



INVEST IN ITALY: Right Time, Right Place

Seminar
A Natural Connection for China in Europe
Shanghai, 16th May 2018

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ITA 
ITALIAN TRADE AGENCY

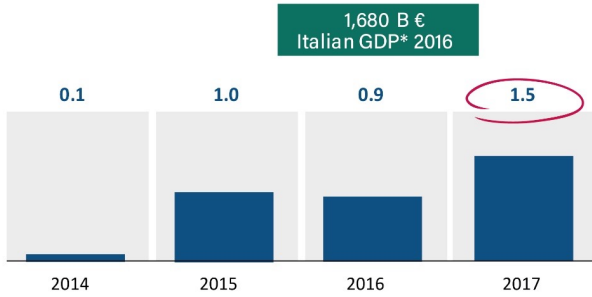


Ministero dello Sviluppo Economico

ITALY, A POWER COUNTRY IN GOOD SHAPE

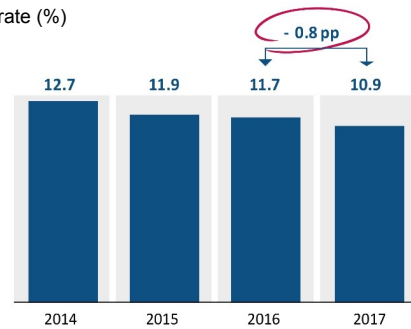
GDP accelerating growth

Real GDP Growth (% Δ y-o-y)



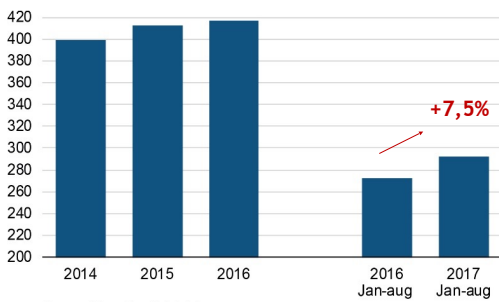
Unemployment shrank

Unemployment rate (%)



Export record year in 2017

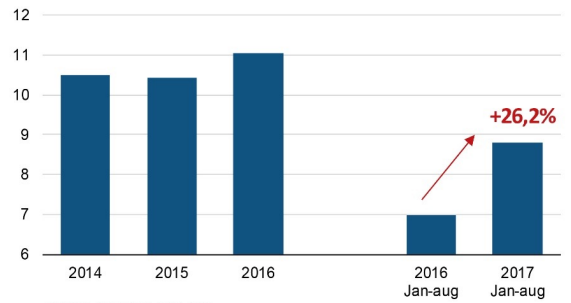
Italian export (Billion of euros)



Source: Based on Istat data

Italy best performer in China among EU

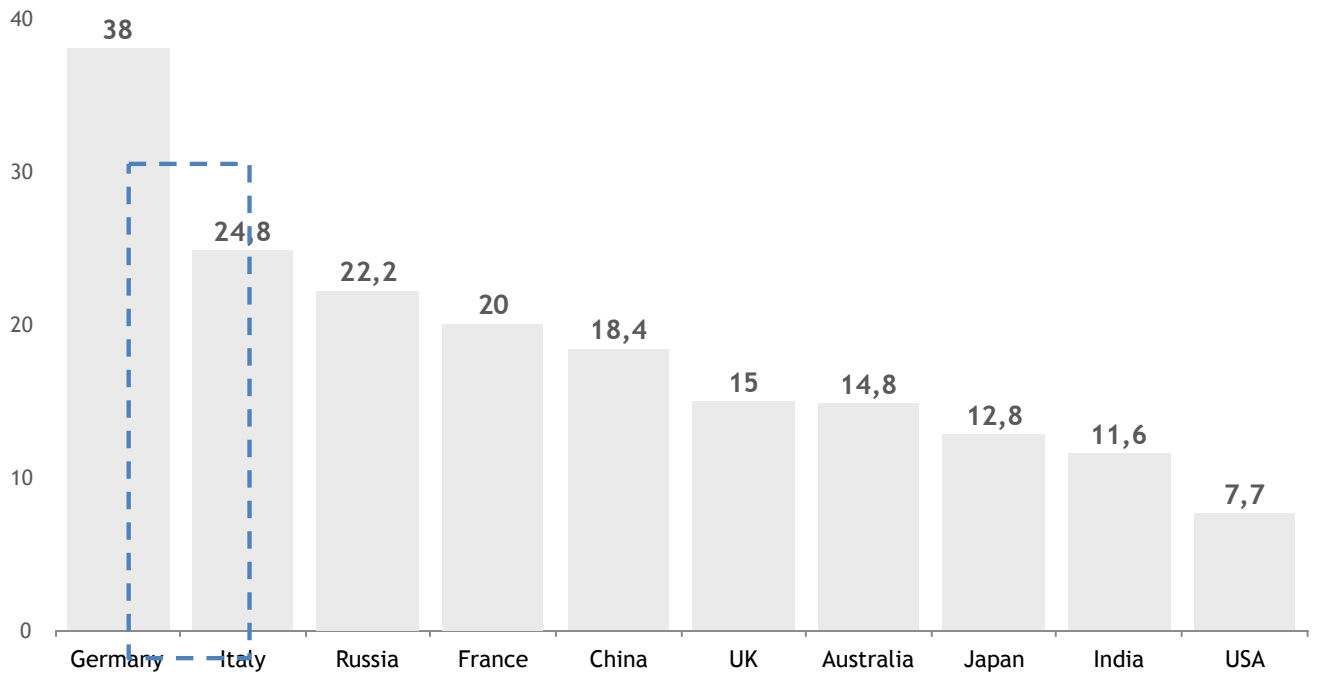
Italian export in China (Billion of euros)



Source: Based on Istat data

ITALY IS THE 8TH ECONOMY IN THE WORLD, BASED ON STRONG EXPORT

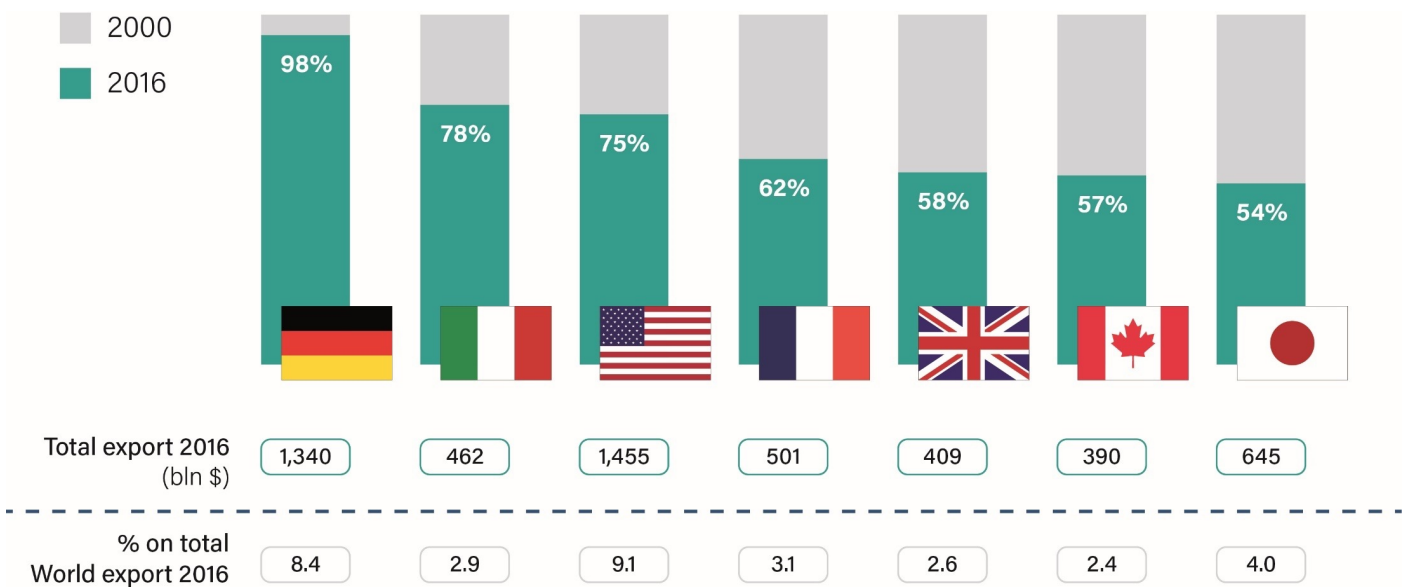
% Export/GDP Benchmarking



Source: ITA elaboration on IMF data

ITALY KEPT MOST OF ITS GLOBAL EXPORT SHARE IN LAST 15 YEARS

Exports of goods - 2016 share vs. 2000



Source: ITA's processing of WTO data











ITALIAN PRODUCTS ARE TOP PERFORMERS IN MANY CATEGORIES

The Ranking of competitiveness of the Trade Performance Index (sectors/worldwide)

Sectors 2016	ITALY	CHINA	GERMANY	FRANCE	UNITED STATES
Leather products	1	2	60	35	108
Clothing	1	2	68	69	114
Textiles	2	1	3	45	56
Non-electronic machinery	2	3	1	16	38
Electronic components	2	50	1	32	54
Transport equipment	2	26	1	13	48
Miscellaneous manufacturing	2	4	1	49	61
Processed food	5	10	1	2	80

Source: International Trade Centre UNCTAD/WTO, Trade performance Index figures, (<http://tradecompetitivenessmap.intracen.org/TPIC.aspx2016> ; "Average Index")

THE NATIONAL BRAND VALUE IS ONE OF THE FASTEST-GROWING

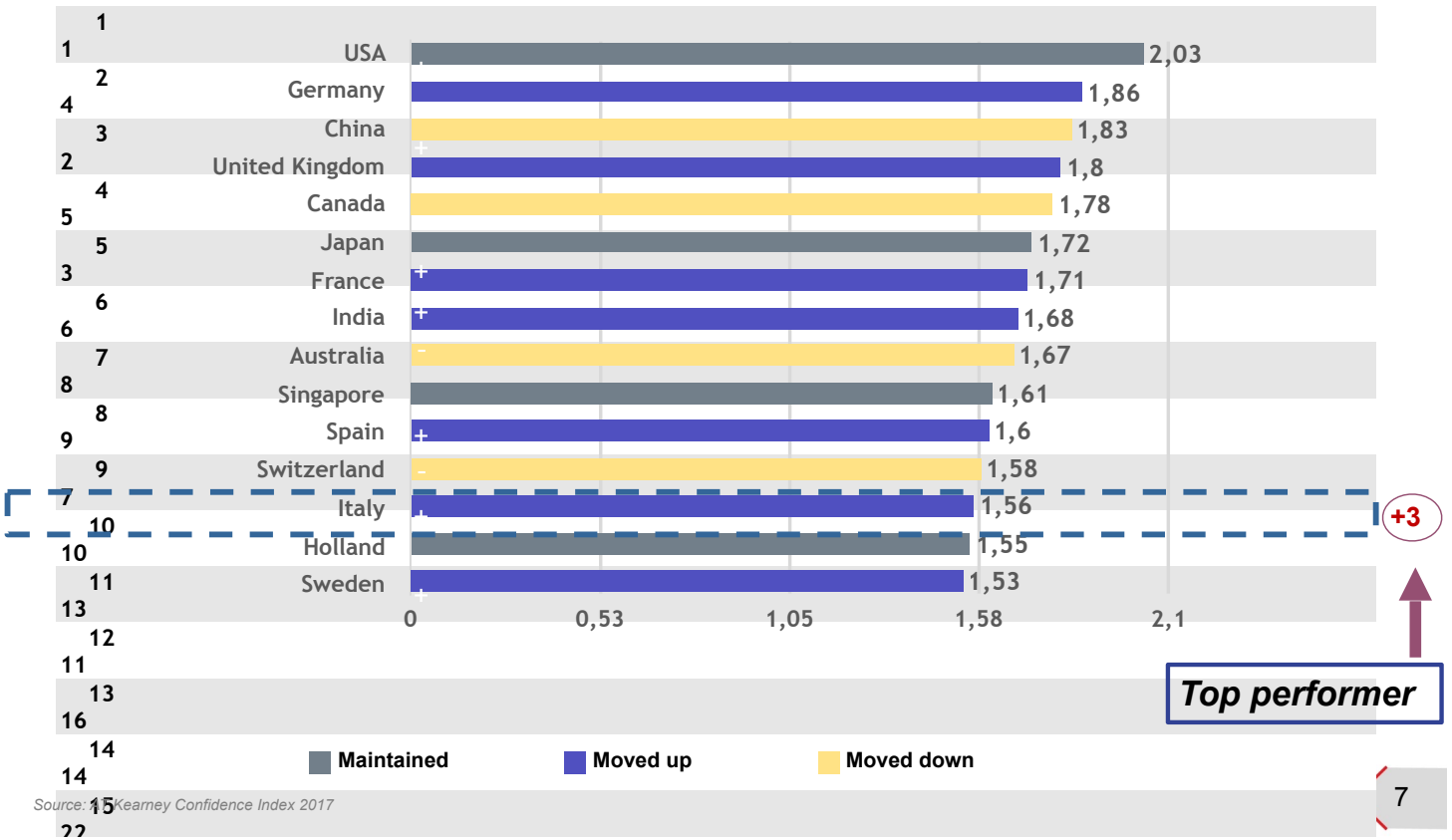
 China	1 Rank 2017: 2 2016: 2 → BV 2017: \$10,209bn BV 2016: \$7,087bn +3,122bn Brand Rating: AA	 Spain	6 Rank 2017: 12 2016: 14 ↑ BV 2017: \$1,410bn BV 2016: \$966bn +445bn Brand Rating: AA
 France	2 Rank 2017: 6 2016: 6 → BV 2017: \$2,969bn BV 2016: \$2,339bn +630bn Brand Rating: AA+	 Japan	7 Rank 2017: 4 2016: 4 → BV 2017: \$3,439bn BV 2016: \$3,002bn +437bn Brand Rating: AAA-
 South Korea	3 Rank 2017: 10 2016: 11 ↑ BV 2017: \$1,845bn BV 2016: \$1,289bn +556bn Brand Rating: AA	 Canada	8 Rank 2017: 7 2016: 8 ↑ BV 2017: \$2,056bn BV 2016: \$1,810bn +246bn Brand Rating: AAA-
 Italy	4 Rank 2017: 9 2016: 9 → BV 2017: \$2,034bn BV 2016: \$1,521bn +513bn Brand Rating: A+	 Indonesia	9 Rank 2017: 16 2016: 19 ↑ BV 2017: \$845bn BV 2016: \$630bn +215bn Brand Rating: AA-
 United States	5 Rank 2017: 1 2016: 1 → BV 2017: \$21,055bn BV 2016: \$20,574bn +481bn Brand Rating: AAA-	 Australia	10 Rank 2017: 11 2016: 10 ↓ BV 2017: \$1,505bn BV 2016: \$1,305bn +200bn Brand Rating: AAA-

Source: Brand Finance, Nation Brands Ranking

INVESTORS' CONFIDENCE GROWS

2017

2016

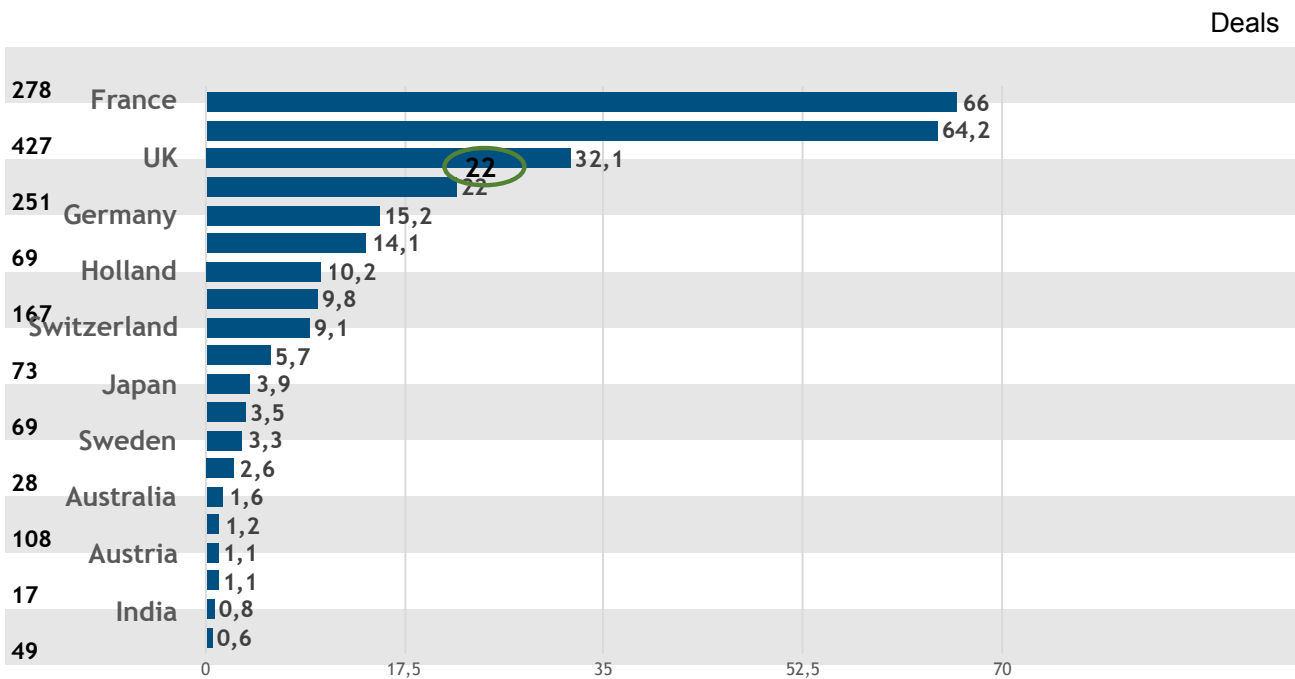


Top performer

7

M&A IN ITALY: THE RISE OF CHINA

Mergers and Acquisitions in Italy – bln € (2000-2016)



Source: ITA's elaboration on KPMG figures
32

TOP CHINESE INVESTMENTS IN ITALY

Relevant FDIs operations of China in Italy (2014-2017)

Year	Target	Bidder	Sector	Share %	Value
2017	E.M.A.R.C. S.P.A.	Baoshan Iron & Steel Co., Ltd	Automotive	75%	Undisclosed
2017	C.M.D. Costruz. Motori Diesel - C.M.D. S.P.A.	Loncin Motor Co., Ltd	Automotive	67%	41.11 mln €
2017	Ac Milan	Rossoneri Sport Investment Lux	Sport Industry	99,93%	700 mln €
2016	International Sports Capital	Great Horizon Sarl	Sport Industry	68%	400 mln €
2016	Clivet S.P.A.	Midea Group Co., Ltd	Electrical Equipment	80%	100~ mln €
2016	Buccellati Holding Italia S.P.A.	Gansu Gangtai Holding Group Co., Ltd	Jewelry	85%	230 mln €
2015	Meta System S.P.A.	Shenzhen Deren Electronic Co., Ltd	Electrical Equipment	60%	56.82 mln €
2015	Pirelli	ChemChina	Automotive	99,7%	7.300 mln €
2014	CDP Reti	State Grid	Asset Management	35%	2.101 mln €
2014	Ansaldo Energia	Shanghai Electric	Renewable Energy	40%	400 mln €

Source: ITA's elaborations "Italia Multinazionale 2017", Press

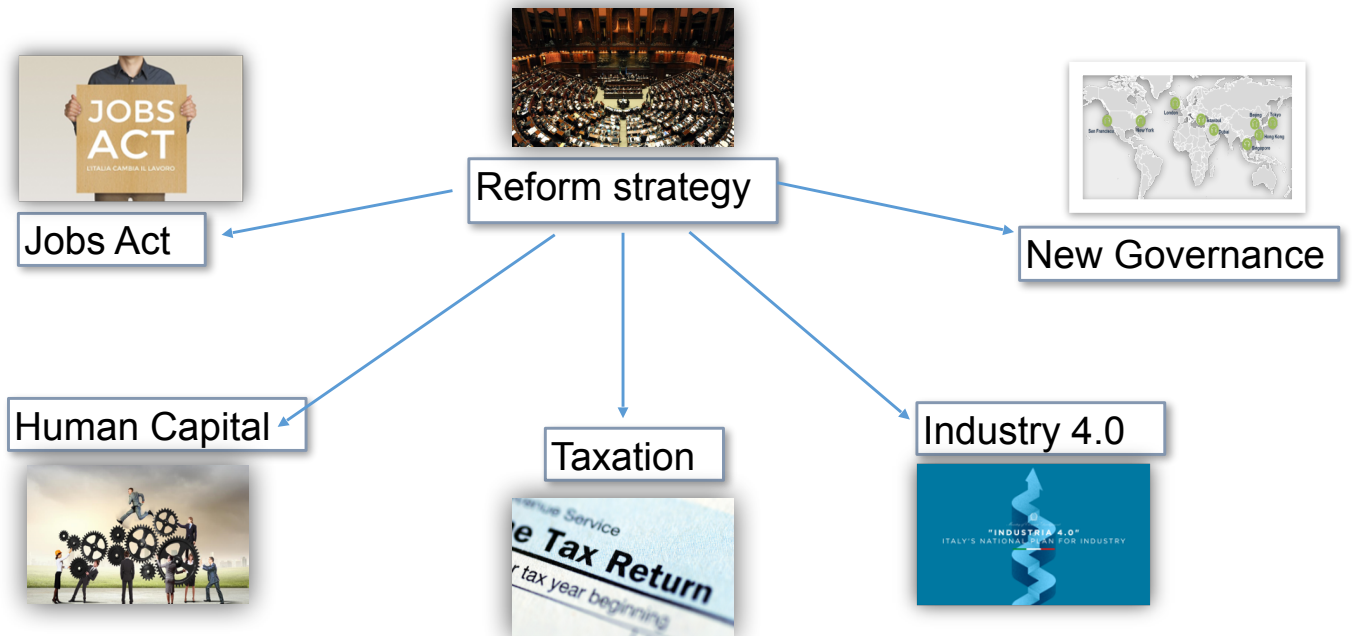
- In October 2017, credit ratings agency Standard & Poor's raised its sovereign rating for Italy
 - *"We are upgrading Italy because of its improved economic growth prospects, supported by rising investment and steady employment growth..."*

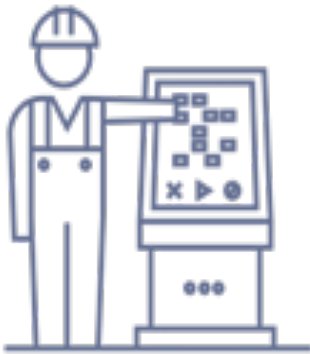
- **7th** manufacturer in the world¹, 2nd in Europe
- **8th** Economy by GDP
- **9th** Economy by export¹
- **12th** in the Country RepTrak Pulse 2016²
- **14th** in the Global Attractiveness Index³
- **18th** by inward FDIs⁴

Sources:

1. CSC
2. Reputation Institute
3. The European House - Ambrosetti
4. ITA elaborations on ISTAT data

THE REFORM STRATEGY





- **Standard compensation** in case of lay-offs with caps set by law
- **Tax incentives** for performance-linked salaries
- Streamlined unemployment benefits
- **Significant reduction in the tax wedge**

ATTRACTION OF QUALIFIED HUMAN CAPITAL



**3-YEAR
90% TAX EXEMPTION FOR
PROFESSORS AND
RESEARCHERS MOVING
TO ITALY**



**5-YEAR
TAX EXEMPTION ON 50%
OF REMUNERATION FOR
MANAGERS AND
PROFESSIONALS MOVING
TO ITALY**



**100 K €
SUBSTITUTE TAX ON ALL
FOREIGN SOURCE INCOME
(+25 K € FOR EACH FAMILY
MEMBER)**



**FAST TRACK VISA
FOR INVESTORS**

Source: Ministry of Economy and Finance



**PREVENTIVE
AGREEMENTS AND
ADVICE ON NEW
INVEWSTMENTS**



**IMPROVED TAXATION
GOVERNANCE FOR
NEW INVESTMENT**

- **HYPER AND SUPER-DEPRECIATION**
- **PATENT BOX**
- **NUOVA SABATINI**
- **TAX CREDIT FOR RESEARCH**
- **TAX CREDIT FOR TRAINING 4,0**
- **GUARANTEED FUND FOR SMEs**
- **DEVELOPMENT CONTRACT**
- **INNOVATIVE STARTUP AND SMEs**
- **INNOVATION AGREEMENTS**
- **FUND FOR INTANGIBLE CAPITAL, COMPETITIVENESS AND PRODUCTIVITY**

Key action lines

Support action lines



Innovative Investments

- Incentives for **investments private** to update machinery and technologies I4.0 (super and hyper amortization and new Sabatini)
- Increase the private expenditure for **Research, Development** and Innovation (CIR&S)
- Patent Box to boost investments in **intangible assets and intellectual property**



Competencies

- Spread the I4.0 culture through the **Digital School** and the **Alternance of School and Work**
- Develop the I4.0 competencies at all levels and boost **professional schooling** (ITS)
- Finance I4.0 research boosting **Clusters** and **Mastersi**
- Create **Competence Center** and a network of Digital Innovation Hub
- **National Strategy on skill** with l'OECD



Enabling Infrastructures

- Insure adequate net infrastructure: Ultra Wide Band Plan giving priority to industrial areas according to a **fiber to the factory** logic
- Cooperate to the definition of security standards and **interoperability criteria IoT**



Public Support Tools

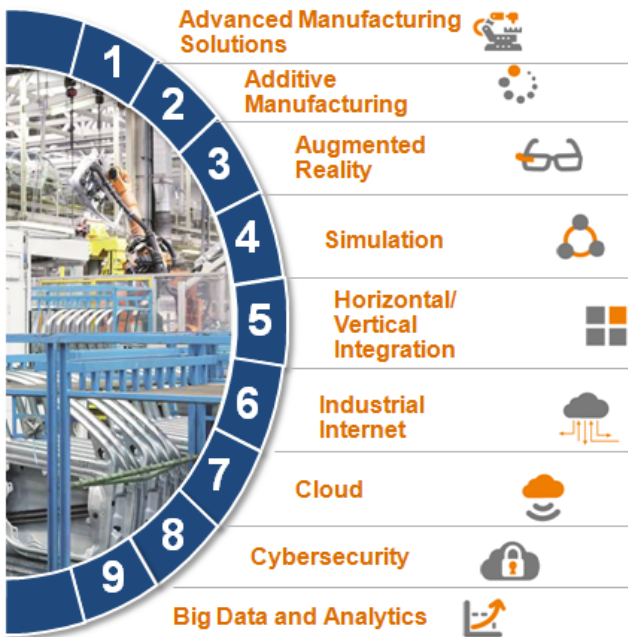
- Favour the **attraction of FDI**s and the financing strategic projects I4.0
- Strengthen enterprise finance and improve the **allocation of savings** towards productive ends
- Support the **exchange salary-productivity** through decentralized company labour negotiation



Governance e awareness

- Sensitize on the relevance of I4.0 and favour a public-private governance

Investments in innovation



Advantages of the Plan

Hyperammortization

- Increase of the quota for investments 4.0



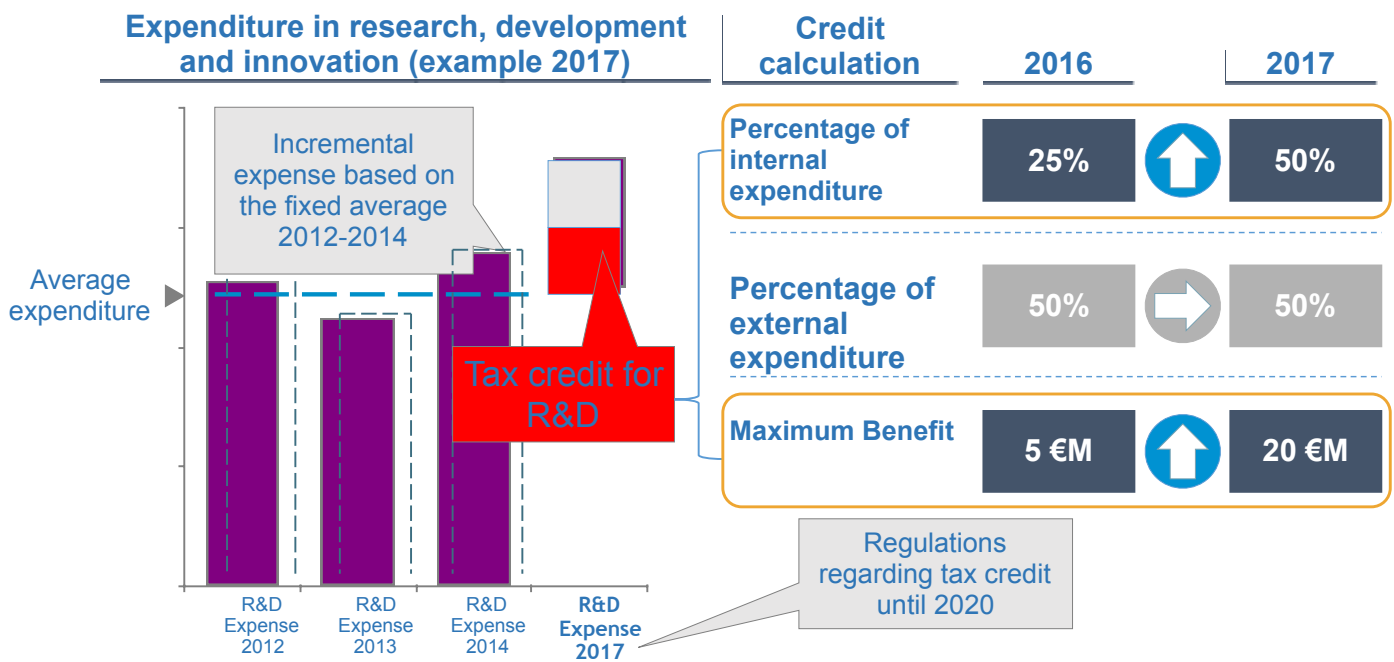
Superammortization

- Extension of one year with a stabilization of the quota (**140%**)
- Extension to the immaterial assets, e.g. software, IT systems and digital platforms

Deadlines

- To improve the attractiveness of these measures the deadline for applications has been extended to **30/06/18** for the **super** and to **30/09/18** for the **hyper**, though the order and an advance over 20% have to be put in place by 31/12/17

TAX CREDIT FOR EXPENSES IN RESEARCH AND DEVELOPMENT



- **Optional fiscal regime:** reduction of 50% of the IRES tax rate on the company profit from direct or indirect use (through licenses) of immaterial goods such as: **works of ingenuity, patents, designs and industrial models, proprietary software, know-how.**
- Implements the OECD guidelines on *harmful tax practises* and facilitates only those activities of production, development and keeping of IP based on a real activity of research and development (aka **nexus approach**).
- It is **an effective fiscal tool** to facilitate those companies which base their creation of value on knowledge and intellectual property.
- It can be added to the tax credit for R&D.
- In the case of use of internally developed IP a **ruling agreement** with the Italian Tax Agency (Agenzia delle Entrate).

Country	Effective Tax rate 2017	Rank
Ireland	-10,32%	1
Italy	-8,84%	2
Hungary	-6,85%	3
...
Swiss (Zurich)	8,39%	11
UK	11,11%	16
France	12,39%	18
Spain	12,85%	20
Netherlands	13,61%	22
Germany	22,81%	31
USA (California)	22,82%	32

Source: PricewaterhouseCoopers



Development contract is managed by Invitalia. It consists of incentives for **one or more connected and functional** investment projects (including R&D) of min € 20M presented by one or more **companies** also in joint form, in the following sectors:

- manufacturing (industrial);
- agricultural goods transformation with a min € 7.5M investment (industrial);
- tourism;
- environmental protection.

Projects presented by foreign companies providing a **min € 50M strategic investment** gain access to **Fast Track procedure**:

- possibility to **jump the queue**;
- **ad hoc** resources;
- **time shortening** procedures.

The development contract includes various forms of **financial subsidies**:

- non-repayable grant for investments such as machinery, plant, etc;
- non-repayable grant for expenditure;
- subsidized loans (10 years);
- subsidies for interest repayment on loan.

Subsidies can be adjusted according to the **investment features** and the **intensity** of the aid that is identified **according to (1) the area** of investments and **(2) the size** of the proposing company.

The actual mix of the funds granted, which **can not exceed 75%** of the total admitted investment, is the final result of the negotiation procedure occurred between Invitalia and proposing companies.

Possible types of investments:

- a) **creation** of a **new** production unit;
- b) **capacity expansion** of an **existing** production unit;
- c) **conversion** of an **existing** production unit (production diversification in order to obtain new products);
- d) **existing** production unit **restructuring**:
 - **fundamental change** in the existing production processes, *or*
 - **significant improvement** in the existing production processes in order to increase efficiency and/or flexibility;
- e) **acquisition** of an existing production unit, located in a critical area and owned by a company not subjected to bankruptcy proceedings in order to guarantee the partial protection of existing employment level.

DEVELOPMENT CONTRACT: INDUSTRIAL AND TOURIST PROGRAMS (Where & Who)

Investment Type	Enterprise dimension and location		
	Areas 107.3.a) TFEU (Calabria, Campania, Sicily, Apulia, Basilicata and Sardinia)	Areas 107.3.c) TFEU (specific areas in central- northern Italy)	Other areas of Italy
a) New production unit	any dimension	any dimension	SME
b) Capacity expansion		SME	SME
c) Conversion		any dimension	SME
d) Restructuring		SME	SME
e) Acquisition (only critical areas)		any dimension	SME

- ✓ Inside the areas defined by *art. 107.3 letter c (TFEU)* **Large Companies** can:
 - only make initial investments in favor of new economic activities (letter **A**, **C** and **E**);
 - implement programs oriented to reconversion activities (letter **E**).
- ✓ Investment programs referred to letter **E** can not concern shares acquisition from the selling company. Assets must be acquired, under market conditions, by an investor who has no relationship with the seller itself

Programs should respect **at least one** of the following conditions:

Industrial and tourist programs:

- location of the program in an area where the unemployment rate is higher than the average of the macro area reference (i.e. South of Italy);
- prediction of recovery and redevelopment of abandoned or underused facilities;
- suitability of the program to realize/consolidate direct and extended supply chain systems.

Only for industrial programs

- relevant presence in foreign markets;
- presence of investments that determine significant innovation of product, of the production process, of the company organization and/or of the products marketing methods.

Only for tourist programs

- relevant presence in foreign markets;
- ability of the program to contribute to the stabilization of tourist demand;
- implementation of the program in neighboring municipalities or belonging to a single tourist district.

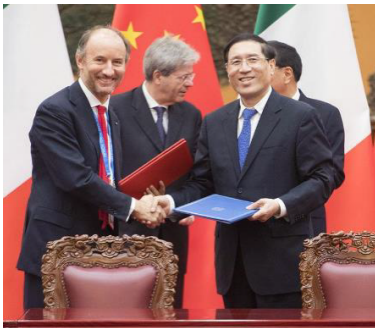
Environmental protection programs

Financing investment programs aimed at:

- raising the **environmental protection level** of the proposing company beyond the thresholds set by current EU legislation or in the absence of specific EU legislation;
- **anticipating adaptation to new EU standards**, not yet in force, which raise the environmental protection level;
- allowing **greater energy efficiency**;
- creating **high efficiency cogeneration plants**;
- creating **waste recycling and re-use plants** (limited to **special waste** with industrial and commercial origin).

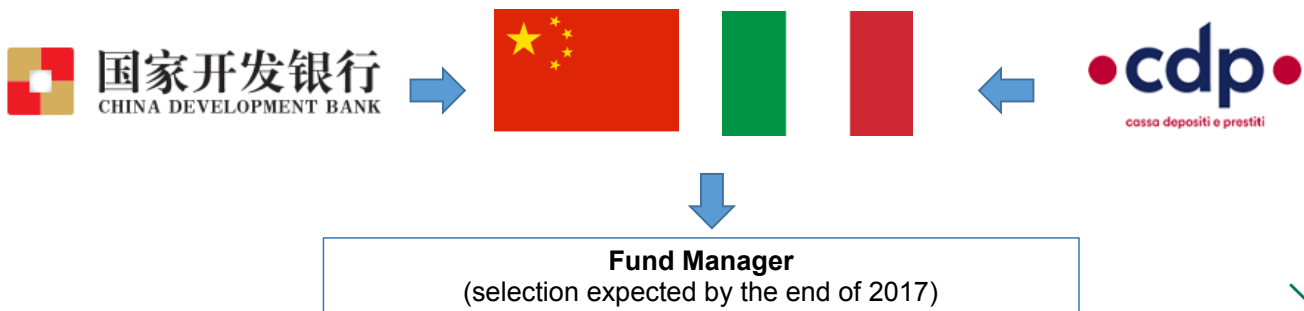
R&D programs

Subsidies can be granted to **companies** (R&D projects **within** an industrial development program) or to **research and knowledge-dissemination organizations** (universities, research institutes, etc.) limited to industrial research and experimental development joint investment programs.



16th of May 2017: signing of the agreement establishing the Sino-Italian Co-Investment Fund on the occasion of the last official visit of the Italian Prime Minister, Paolo Gentiloni, in Beijing during the **Belt and Road Forum for International Cooperation**.

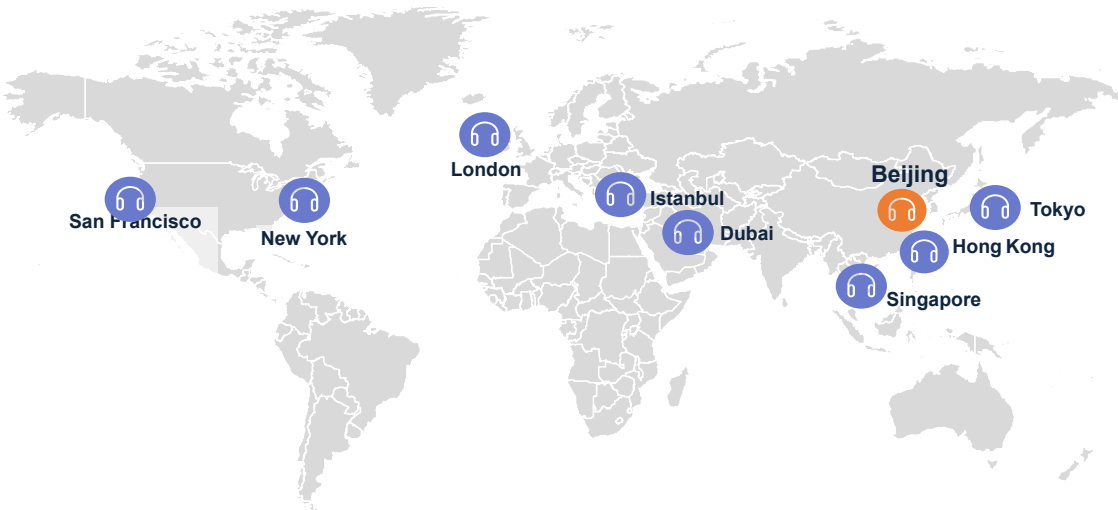
The Fund: a new **€100 million CDP and China Development Bank joint initiative** specialising in private equity and aiming to **support the international expansion of Italian and Chinese SMEs**



Foreign Direct Investment Desk

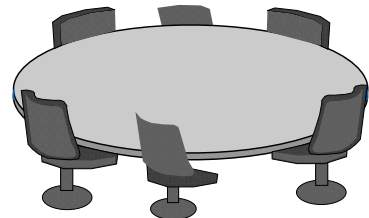
Main activities:

- Scouting & Networking
- Offer & Delivery
- Facilitation to Italian Market
- Account Management



Ministry Committee for the Attraction of Foreign Investments

- ❑ Ministry of Economic development
- ❑ Ministry of Foreign Affairs and international cooperation
- ❑ Ministry of Economy and Finance
- ❑ Minister of Public administration
- ❑ Committee of the Regions



Support to finalize the investment





In 2015 33% of the mln tons of maritime merchandise to EU passed through the Mediterranean: Italy is the most important destination for this merchandise

- 60 mln sqm of sea and inland terminals
- 22 mln sqm of warehouses
- 2 main pipelines Greenstream and Transmed.
- 2 Seaports among the top 15 in the EU



Ports

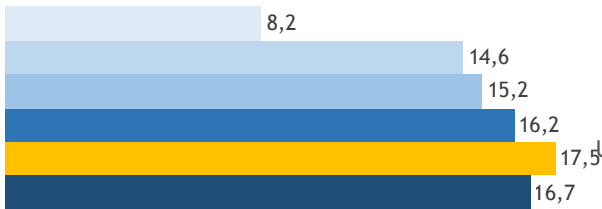


Logistic hubs



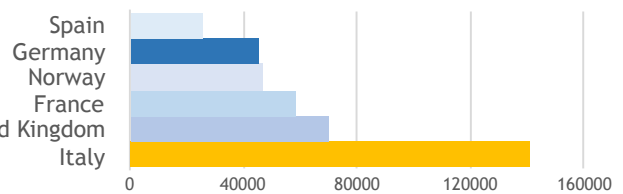
Freight villages

% of renewables on energy consumption



Spain France UK Germany
Italy EU average

Alternative fuel vehicle registrations by country in 2016



Renewable energy



Lithium batteries



Circular economy technologies



Electric cars

PHARMACEUTICAL SECTOR

- Production: 30 billion € (2nd in EU and 1st for production value per employee)



- 63.500 highly qualified employees

BIOMEDICAL INDUSTRY

- 70.000 highly qualified employees
- Public sector covers 70% of the market



BIOTECH INDUSTRY

- Over 500 Companies; half devote more than 75% of their total R&D investments to research activities
- Total turn over exceeds 9,4€ billion
- 9.200 employees
- A high research-intensive industry



Human Technopole – Milan



Città della Salute – Milan



Parco della Salute - Turin

Science, knowledge and innovation park

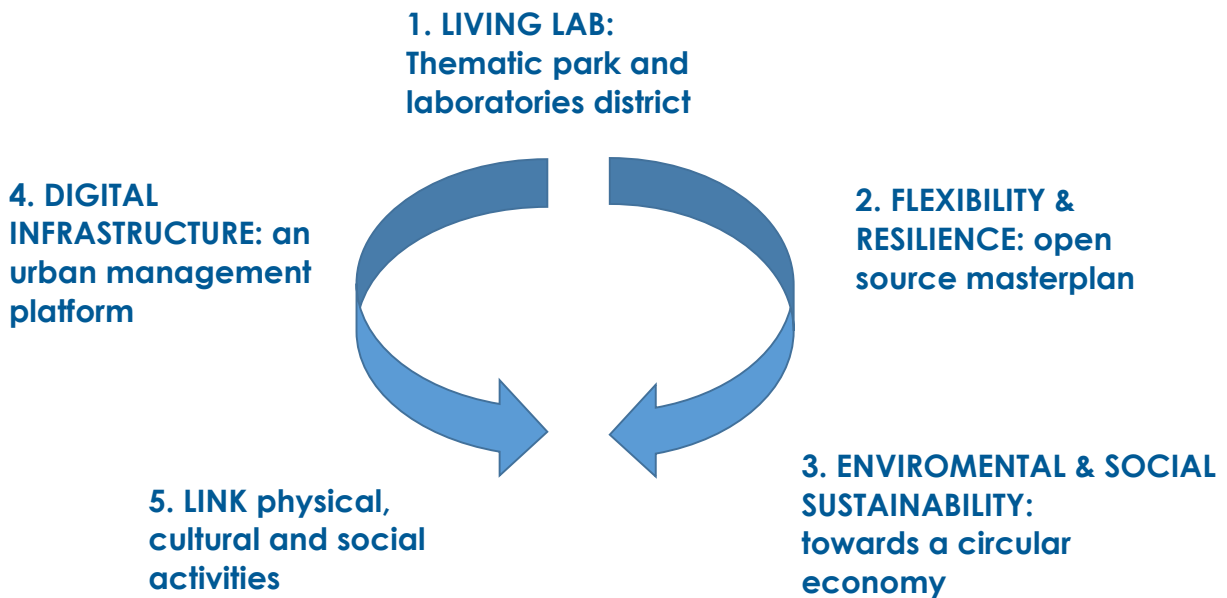


HUMAN TECHNOPOLE
a national cross-disciplinary research infrastructure
Will develop personalized approaches in the field of medicine and nutrition on cancer and neurodegenerative diseases using genomics, big data analysis and new diagnostics techniques

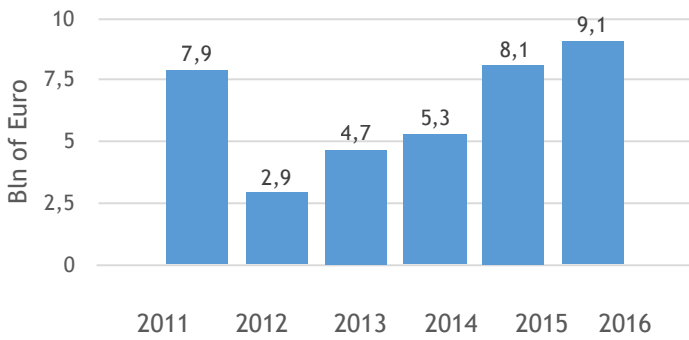
UNIMI SCIENTIFIC DEPARTMENTS CAMPUS
University of Milan is planning to relocate its scientific departments into the area, hosting more than 18,000 students. The goal is to create a modern campus, according to the most advanced international formats (teaching, research and facilities) and dedicated infrastructures (sports facilities and auditorium)
arexpo – science, knowledge and innovation park

RESEARCH & TREATMENT HOSPITAL IRCCS GALEAZZI
In August 2017 Arexpo signed a Preliminary Agreement with IRCCS Galeazzi, for the sale of 50,000 sqm of land to develop a high quality hospital facility.
the project: more than **500 beds**;
more than **5,000 users** and outpatient services; **700 doctors**,
1,100 nurses and auxiliary;
about **500 researchers**, students and residents up to **2,000 patients**

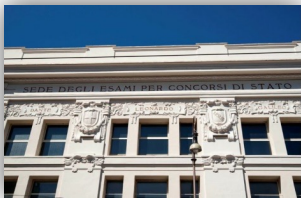
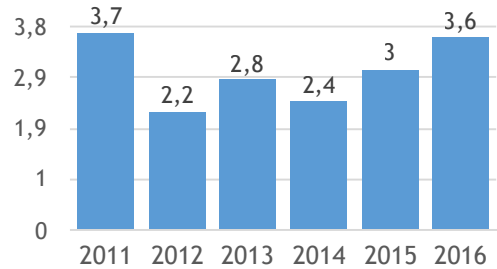
AREXPO: 5 PRINCIPLES



Volume of Real Estate Corporate investments



% Italian Real Estate Investment share on European total



High value buildings



Tourism



Smart city projects

Discover more on: www.italianrealestate.com



Italian Trade Agency
FDI Desk Beijing

fdi.beijing@ice.it

www.investitaly.com

**Thank you
for
your
attention**