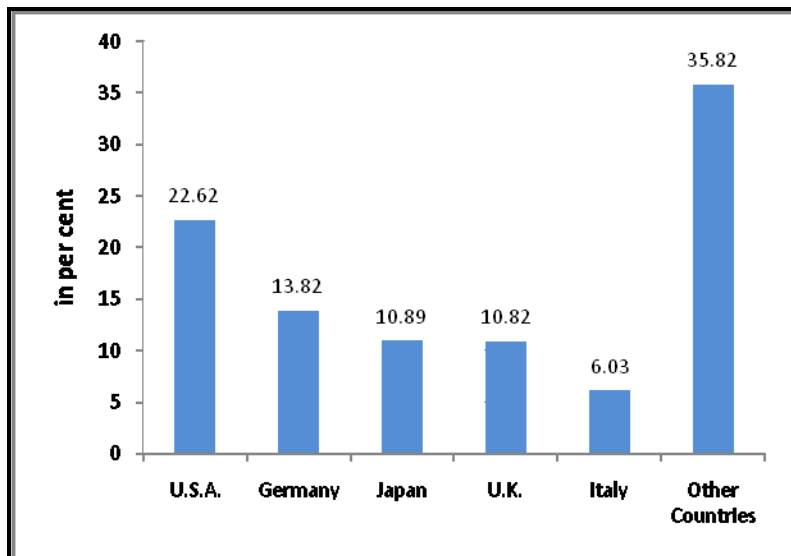
The government is now evaluating the possibility of increasing the cap for FDI under single brand retail to around 100 per cent. It is also discussing the possibilities of allowing multi-brand retailing in some sector such as sports goods and electronics. There has been a suggestion to allow multi-brand retailing in luxury products. However, India has not yet defined the luxury products and the definition is somewhat ambiguous since it varies from product to product.

With the flight of FIIs in 2008, the government came out with a policy in the form of Press Notes 2, 3 and 4 of February 2009¹¹, which aimed to streamline the ownership and control process of foreign companies. This was a crude effort and the government is still reviewing it.

India is very keen to attract foreign technology and many foreign companies have selected technology collaboration as an enter route to the Indian market. below. During that period the total number of approved technical collaboration was 8060. The top most countries in terms of technology transfer between August 1991 and April 2009 is given in Figure 1.3.4, Italy ranked 5th in terms of technology transfer.

¹¹ <http://siadipp.nic.in/policy/changes.htm>

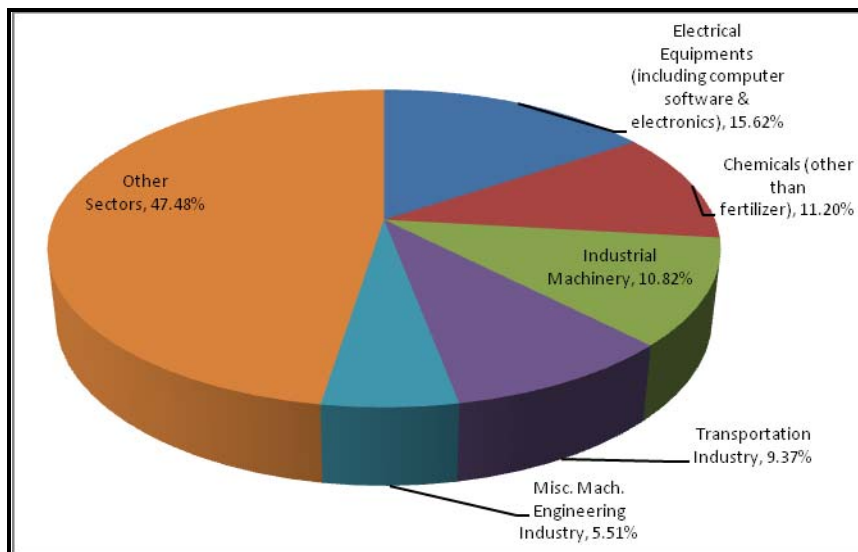
Figure 1.3.4: Country-wise Total Technology Transfers Approved (From August 1991 to April 2009)



Source: FDI Statistics (June 2009), DIPP

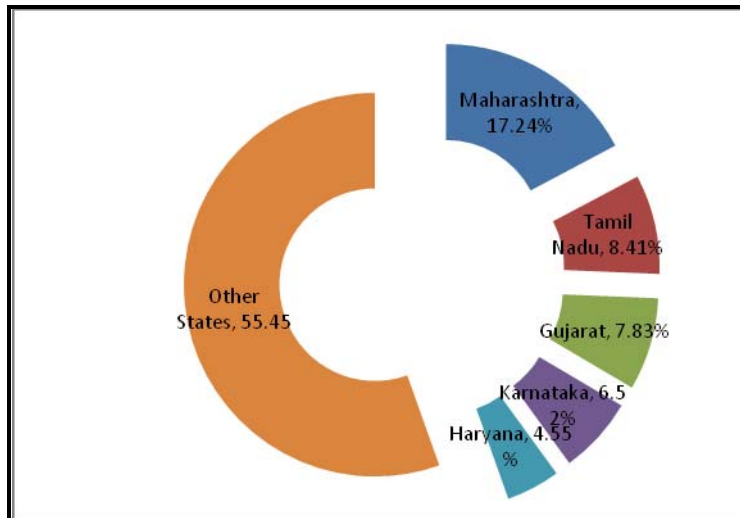
Sector-wise foreign technology transfer approvals is given in Figure 1.3.5 while some top Indian states to enter into such agreements is given in Figure 1.3.6.

Figure 1.3.5: Sector-wise Foreign Technology Transfer Approvals (From August 1991 to April 2009)



Source: FDI Statistics (June 2009), DIPP

Figure 1.3.6: State-wise Foreign Technology Transfer Approvals (From August 1991 to April 2009)



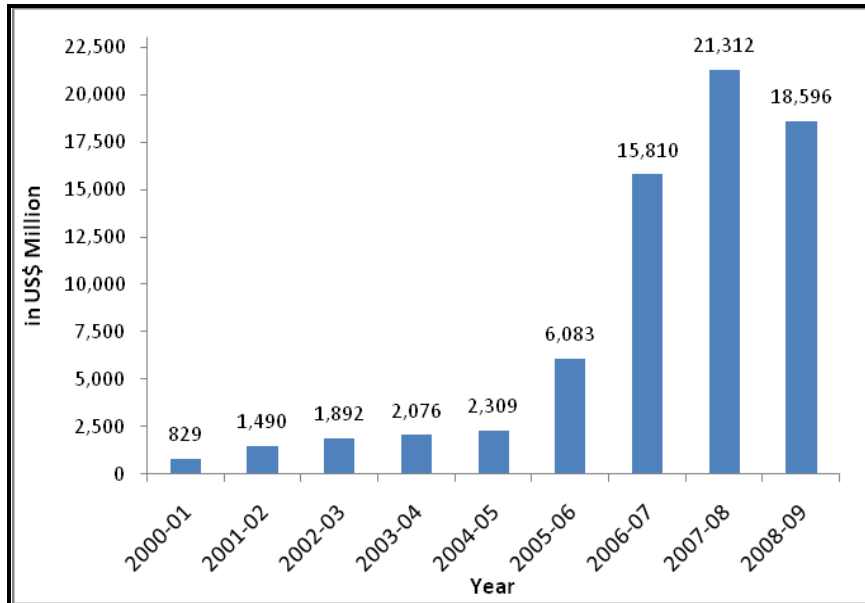
Source: FDI Statistics (June 2009), DIPP

Many Italian companies have established presence in India through various modes such as wholly-owned subsidiaries, joint ventures, franchising agreements, and branches and representative offices among others (see Table A.3 in Appendix A). To facilitate India-Italy trade, Italian banks have presence in India (mainly through representative offices).

1.3.2 FDI Outflows

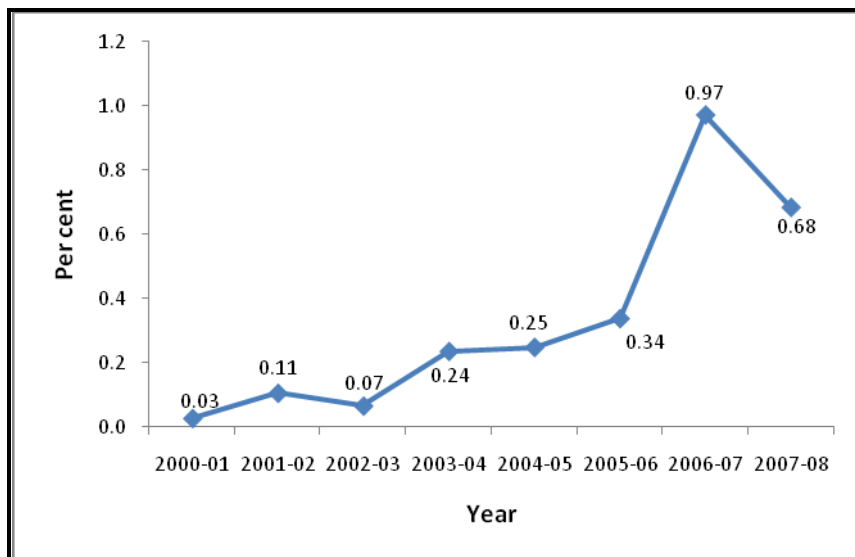
Degree of openness of a country is also determined by FDI outflows. With increasing integration with the world market India's outward FDI has increased (Figure 1.3.2.1). India's share in the world's FDI outflows is given in Figure 1.3.2.2.

Figure 1.3.2.1: India's FDI Outflows



Source : RBI Database

Figure 1.3.2.2: India's Share in World Outflows

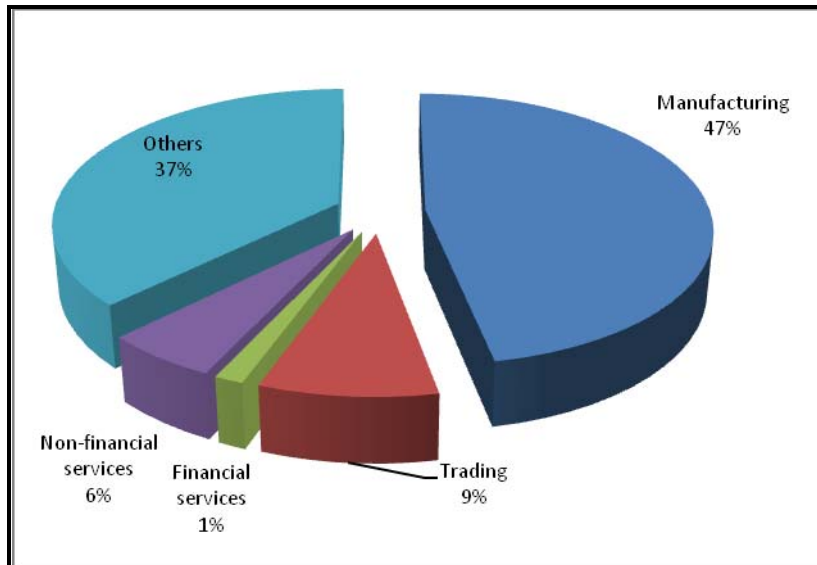


Source : World Investment Reports (2002, 2006, 2008), UNCTAD

Sector-wise Indian companies are investing in manufacturing, IT/BPO services and trading as shown in figure 1.3.2.3. India's top ten export destinations of Indian outward FDI in 2008-09 is given in Table 1.3.2.1. Singapore has become an important destination for Indian outward FDI. Among EU member states, Netherlands received highest FDI invested from India, followed by

the Cyprus, the UK and Denmark. Overall, Italy ranked as 30th largest destination of Indian FDI (Table 1.3.2.1). It is important to note that after India Singapore CECA outflows to Singapore has increased.

Figure 1.3.2.3: Sector-wise Indian outward FDI flows in 2008-09



Source : Ministry of Finance, http://finmin.nic.in/the_ministry/dept_eco_affairs/icsection/Annexure_4.html

Table 1.3.2.1: Country-wise Indian Direct Investment approvals in 2008/09

Ranks	Country	Amount (in \$ Million)	% share in total outflows
1	Singapore	4282.6	19.6
2	Netherlands	3543.8	16.2
3	Cyprus	2642.6	12.1
4	UK	2371.0	10.8
5	USA	2346.1	10.7
6	Mauritius	2087.0	9.5
7	UAE	960.6	4.4
8	Switzerland	358.5	1.6
9	Australia	317.6	1.5
10	Denmark	285.1	1.3
30	Italy	34.9	0.2

Source: Ministry of Finance, http://finmin.nic.in/the_ministry/dept_eco_affairs/icsection/Annexure_5.html

Appendix 1: India's Free Trade Agreements with Other Countries

Completed FTAs	Negotiations
India-Afghanistan FTA	India-Sri Lanka CEPA
India-Bangladesh FTA	India-Japan CECA
India-Bhutan FTA	India-Thailand CECA
India-Ceylon FTA	India-Malaysia CECA
India-Chile FTA	Bay of Bengal Initiative for Multi-Sectoral Technical & Economic Cooperation (BIMSTEC)
India-Maldives FTA	India-Gulf Cooperation Council (GCC)
India-Myanmar FTA	India-SACU Preferential Trade Agreement
India-Nepal FTA	India-EU Broad Based Trade & Investment Agreement (BTIA)
India-Pakistan FTA	India-Mauritius Comprehensive Economic Cooperation & Partnership Agreement (CECPA)
India-Sri Lanka FTA	
India-Association of South East Asian Nations FTA	
India-South Korea Comprehensive Economic Partnership Agreement (CEPA)	
India-Singapore Comprehensive Economic Cooperation Agreement (CECA)	
South Area Free Trade Agreement (SAFTA) Trade Agreement	
India FTA with MERCOSUR Member States	
Global System of Trade Preferences (GSTP)	
Asia Pacific Trade Agreement (APTA)	

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