

(Publicity)

## invest in Italy

# Promoting Japanese direct investment in Italy

The Italian Trade Agency held a symposium in Tokyo on Nov. 18 to promote Japanese companies' direct investment in Italy, with businesses from Italy and Japan, as well as diplomats and politicians from Italy, discussing opportunities in the country.

The symposium was held at the ambassador's residence inside the Italian Embassy in Tokyo's Minato Ward. More than 60 Japanese businesspeople interested in investing in Italy listened to various speakers and joined discussions on investing in the country.

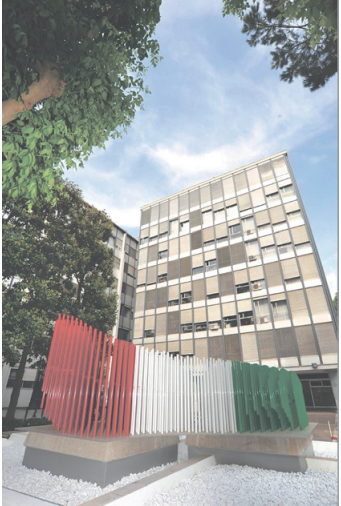
Italian Ambassador Domenico Giorgi provided the opening remarks to kick off the symposium.

"I'm very happy to have the opportunity to hold such an important event. We've held similar events to promote direct investment in Italy and many Japanese have participated in them. This wide participation indicates that many people are interested in Italy — and I'm very grateful for that — and underlines that the visit of Prime Minister Matteo Renzi, last August, opens new perspectives also in this area," Giorgi said.

From the Japanese business side, Akira Shimizu, chair of the Planning & Coordinating Subcommittee, Committee on Europe of the Japan Business Federation (Keidanren), greeted the audience and the delegation from Italy.

"My job is to arrange various business meetings for (Europeans) who come to Japan and I've exchanged opinions" with many Italian delegates, Shimizu said. "I'd like to promote dialogue between businesspeople of the two countries who are actively involved in the business scene."

He also said he would like to see an economic partnership agreement, or EPA, between Japan and the EU come into effect sometime soon as it is essential for the prosperity of



The headquarters of the Italian Trade Agency ITA

both parties that barriers between the two countries be lifted.

Shimizu also spoke of examples of direct investment in Italy by Hitachi Ltd., the engineering company he works for, showing the audience and speakers that Hitachi has been active in contributing to bilateral business relationships.

The next speaker, Benedetto Della Vedova, the undersecretary of state of Italy's Ministry of Foreign Affairs and International Cooperation, delivered a presentation, titled "Renzi Government: A Comprehensive Strategy for Growth."

His main message is that many economic indices show Italy is recovering from the sovereign crisis that hit Europe over the past few years and the main reason for the recovery is governmental reforms initiated by Renzi.

GDP growth is forecast at 0.9 percent this year and 1.6 percent in 2016, which will mean Italy will catch up with the Eurozone average in about five years, he said. Exports rose 6.3 percent in July from a year ago, compared with Germany's 6.1 percent growth and France's 3.1 percent.

"The fact that exports have increased means the quality of



Italian Ambassador Domenico Giorgi makes opening remarks at an event to promote direct investment in Italy at the Italian Embassy in Tokyo's Minato Ward, on Nov. 18. KAORU KUWABARA

Italy's manufacturers has gone up," he said, adding that improvement in the technology and automotive sectors is very important.

He then introduced the government's comprehensive reform plan, which includes reforms in political institutions, the labor market, the justice system, the banking and finance sectors, education and anticorruption.

The next speaker was Riccardo Monti, the president of Italian Trade Agency, whose presentation was about Italy's policies to attract foreign direct investment.

"Direct investment from Japan is not so much in terms of amount, but very important in content," Monti said, adding that Japanese investments include clean technology and other high-tech investments.

He showed a graph of Italy's exports, which clearly are on an uptrend, increasing 2.0 percent in 2014 and 5.0 percent in the first half of this year. Exports have increased particularly in

the fisheries and pharmaceutical sectors, he added.

Monti said he is very optimistic because of the high potential for growth in Italian companies and the high-quality products they are making.

Of those companies, some have a need for fresh capital injection, he said. Japanese companies will find it attractive to invest in such companies that have high technology, he added.

There is also opportunity in real estate investment in Italy as land prices have potential to go up. One of his slides showed graphs of land price indices in Germany, Ireland, Greece, Spain, France, Italy, Britain and the Eurozone and those in Italy have shown very modest increases since 2000, while others increased by wider margins.

Italy has taken various measures to make direct investment attractive for foreign companies. The central government and local governments are working together to support foreign companies, he said.

## Italy back on track, open for business

The message from Benedetto Della Vedova, the undersecretary of Italy's Ministry of Foreign Affairs and International Cooperation, is, "Italy is back."

Many key economic benchmarks have shown signs of recovery this year. The 2015 GDP growth rate is expected to be 0.9 percent and rise to 1.6 percent in 2016, bringing Italy back in line with Eurozone growth rates for the first time in five years.

The unemployment rate was 11.9 percent in August, the lowest since February 2013, while private consumption rose by 2.1 percent in July from a year ago and exports rose 6.3 percent, compared with a 6.1 percent increase for Germany and 3.1 percent for France over the same time period.

Recovery was due to many factors, but "the main reason is governmental reforms," Della Vedova said in an interview after a seminar to promote direct investment by Japanese companies into Italy at the country's embassy in Tokyo, on Nov. 18.

Italy has compiled a comprehensive reform plan and has seen positive effects as it moves out of recession stemming from the sovereign debt crisis a few years ago.

For example, Italy recently passed a Jobs Act that has made hiring and firing easier, while increasing support for the unemployed. The act makes the labor market flexible and strong sectors such as the pharmaceutical, automotive and machinery industries, are able to hire more, while weak industries can hire less, he said.

Also, Italy has simplified various legal procedures so that

companies can cut through bureaucratic red tape. For example, the country reduced municipal governments by reorganizing provinces, while others enhanced online administrative services and the courts are working to reduce the duration of civil trials.

Italy has also begun making strong investments in education through an increase in the number of teachers. Individual schools have been given greater autonomy as the roles of principals have expanded. Education and the labor market are now better connected and teaching time given to foreign languages, art, music and physical education has increased, he said.

A new powerful Anti-Corruption authority (ANAC) has also been created. It has an independent and authoritative leadership and is allowed to take pre-emptive action on procurement and public works projects, he said.

The banking sector has also seen major reforms and management of non-performing loans has been strongly improved. The range of available financial sources for companies has increased, allowing companies to more easily raise the funds necessary for growth.

In addition, various taxes, including income tax, labor tax, property tax on family housing families and corporate tax, will be gradually be reduced through 2018 to stimulate the economy.

The macroeconomic recovery is one of the reasons Della Vedova recommends that Japanese companies invest in Italy, as there are many companies that can be beneficial to Japanese corporations.



Benedetto Della Vedova, undersecretary of Italy's Ministry of Foreign Affairs and International Cooperation, speaks during an interview at the Italian Embassy in Tokyo. KAORU KUWABARA

"We have investment opportunities in renewable energy and we also have companies that can grow with Japanese partners in environmental areas such as waste treatment and water treatment," he said.

"Italy has many untapped potentials in manufacturing. Flexibility is also the strength of Italian companies. In my opinion, Italian companies are ready to adapt with new partners," he said.

Also, the pharmaceutical, automotive and machinery industries are strong sectors with many investment opportunities, he said.

Another area of investment opportunities is the high-tech sector, where companies have excellent technology, but face growth difficulties and could

use financial support from Japanese companies.

For example, Hitachi Ltd. acquired a rail division of Italian aerospace and defense group Finmeccanica earlier this year. Hitachi now has access to the European market and the Italian group's technology of building trains and operating train control systems.

Italy also sees potential growth in direct investment from Japan as Della Vedova said Japan's investment is still small compared with China's.

"We receive a great deal of investment from China, but Japan can be the most important partner for Italy in Asia," he said. "We (Italy and Japan) have similar development, industry and common values."



Symposium to promote investment in Italy was held at the Italian Embassy. KAORU KUWABARA

The next speaker, Stefano Nigro, who is in charge of direct investment in the Lombardy region, which counts Milan as its largest city, discussed investment opportunities in the area.

In his presentation, he showed a graph indicating the number of warehouse operators in major cities in Europe. Milan was by far the top city with more than 3,000 companies running warehouses, followed by about 1,200 in Tuscany and about 600 in Barcelona. This indicates the important role that Lombardy plays as a bridge between Europe and Mediterranean countries.

Lombardy has a strong presence in life sciences, as Milan is home to 26 percent of Italian biotechnology-related companies. Lombardy has four regions that are focused on the engineering and machinery sectors.

Additionally, Milan boasts the highest household Internet connectivity in Italy and one of the highest in Europe. Milan is

home to 11,709 information and communication technology companies, or 10 percent of all such companies in Italy.

In the design and fashion industries, Milan generates 61 percent of those industries' revenue in Italy. There are more than 15,000 fashion companies in Lombardy, employing 45,000 people. Lombardy draws as many as 140,000 buyers and industry professionals during major fashion shows and other fashion industry events.

Nigro also introduced financial support for investors in Lombardy. For example, Lombardy subsidizes up to €1 million for competitive research and development. It has budgeted €48 million for the subsidy from 2013 to 2015. Investors also benefit from subsidies from the federal government and the EU.

The fourth speaker was Patrizia Bellofiore, trade and investment support services manager, Toscana Promozione, who discussed reasons for investing in Tuscany, where the

largest city is Florence.

Tuscany, the birthplace of many Italian designers, including Salvatore Ferragamo and Gucci, provides a great business environment, Bellofiore said. It has three universities and five higher education institutions, with more than 8,000 new grads in technology and science every year. It has more than 400,000 companies and a trade surplus of €12 billion.

Within a 400-km radius of Tuscany, lies more than 10 percent of the EU market and three-quarters of the Italian market.

Procedures to establish a company are simple, he said. It takes only six days to register a company and only six steps are required to begin operating a company.

Tuscany's exports were €32 billion in 2014, making up 8 percent of the country's total exports. The region's imports was €20 billion.

More than 400 large foreign companies have made direct investments in Tuscany. They

include GE Oil & Gas, Novartis, Continental AG, Yanmar Co., Sun Microsystems Inc. and Google Inc.

As examples of Japanese direct investment in Tuscany, Yanmar, a Japanese equipment maker, has established its first research and development center in Europe there, Otsuka Medical Devices Co. has bought a Pisa-based medical device maker and Toray Industries Inc. has bought a chemical company based in Lucca.

The last speaker was Ugo Besso of consultancy firm PricewaterhouseCoopers. He explained regulations and taxes on foreign direct investments in Italy.

In a Q&A session, a Japanese businessman asked about potential setbacks of planned tax cuts in Italy. Della Vedova said that Italy must follow the various rules imposed on EU members such as those covering national debts, but he is optimistic about Italy's economic growth and feels such debts will be reduced.

## Reforms create many new opportunities

Italian Trade Agency (ITA) President Riccardo Monti is actively working to get more companies and individuals to invest in his country.

Monti was recently in Japan as part of a push to attract Japanese businesses and individuals to invest in the country.

To assist with investment in the country, the ITA has a support team comprised of representatives from every government agency and ministry to assist investors in overcoming issues they may run into. This support runs from Justice Ministry representatives assisting with legal matters to the Environment Ministry consulting on obtaining permission for development. This assistance covers all stages of investment from the exploration phase to post-installation.

Like much of Europe, Italy saw some dark economic times in the first couple of years of the decade, but, according to Monti, the country has overcome many issues hindering investment in Italy. "We've decreased corporate taxes, made employment regulations much more flexible with the Jobs Act, which came into effect six months ago and is already having a big impact," Monti said.

"The country has also revised a number of rules and regulations to make things easier for investors, under the idea of 'whatever is good for the international investor is good for the Italian investor,'" he added.

The Italian government has overcome a major hurdle with a breakthrough in tax law. "Many companies with an international presence often have difficulties with assessments of transfer prices and run into difficulties with tax authorities over this issue. In



Riccardo Monti, the president of the Italian Trade Agency, speaks during an interview at a Tokyo hotel. YOSHIKAKI MIURA

Italy, companies can now do advance pricing agreements where they propose their plan to manage their transfer pricing to tax authorities. If there is no objection from the tax office within 90 days, the proposal is automatically approved for five years. This is a very important change," Monti said.

Italy is also working to promote itself as a good base for international companies to export from, as it boasts a market of 800 million people within a two-and-a-half-hour flight from the country. This huge market makes Italy a good location for virtually any exporting manufacturer.

Three areas may be particu-

larly attractive to international investors. One is newly privatized businesses, while real estate is also attractive as landowners are being encouraged to divest some of their holdings. The third are companies that have good human resources, products and knowledge, but have run into difficulties due to changes in the global market. The ITA works to bring in investors with financial clout and launches new companies. The ITA has undertaken about 150 such projects and in the past two years, half of them have been sold to international investors.

Italy has a large pool of talented and skilled workers, but

rigidity in employment regulations kept some investors from expanding or even entering the market. The Jobs Act has for the most part, removed many of the barriers facing companies from a human resources point of view. Companies now have much more freedom in their hiring and the positive response from both existing investors and potential investors has been quite high.

Monti also noted that the government attitude on international investing has shifted dramatically as it has adopted a more accepting stance. "There is overwhelming evidence that a company that has initially had international investment has higher employment, higher added value, higher exports and higher investment in research and development," he said.

"Japan is particularly important to us, as during the worst days of our financial crisis, Japan was there to invest in Italy. If you look at 2011 or 2012, a good amount of the little investment we saw came from Japan. Also, Japanese tend to be long-term investors and that is a very attractive trait. Additionally, Japan has traditionally invested in high-tech sectors such as pharmaceuticals, aerospace and information technology with an eye to using Italy as a base for Europe. We have not seen Japanese companies coming in and closing factories and laying off people. We see them building and growing existing companies and that makes them attractive investors for us."

Monti concluded by noting that Italy and Japan are both major exporters and as global trade becomes more open, both countries can have bright futures through cooperation.