

Invest in Italy Roadshow

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Potential in numerous economic fields for investment

The Invest in Italy Roadshow was held on Dec. 13 to promote Japanese direct investment into Italy, organized by the Ministry of Economic Development of Italy, the Italian Trade Agency, Mitsubishi UFJ Financial Group Inc., Invitalia and the Embassy of Italy, and supported by the Japan External Trade Organization.

Dozens of Japanese business professionals looking for Italian investment opportunities attended the event and joined discussions during the symposium at the ambassador's residence inside the Italian Embassy in Tokyo's Minato Ward.

Speakers at the three-hour symposium included Italian Trade Agency Foreign Direct Investment Department Director Stefano Nigro; Invitalia Investor Support Manager Andrea Tabella; National Association of Italian Freight Villages President Matteo Gasparato; Port Authority President Pietro Spirito; MUFG Bank Ltd. Managing Director, Head of Italy Kaneyuki Iseda; and Daikin Europe NV. Vice President Junji Umamoto.

The timing of the symposium is fortunate for Italy as the country could take advantage of improved business sentiment after the European Parliament approved on Dec. 12 the EU-Japan economic partnership and strategic partnership agreements, which are scheduled to enter into force Feb. 1. Tariffs and other trade and business barriers will be greatly reduced or eliminated between the two economic powers.

Opening remarks, which were simultane-

ously translated into Japanese, were made by Italian Ambassador to Japan Giorgio Starace.

"I'm very happy to welcome all of you to this event," Starace said. "This type of event is one of our most important bilateral diplomatic activities and the embassy will continue to hold similar events."

Following Starace, Under-Secretary of State for Economic Development Michele Geraci spoke to the Japanese company executives.

"Relations with Japan are very important. In terms of trade, I don't care if there's a surplus or deficit; the number of combined exports and imports is what's important," Geraci said. "These visits to Japan by Italian delegates show that Italy regards Japan as a very important partner."

The Italian Trade Agency's Nigro then made a presentation introducing the

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UNDER-SECRETARY OF STATE FOR ECONOMIC DEVELOPMENT MICHELE GERACI

agency, outlining the benefits of Italy as an investment choice and providing concrete examples of sectors with promising investment potential.

His presentation began with a graph showing Italy ascending in the foreign direct investment rankings from 2016 to 2018. According to the A.T. Kearney FDI Confidence Index, Italy's ranking was 16th in 2016, 13th in 2017 and 10th in 2018, showing that Italy is on the right track to building a solid infrastructure and the legal framework to attract foreign investments.

He went on to explain that Italy boasted competitive labor costs for high-quality workers. He also noted a survey saying that Italy is ranked No. 1 in the EU for production values in the pharmaceutical industry.

Health care in Tuscany, the digital economy and smart manufacturing in the Lombardy region and tourism-related real estate investment in Sardinia were among the examples of sectors with strong investment potential.

Next to speak was Tabella of Invitalia, the national agency for inward investment and economic development that is overseen by the Italian Ministry of Economy.

His presentation began with an explanation of Invitalia, which aims to increase Italy's competitiveness, especially in the southern regions and support strategic sectors for development.

One of Invitalia's activities is to provide incentives to foreign companies looking to invest in Italy. He said that projects presented by foreign companies providing a strategic investment of at least €50 million can access so-called fast-track procedures, including quicker investment approvals and ad hoc resources if necessary. Invitalia also provides subsidies for loan payments for such companies.

Other forms of incentives for foreign companies include support in searching and selecting investment locations, arranging meetings with companies that have necessary services for them and reducing time for foreign employees to acquire visas, among others.

The National Association of Italian Freight Villages' Gasparato then discussed the excellence of the 23 "freight villages," or local logistics centers, in Italy.

The freight villages are spread across the country, stretching from the Alps to Sicily. The villages are comprised of 1,200 transport and logistics companies and employ 20,000 people. In 2017, they processed 25,000 trucks per day, handled 65 million tons of freight and saw 50,000 trains pass through.

He noted a ranking by a German organization on logistics centers, which had Inter-



An audience, mainly comprising executives of Japanese companies considering investing in Italy, listen to presentations at the Invest in Italy Roadshow, held at the Italian ambassador's residence inside the Italian Embassy in Tokyo's Minato Ward on Dec. 13. SATOKO KAWASAKI

porto Verona as the best in Europe in 2016, while seven of Italy's freight villages were in the European top 20.

Freight villages can be a good area for Japanese companies to invest in because they are in strategic positions in Italy and Europe, and offer high levels of accessibility, he said.

Spirito of the Port Authority delivered a presentation on special economic zones, which are areas designated by the government to attract investment by offering various benefits.

He argued the creation and launch of a special economic zone is fundamentally important to stimulate the growth of an industrial and logistics hub and attract foreign direct investment.

Companies operating in special economic zones gain benefits in terms of streamlined customs processes, tax breaks, simplified administrative procedures and more. Providing local communities with stable employment, priority to access such benefits goes to companies in industries related to export, with innovative products and production processes.

MUFG Bank's Iseda discussed Italy's economy in general.

He noted that MUFG Bank, Invitalia and the Italian Trade Agency just signed an agreement on cooperation to promote trade between Japan and Italy.

Iseda then explained the political situation, which is much like Japan's, in that many political parties hold parliamentary seats and the largest party in the parliament often has to create a coalition to have a stable political foundation.

He also discussed challenges facing the Italian economy. For example, the ratio of public debt to gross domestic product has been above 100 every year from at least 2009 through 2017. It was 131.2 in 2017, while EU rules stipulate that the ratio be 80 or below.

Still, he said Italy's economic fundamentals are not so bad, pointing out that the country has had a trade surplus from 2013 to 2017 and the level of foreign exchange reserves is similar to Germany and France. Machinery is the biggest export sector in Italy, he said, even though Japanese tend to

associate Italy with food and fashion.

The final speaker was Daikin's Umamoto, who outlined Daikin Industries Ltd., which has seen increasing annual revenue since the year ended in March 2010, reaching ¥2.48 trillion in the year ending in March. The ratio of overseas revenue also grew dramatically from 46 percent in 2005 to 76 percent in 2017.

Daikin Industries, a major maker of air conditioners and various cooling equipment, has seven subsidiaries, four of which include factories, in Italy. Located near Rome, he presented the achievements of Daikin Applied Europe, which sells products to customers in Europe and the Middle East.

In 2016, Daikin Applied Europe started a new production line to make very large freezers.

"Italian engineers are hardworking and have a passion to work. I was in Italy for five years and profit was constantly increasing during that time," he said, recommending symposium attendees to consider investing in Italy.

Strengthening partnership via emphasis on research

Italian Under-Secretary of State for Economic Development Michele Geraci recently said Japan will continue to be among Italy's biggest trading partners and that it will play an even more important role in business and investment.

Speaking in an interview prior to the Invest in Italy Roadshow held on Dec. 13 at the Italian Embassy, Geraci noted that with the EU-Japan Economic Partnership Agreement taking effect on Feb. 1 next year, he expects that the flow of goods, people, skills and ideas to be further activated in both directions. "Japan has a high degree of skills that are complementary, not overlapping with ours," said Geraci.

Measures that Italy is taking to promote investment from foreign countries include tax reduction for greenfield investment and improvement of legal systems for faster processing of various registrations and applications of licenses.

"Japan and Italy can do more together in research and development," said Geraci. "R&D accounts for only 1.3 percent of Italy's total gross domestic product, which is too little," he continued. As a former professor, investment banker and electronic engineer, Geraci emphasized that technical research is the basis of sustainable social and economic development.

He suggested that the best way to enhance R&D in all sectors is to have foreign partners with resources and ideas that are different from the ones Italy already has. "One of the things Italy can offer as a basis for investment is our creativity nurtured in



Italian Under-Secretary of State for Economic Development Michele Geraci
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the rich culture and history of the country, that can be a value to investors who look for innovation," said Geraci.

Geraci explained that getting to know each other deeper is the best way to remove the unnecessary and excessive cautiousness in everything, including business, investment and trade. It takes a lot of courage to invest in a country that you lack understanding of, which is why he is pouring his effort into launching a startup exchange program between Japan and Italy next spring.

Through this program, entrepreneurs of startup companies of both Japan and Italy will switch locations for three to six months. They will spend the period in an incubator where they can exchange ideas and views with other local entrepreneurs, co-develop or co-finance their businesses, or find investors.

"So you can actually get a glimpse of what Italian people can do," said Geraci. This is the most important step from which people of the two countries can start thinking about how to complement each other as stronger partners. "The current government of Italy is ready to do real, practical things," said Geraci.

Embassy's diplomatic efforts widen relations

Prior to the Invest in Italy Roadshow held on Dec. 13 at the Italian Embassy, Italian Ambassador to Japan Giorgio Starace spoke about the embassy's efforts and expectations in enhancing the relationship between Japan and Italy from various perspectives including business and politics.

"This year, the embassy organized 44 business events encompassing many different sectors gathering more than 6,000 guests in total, mainly top managers and buyers of auto, fashion, food, design, chemicals, machinery and many other fields," said Starace. "We play the role of economic diplomacy."

The day before the Invest in Italy Roadshow, the embassy hosted an event with Ferrero, the world's third-largest chocolate manufacturer. "We invited about 150 guests, including representatives of Japanese companies as well as personnel from the Italian Tourist Board and Italian airline Alitalia," said Starace.

He explained that the embassy tries to combine business and tourism to let them grow on each other. "Research and technology is another field that plays a major role in strengthening ties between Japan and Italy," he said.

"The number of Italian researchers in Japan is increasing and 18 universities are offering English courses to Japanese students in Italy," Starace said. Italy has long been the mecca for students who specialize in music and arts, but it is also beginning to flourish as a center of innovation.



Italian Ambassador to Japan Giorgio Starace
SATOKO KAWASAKI

"There is also the Italian Design Day; Italy Innovation Day; Foodex, a major trade show for food and beverages; and the 2020 Tokyo Olympics where diverse talents and potentials of Italy will be showcased," said Starace.

Prior to the G7 summit held in Charlevoix, Canada, in June this year, Prime Minister Shinzo Abe had a meeting with Prime Minister Giuseppe Conte and confirmed that the two countries share fundamental values.

"Japan and Italy are also cooperating in the defense sector, too. There was a bilateral meeting on defense in Tokyo this year, and the next one will be held in Rome in January," he said.

The bond between Japan and Italy extends to cooperation in building relationships with countries in North African and Middle Eastern countries. "Foreign Minister Taro Kono is the only Asian minister who attended the Mediterranean Dialogues held in Italy last month. Japan and Italy share the same interest and we would like to continue encouraging and cooperating with each other as partners," said Starace.

Investment opportunities for Japanese companies increase

Italy offers a good balance of quality labor cost competitiveness, and Japanese companies can benefit from choosing Italy as a European research and development center in Europe, a country official said.

There is a Japanese pharmaceutical company that invested in Italy to export their products back to Japan because the quality of human resources and cost competitiveness is high in Italy, said Stefano Nigro, director of the Italian Trade Agency's Foreign Direct Investment Department.

"Japanese companies buy Italian companies because they want ability in research and development," he said during an interview with The Japan Times after an Invest in Italy Roadshow, a seminar to promote investment in Italy to Japanese companies.

Japan is the seventh-largest country in terms of foreign direct investment in Italy, lagging behind five European countries and the U.S. As of June, there were 542 companies in Italy owned by Japanese, according to Nigro.

Japanese companies outgrow their counterparts from other countries in foreign direct investment in Italy.

Revenue of Japanese companies in Italy grew 25 percent from 2016 to 2018, compared with a 6 percent increase for companies based in other countries, while employee numbers grew 6 percent for Japanese companies in Italy in the same period, compared with 2 percent for those from other countries, Nigro said.

Nigro said his department's activities aim to convince foreign companies to invest in Italy, as well as support existing investors in Italy. "We are currently supporting 18 Japanese companies," he added.

"We expect to increase investment opportunities for Japanese companies. Our perspective is that we will continue to have



Stefano Nigro, director of the Italian Trade Agency's Foreign Direct Investment Department
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a good relationship with Japan," said Nigro.

Among many successful Japanese investments in Italy, he said, one Japanese manufacturer bought a small manufacturing company, grew its business, and last March built a new factory, which is now the exporting center for the company.

Nigro sees chances for Japanese companies' direct investment mainly in the manufacturing industry, such as aerospace and machinery, adding that 60 percent of helicopters in Japan were made in Italy.

He also expects Japanese companies to see increasing investment opportunities in the Italian high-tech sector.

Another point he wanted to stress is that his department is constantly working on reducing bureaucratic steps for foreign companies to receive approval for direct investment, including, for example, shortening processes to obtain working visas for employees.