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Inward FDI in Italy and its policy context

by
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The attractiveness of the Italian economy for inward foreign direct investment (IFDI) has been traditionally limited, despite the country's locational advantages such as a large domestic market and a skilled labor force. The recent global crisis worsened the country's IFDI position, with flows falling from US$ 40 billion in 2007 to -US$ 11 billion in 2008 before recovering to US$ 20 billion in 2009 but down again to US$ 9 billion in 2010. Although the country's IFDI stock had grown since 2000 at a rate similar to that of the European Union as a whole, in 2010 IFDI stock contracted vis-à-vis 2009, reflecting how Italy, compared to other key European countries and to its own potential, continues to underperform. The main obstacles to exploiting the country's potential for IFDI lie both in the largely insufficient actions undertaken to attract and promote IFDI, and especially in the lack of coordination with other relevant policy measures (e.g. infrastructure development) within a broader framework aimed at regional and national development.

Trends and developments

Country-level developments

Historically, the attractiveness of the Italian economy for foreign direct investment (FDI) has been limited, compared to that of most other European countries and to its own potential. Italy's inward FDI (IFDI) performance was particularly poor in 1990-2000, when cumulative IFDI flows in the country were only 13% of those in the United Kingdom, 17% of those in Germany, 21% of those in France, and 35% of those in Spain.[1] Since 2000, Italy's IFDI stock has almost tripled –a growth rate similar to that of FDI stock in the European Union (EU) as a whole – reaching US$ 364 billion in 2009, before falling to US$ 337 billion in 2010 (annex

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[1] UNCTAD, *World Investment Report 2011: Non Equity Modes of International Production and Development* (New York and Geneva: United Nations, 2010), available at: http://www.unctad.org).

table 1). Annual IFDI flows rose steadily from 2000 to reach US$ 40 billion in 2007, then plunged to –US$ 11 billion in the global-crisis year of 2008, and partly recovered to US$ 20 billion in 2009 and a lower US$ 9 billion in 2010 (annex table 2). Despite the rise in FDI stock over the decade, the ratio of Italy's IFDI stock to GDP in 2010 was only 16%, compared with 20% for Germany, 39% for France, 44% for Spain, 48% for the United Kingdom, and 42% for the EU as a whole.[2]

Notwithstanding the relatively low level of IFDI stock, foreign majority-owned affiliates play an important role in the Italian economy. At the end of 2008, almost 1,266,000 workers (7% of the total workforce) were employed in 14,375 foreign-controlled enterprises established in Italy; the turnover of these companies amounted to € 489.3 billion (16% of total turnover) and their value added to € 89 billion (12% of total value added). Between 2003 and 2008, the number of workers in foreign majority-owned affiliates increased by about 200,000. The contribution of foreign-controlled enterprises is even more crucial for research and development (R&D) expenditures (25% of the total) and for foreign trade of goods and services (22% of total exports and 37% of total imports).[3]

As in other European countries (e.g. Germany), the growth of IFDI in the last decade was driven by privatization and liberalization in telecommunications and particularly in the electricity, gas and water supply industries. Between 2000 and 2009, the share of energy products – a category that includes petroleum extraction and related industries as well as electricity, gas and water supply services – in total IFDI stock rose from 2% to 13% (annex table 3), mainly due to an increase in the IFDI stock in those services, where IFDI had been negligible in 2000.[4]

Today, FDI in Italy is concentrated in the services sector, which accounts for more than half of FDI stock, although this proportion fell slightly from 57% to 53% between 2000 and 2009 (annex table 3). In 2008, almost 10,500 enterprises in Italy's services sector, with more than 778,000 employees, were majority-owned by foreign multinational enterprises (MNEs). The highest shares pertained to the rental, travel agencies and business support services industry (16% of employees were in foreign-controlled affiliates), the information services and communication industry (14%), and the financial and insurance services industry (11%).[5]

Slightly above the average for services was the share of foreign affiliates in total workforce in trade and retail services (8%), which accounted for nearly 4,400 majority-owned affiliates and 280,000 employees.[6] In contrast, the activities of foreign MNEs are still marginal in education, health and other social and personal services (1% of employees in 2008), and in real estate (1%).[7] The share of foreign affiliates in services sector employment in 2008 (7% of

[2] UNCTAD, *World Investment Report 2011: Non Equity Modes of International Production and Development* (New York and Geneva: United Nations, 2010), annex table 7, available at http://www.unctad.org/Templates/Page.asp?intItemID=5823&lang=1).
[3] ISTAT, "Struttura e competitività delle imprese a controllo estero, Anno 2008", *Statistiche in breve*, Roma, 20 December 2010.
[4] The acquisition of the Italian assets in the affiliate of Spain's Endesa in Italy by E.On was the most important foreign acquisition in Italy in the 2007-2009 period. (See annex table 6.)
[5] It is worth observing that the financial intermediation industry, excluding banking, accounts for 23% of total IFDI stock (annex table 3), but the financial and insurance services industry as a whole (including also the banking sector) accounts only for 5% of total employment of foreign affiliates.
[6] ISTAT, *op. cit*.
[7] Ibid.

the total workforce in the sector as a whole) was slightly lower than that of foreign affiliates in overall employment (7%).[8]

Although energy products accounted for 13% of total IFDI stock in 2009, majority-owned foreign affiliates accounted for a relatively modest share of the total workforce in those industries in Italy (4% in the petroleum extraction industry and 4% in the electricity, gas and water supply industry at the end of 2008).[9] The importance of foreign affiliates is much higher in the manufacturing sector, which accounts for more than one third of total IFDI (34% in 2009) (annex table 3).

At the end of 2008, roughly 3,900 foreign-controlled manufacturing enterprises employed nearly 465,000 workers, representing 11% of the total workforce in the sector; they accounted for 17% of the total value-added, 16% of investments and 26% of R&D expenditures of the manufacturing sector. Foreign affiliates play an important role in several key industries, such as the pharmaceutical industry, where they accounted for 60% of the total workforce and 67% of value added, in the chemical industry (33% of total workforce and 46% of value added), in coke and refined petroleum products (31% of total workforce and 41% of value added), and in the manufacture of motor vehicles and trailers (26% of the total workforce, mainly engaged in the manufacturing of components and parts of motor vehicles). In contrast, the presence of foreign MNEs is still marginal in the traditional "Made in Italy" industries, such as food and beverages (where foreign-controlled enterprises account for only 7% of the total workforce), textiles (3%), clothing, leather and leather products (2%), wood and wood products (1%), and furniture (2%).

FDI from developed economies accounted for more than 96% of the IFDI stock in Italy at the end of 2009, while emerging markets still play only a marginal role as sources of FDI in the country (annex table 4). EU partner countries alone accounted for more than three quarters of the IFDI stock (79%); this dominance is probably due to several factors: geographic proximity, the single European market, strong commercial ties, and a common currency among sixteen EU countries. The Netherlands is the source of the largest IFDI stock in Italy (26% of total IFDI stock in 2009), followed by France (13%), the United Kingdom (11%), Switzerland (8%), and Luxembourg (7%).

The distribution of IFDI stock, however, does not properly reflect the geographical breakdown of foreign MNEs investing in Italy. The large shares recorded by the Netherlands and Luxembourg are artificial, due to their importance as locations for many financial holdings (including many parent companies of non-foreign controlled Italian groups such as Ferrero and Prada). Furthermore, the role of non-EU MNEs is underestimated, as many of them have invested in Italy through their European headquarters (mainly located in the United Kingdom or in the Netherlands). In fact, United States companies rank first in terms of the number of employees among companies in Italy controlled by foreign MNEs (286,000 employees in majority-owned affiliates), followed by France (256,000), Germany (169,000), the United Kingdom (115,000), Switzerland (110,000), the Netherlands (60,000), Japan (27,000), Luxembourg (25,000), Spain (21,000), and Belgium (19,000).[10] MNEs from these economies altogether account for 86% of the total employment of foreign majority-owned affiliates in Italy (1,266,789 employees).

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[8] Ibid.

[9] Ibid.

[10] It is worth observing that majority-owned affiliates of US MNEs accounted for 23% of employees, 22% of turnover and 24% of value added of all majority-owned affiliates of foreign MNEs in Italy in 2008, while the United States accounted only for 8% of the total IFDI stock.

Reflecting their limited FDI in the country, MNEs from emerging markets account for much smaller employment in Italy. In total, MNEs from the BRIC countries (Brazil, Russia, India, China), the single largest investing group of all current emerging markets, account for only 1% of the total workforce of majority-owned foreign affiliates in Italy, with 16,500 employees (Russia 8,300; India 5,600; China 2,300; and Brazil only 300).

The relatively low attractiveness of Italy for FDI can be attributed to a number of factors: the lack of adequate infrastructure, the burdensome red tape and inefficient bureaucracy, the limited competition in many service industries, the high costs of energy, the high level of corruption and organized crime,[11] the extent of the black economy, the number of overlapping regulatory public authorities each acting independently from one another, the uncertainty (volatility) of the legal framework, and the inadequate assurance of the efficient enforcement of property rights.[12] Additional obstacles to IFDI stem from some of the characteristics of the Italian industrial system, such as the limited number of publicly traded companies and the relative lack of information that limit substantially the scope for cross-border merger and acquisition (M&A) activity.

The weaknesses of the national innovation system, the paucity and the uncertainty of public research grants (that could constitute an important incentive for MNEs to locate their research and innovation centers), and the modest international competitiveness of a large part of high-tech industries have led to a contraction of the activity of foreign affiliates in those industries. The financial market is underdeveloped, compared to other industrialized economies, with very few truly public companies listed on the Italian stock market.

Despite these factors, there are still many good reasons to invest in Italy. The first is Italy's GDP, ranking fourth in Europe and tenth worldwide (more than US$ 1.9 trillion in 2010). The second is the importance of the domestic market, which is the main reason for IFDI to Italy, related to its size (almost 60 million consumers) and potential growth rates. The country is acknowledged to be a "trend setter" for major consumer products (e.g., food, fashion and design, mobile phones). Moreover, Italy is centrally located in the heart of the Mediterranean and is (or should be) a crucial crossroads for trade through land, sea and air routes linking the North and the South of Europe.

In addition, the country has a diversified industrial economy. Italian manufacturing industry ranks second in terms of value-added and exports in Europe, behind Germany. "*Made in Italy*" represents excellence and creativity all over the world. Italy also offers a skilled workforce at relatively low cost compared to other advanced economies, and the Italian economy is characterized by a unique system of high-quality small and medium-sized enterprises (SMEs), often located in clusters of excellence that provide major external economies for specialist producers and thus offer significant opportunities for MNEs. Italian SMEs can be either very demanding customers that cooperate with their suppliers of machinery and intermediate goods for the development of advanced products (e.g., chemistry for the textile and leather industries, tiles, furniture, textiles and clothing, electronics and

[11] See Vittorio Daniele and Ugo Marani, "Organized crime and foreign direct investment: the Italian case", *CESifo Working Paper Series No. 2416,* 2008, available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1281380#

[12] For a recent empirical analysis showing that the relatively limited attraction of Italian regions vs. other European regions is due to a so called "country effect", see Roberto Basile, Luigi Benfratello, and Davide Castellani, "Attracting foreign direct investments in Europe: are Italian regions doomed?", *Rivista di Politica Economica*, XCV (1-2), pp.319-354 (2010).

industrial machine tools) or efficient suppliers of specialized machinery and original technological solutions, thanks to their well-known design and engineering capabilities, or even flexible and efficient partners for the outsourcing of production processes.[13] The presence of strong local SMEs provides MNEs with an opportunity to take over specialized firms endowed with complementary resources and know-how. Last, Italy offers a high quality of life.[14]

The average size of foreign affiliates – 87 employees per firm – is about 20 times larger than that of domestic firms. This may partly explain why the overall performance of foreign-controlled enterprises is much better than that of domestic firms, both in terms of value-added per employee (€ 69,800 per employee, compared with € 37,600), and profitability (earnings before interest, taxes, depreciation, and amortization (EBITDA) represent 38% of value-added for foreign majority-owned affiliates, compared to 20% for domestic firms).

The better economic performance of foreign majority-owned affiliates is confirmed in most industries and services. However, a comparison between subsets of large firms of similar size (250 employees and over) shows a substantial reduction of the performance gap between large foreign affiliates and large national companies.

The distribution of foreign affiliates across Italian regions is strongly asymmetrical, even more than one might expect given the structural regional imbalances of the local economy. In fact, 63% of the headquarters of foreign affiliates are located in the north-western regions (52% in Lombardy alone) and 20% in the north-eastern regions; 13% of the headquarters are hosted by central regions (Tuscany, Umbria, Marche, Lazio), while only 4% are located in the southern regions.[15]

The corporate players

Annex table 5 lists the 20 main non-financial companies in Italy controlled by foreign MNEs, ranked by their sales, in 2009; it also provides data on the number of employees and value-added of the companies. Companies in telecommunications services, oil and gas, automobiles, and retail services comprise the majority of the top foreign affiliates.

Annex table 6 lists the 20 largest M&As by foreign investors in Italy between 2007 and 2009. Between 2007 and 2008, 17 cross-border M&As with a transaction value greater than US$ 1 billion were announced, while in 2009 this threshold was never reached; the largest M&A deal in 2009 was the acquisition of 25% of the personal credit firm Findomestic Banca for nearly US$ 900 million by France's BNP Paribas. The largest M&As by foreign companies in 2007-2009 were principally oriented toward service firms.

Between 2003 and 2009, only 1,123 greenfield FDI projects and expansion projects were established in Italy by foreign MNEs, compared with 4,995 projects in the United Kingdom, 3,160 in France, 3,093 in Germany, and 2,396 in Spain.[16] Annex table 7 shows the 20 largest greenfield projects undertaken by inward investing firms in Italy between 2007 and 2009; 12

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[13] See Paniccia I., *Industrial Districts: Evolution and Competitiveness in Italians Firms* (Cheltenham: Edward Elgar, 2002).
[14] For the latest report on the 2011 Quality of Life Index, available at: http://www1.internationalliving.com/qofl2011/.
[15] See S. Mariotti and M. Mutinelli, *Italia Multinazionale 2010*, (Soveria Mannelli: Rubbettino Editore, 2010).
[16] Source: fDi Intelligence, a service from the Financial Times Ltd.

or more than half of them took place in the energy industry. In contrast, only four projects were in manufacturing, three of them related to the expansion of existing activities.

The only large greenfield project in manufacturing activities announced in 2007, by the Indian Videocon Industries in the consumer electronic industry with a projected investment of more than US$ 1.5 billion, was subsequently withdrawn because of the economic crisis.

Effects of the recent global crisis

The global economic and financial crisis of 2008-2009 seriously affected the Italian economy, resulting in a sharp decline of exports (-24.8%) and real GDP (-5.0%) in 2009,[17] as well as falling profits. Accordingly, as noted, IFDI flows fell from the record level reached in 2007 (US$ 40 billion) to -US$ 11 billion in 2008, and rose only partly back to US$ 20 billion in 2009 and US$ 9 billion in 2010. As a matter of fact, Italy does not rank among the 21 top priority host economies for FDI for the 2010-2012 period, while the United Kingdom ranks 7th, Germany 10th, Poland 12th, France 14th, and Spain 20th.[18]

The policy scene

The Italian Government has not pursued an active policy with respect to inward FDI, opting rather for a *laissez faire* economic policy. Unlike some other OECD economies, Italy has not practised any FDI screening policy, and no special treatment has been provided to foreign investors for a long time.[19] Following the liberalization of exchange controls in the second half of the 1980s, the Italian economic and financial system underwent structural reforms in the 1990s: a privatization program was launched, covering a large number of industries and services, and substantial progress was made to open up the Italian economy to international competition. In that period, some sectoral restrictions on IFDI, applying to banking and financial services, radio and television and air and sea navigation were removed or relaxed.

Since the early 1990s, there have been no general restrictions on foreign ownership in most industries. Aircraft manufacturing is the only industry prohibited to foreign investors, while special authorization is required in some other strategic industries, such as banking and insurance services, petroleum exploration, air transportation (where some restrictions apply to non-European Union airlines operating in domestic routes), coastal shipping, and the media industry. In the other sectors, foreign investors do not face any authorization or screening procedures; there are no measures against planned acquisitions of an existing Italian company based on public order or essential security interests, and no performance requirements apply to foreign investors.[20]

However, concerns about an alleged "colonization" of Italian firms by foreign MNEs periodically re-emerge in the political debate. The most recent occasion was in March 2011, when the French group Lactalis acquired from foreign funds and other shareholders 29.9% of shares (just below the 30% threshold that is required for a full takeover bid by the Italian law) in Parmalat, the largest Italian dairy group. Just about a month earlier, the French luxury-

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[17] ICE (Istituto nazionale per il Commercio Estero), *L'Italia nell'economia internazionale.* Rapporto ICE 2009-2010, (Rome: 2010).
[18] See UNCTAD, *World Investment Prospects Survey 2010-2012* (New York and Geneva: United Nations, 2010), available at: http://www.unctad.org/en/docs/diaeia20104_en.pdf.
[19] See OECD, *OECD Reviews of Foreign Direct Investments: Italy*, mimeo (1994) available at: http://www.oecd.org/dataoecd/4/8/34383839.pdf
[20] A relevant exception concerns the telecommunication services industry, where foreign investors are subject to performance requirements in order to obtain an operating license.

goods maker LVMH S.A. had acquired the Italian jeweller Bulgari with a transaction of US$ 6.1 billion, and several efforts had been undertaken to prevent Electricité de France S.A., embroiled in a dispute with its Italian partners over management of the power company Edison, from gaining control of the Italian firm.[21]

While claiming a lack of reciprocity on European rules,[22] the Italian Government tried (unsuccessfully) to forge an alliance of Italian investors to counter Lactalis. The Government also announced further measures to bolster Italian food, energy, defence, and telecom firms against foreign takeovers, which would permit target companies to use similar defences to those allowed in France. In response to that, Lactalis announced in April 2011 the launch of a takeover bid of € 2.60 per share on the remaining capital of € 3.4 billion (US$ 4.9 billion), which received the green light by Consob, the Italian market regulator. Since these unexpected moves, the Italian Government has not undertaken further measures against foreign takeovers.[23]

Italy has signed 93 bilateral investment treaties (BITs), 71 of which have been ratified.[24] The first BIT was signed with Chad in 1969, but most of Italy's BITs were concluded in the 1990s (50) and in the 2000s (28). The most recent has been signed with Turkmenistan in November 2009. Italy has also signed double taxation treaties (DTTs) with 93 countries, within and outside the EU, to avoid double taxation on income and property.[25] Draft agreements with additional countries are at the discussion stages. Furthermore, there are forms drawn up unilaterally by the tax authorities that can also be used to facilitate FDI.

Italy has not pursued any active policy to attract and/or promote IFDI for many years. In 1993, a modest incentive program was approved (D.L. 78), but it did not alter the basic attitude of Italian policy toward IFDI. The first government one-stop shop agency for the attraction/promotion of IFDI, Sviluppo Italia, was established only in 1999. The agency, today named Invitalia, has been restructured three times over the past decade, but it was only recently that the key target industries in which the efforts for FDI promotion should be concentrated were identified (logistics, ICT, life sciences, renewable energy sources, tourism). As a matter of fact, the results of the agency's activity have been quite scant so far.[26]

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[21] Other relevant M&As by French MNEs had been recorded in previous years: in the banking sector, in 2006 BNL had become part of the French banking giant BNP-Paribas, while in 2007 Cassa di Risparmio di Parma e Piacenza (Cariparma) and Banca Popolare Friuladria had been acquired by Crédit Agricole; in the air transport industry, AirFrance-KLM had been involved in 2008 in the rescue of Alitalia, acquiring a 25% share; in the insurance industry, in 2007 Nuova Tirrena had become part of Groupama, while AXA had acquired in 2007 a 50% share in Montepaschi Vita.

[22] It is worth recalling here that in 2006, the Italian company Enel tried to buy French energy firm Suez, but the possible "Italian invasion" was prevented by a defensive merger of state-owned Gas de France and Suez itself, carried out in defiance of antitrust objections from several different sources.

[23] The traditional favorable Italian attitude toward IFDI appears not to be under discussion. Foreign firms may freely repatriate profits, dividends and capital, subject only to reporting requirements. Italian law guarantees the convertibility, at prevailing exchange rates, of profits and capital from duly registered investments. Government grants are equally awarded to both Italian and foreign affiliates (with some exceptions in the film industry and the shipping industry).

[24] A list of BITs signed by Italy is available at: http://www.unctad.org/sections/dite_pcbb/docs/bits_Italy.pdf.

[25] More information, available at:
http://www.finanze.it/export/finanze/Per_conoscere_il_fisco/fiscalita_Comunitaria_Internazionale/convenzioni_e_accordi/convenzioni_stipulate.htm

[26] To be fair, it should be mentioned that some relevant results have been recently recorded in the tourism industry. Specifically, some large international hotel chains signed agreements with Invitalia aimed at purchasing and restructuring some state-owned resort villages along the coasts of Southern Italy. It is also worth noting that in 2010 a new law allowed EU firms establishing new firms in Italy to pay taxes according to their home country fiscal treatment.

Although the few actions mentioned above have been undertaken to attract/promote IFDI, the main issue (and the relatively scant results observed in terms of attracting FDI inflows) has to do with the lack of consensus with other relevant policy measures (e.g., infrastructure development) within a broader framework aiming at regional and national development.

Conclusions

FDI stock in Italy has grown steadily during the first decade of the twenty-first century, until 2010 when it contracted below the 2009 level. FDI performance of the economy lags behind that of most other economies in Europe. A relatively low attractiveness of IFDI in Italy for IFDI is reflected in the UNCTAD survey of several prominent international companies and institutions.[27] Moreover, invariably, the most important international rankings that measure the health and competitiveness of nations, including the World Competitiveness Scoreboard and the Competitiveness Index, assign lower positions on the list to Italy, which is not only the last in the club of small and large advanced economies, but sometimes even behind many emerging markets. Italy ranks only 40th in the ranking on the World Competitiveness Scoreboard 2010 of the IMD[28] and 48th in the ranking by the Competitiveness Index 2010-2011 of the World Economic Forum.[29]

However, the potential of Italy as a host for IFDI is much higher than that indicated by the country's IFDI performance thus far. The current difficulties of the country, the Eurozone crisis and the recent OECD downward revision of growth forecasts certainly do not encourage a recovery in the short term of IFDI in Italy; but if the reforms that the newly installed Monti government is preparing achieve the objective of fiscal consolidation and at least partially mitigate the well-known inefficiencies of the country (energy cost, infrastructure, legislation, and bureaucracy), favoring the recovery of Italy's international credibility and competitiveness, foreign enterprises as well as Italian ones could increase their presence in the country by fully developing the growth potential stemming from the strengths of the Italian industrial system.

Additional readings

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[27] UNCTAD, *World Investment Prospects Survey 2010-2012*, *op. cit*.
[28] Available at http://www.imd.org/research/publications/wcy/upload/scoreboard.pdf.
[29] Available at http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2010-11.pdf.

Mariotti S., L. Piscitello and S. Elia, "Spatial agglomeration of multinational enterprises: the role of information externalities and knowledge spillovers", *Journal of Economic Geography,* vol. 10 (2010), no. 4, pp. 519-538.

Menghinello S., L. De Propris and N. Driffield, "Industrial districts, inward foreign investment and regional development", *Journal of Economic Geography,* vol. 10 (2010), no. 4, pp. 539-558.

Useful websites

For FDI policy: www.ice.it/statistiche/pdf/Rapporto_ICE_2010_cap9.pdf; www.invitalia.it
For FDI statistics: www.istat.it
For information on foreign MNEs in Italy:
www.ice.it/statistiche/pdf/Rapporto_ICE_2010_cap9.pdf; http://actea.ice.it/ide.aspx
www.invitalia.com

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Statistical annex

Annex table 1. Italy: inward FDI stock, 2000, 2009 and 2010

(US$ billion)

Economy	**2000**	**2009**	**2010**
Italy	121	364	337
Memorandum: comparator economies			
France	391	1 133	1 108
United Kingdom	439	1 056	1 086
Germany	272	677	674
Spain	156	635	614

Source: UNCTAD'S FDI/TNC database, available at: http://stats.unctad.org/fdi/.

Annex table 2. Italy: inward FDI flows, 2000-2010

(US$ billion)

Economy	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Italy	13	15	15	16	17	20	39	40	-11	20	9
Memorandum: comparator economies											
France	43	50	49	42	33	85	72	96	64	34	34
Germany	198	26	54	32	-10	47	56	80	4	38	46
Spain	40	28	39	26	25	25	31	64	77	9	25
United Kingdom	119	53	24	17	56	176	156	196	91	71	46

Source: UNCTAD'S FDI/TNC database, available at: http://stats.unctad.org/fdi/.

Annex table 3. Italy: sectoral distribution of inward FDI stock, 2000, 2009[a]

(Percentage shares)

Sector/industry	2000	2009
All sectors/industries (excluding banking services)	**100.0**	**100.0**
Primary sector		
Agriculture, forestry and fishing	0.2	0.4
Energy products (petroleum; electricity, gas and water supply)	2.0	13.3
Secondary sector		
Industrial products	**40.8**	**33.6**
Mineral and metal products	2.1	2.3
Chemical products	7.3	4.6
Machinery	12.2	8.6
Transport equipment	5.9	5.7
Food products	4.9	5.4
Textiles and wearing apparel	2.0	2.4
Services	**57.0**	**52.7**
Wholesale and retail trade	5.9	5.8
Transport, storage and communication	4.7	5.6
Financial intermediation [b]	32.9	23.2

Source: Banca d'Italia, Relazione Annuale sul 2009, Roma, May 31, 2010; Banca d'Italia, Relazione Annuale sul 2000, Roma, May 31, 2001 (available at http://www.bancaditalia.it/pubblicazioni/relann).

[a] Classified according to the activity of the Italian operator. FDI in real estate services and in banking are not included.
[b] The banking sector is not included.

Annex table 4. Italy: geographical distribution of inward FDI stock, 2000, 2009

(Percentage share)

	2000	**2009**
World	**100.0**	**100.0**
Developed economies		**96.3**
Europe		**87.1**
European Union (EU)		
EU27		78.6
EU15		69.2
Belgium	1.9	2.0
France	12.7	12.8
Germany	8.9	3.1
Luxembourg	18.4	6.7
Netherlands	21.7	26.4
Spain	0.7	6.0
Sweden	2.3	1.1
United Kingdom	12.7	10.7
Liechtenstein	1.4	0.8
Switzerland	9.2	7.7
North America	**14.2**	**8.0**
Canada	0.5	0.3
United States	13.6	7.7
Other developed economies		
Japan	1.8	1.2
Developing economies		
Africa	n.a.	n.a.
Asia and Oceania	n.a.	n.a.
Latin America and Caribbean	n.a.	n.a.
Argentina	0.1	0.1
Brazil	0.1	0.2

Source: Banca d'Italia, Relazione Annuale sul 2009, Roma, May 31, 2010; Banca d'Italia, Relazione Annuale sul 2000, Roma, May 31, 2001 (available at http://www.bancaditalia.it/pubblicazioni/relann).

Annex table 5. Italy: Main non-financial foreign affiliates, ranked by sales, 2009

Rank	Name	Foreign investor	Sales (US$ million)	Value added (US$ million)	Employees	Industry
1	Vodafone Omnitel NV	Vodafone (United Kingdom)	8,874	4,531	8,164	Telecom services
2	Esso Italiana	Exxon Corp (United States)	8,544	-43	1,293	Oil and natural gas
3	Wind Telecomunicazioni	Orascom (Egypt)	5,281	2,402	6,414	Telecom services
4	Volkswagen Group Italia	Volkswagen (Germany)	4,596	111	906	Automobiles
5	Kuwait Petroleum Italia	KPC (Kuwait)	4,253	219	637	Oil and natural gas
6	Total Italia	Total (France)	3,159	130	455	Oil and natural gas
7	Nuovo Pignone	General Electric (United States)	3,071	592	4,417	Gas turbines
8	Auchan	Auchan (France)	2,938	491	13,952	Retail (food products, hypermarkets)
9	Shell Italia	Shell RD (Netherlands/United Kingdom)	2,886	75	563	Oil and natural gas
10	Ford Italia	Ford (United States)	2,866	67	142	Automobiles
11	Logista Italia	Imperial Tobacco (United Kingdom)	2,857	54	203	Tobacco
12	Sky Italia	News Corp (United States)	2,802	643	2,439	Satellite TV platform
13	SSC	Carrefour (France)	2,700 [a]	373 [a]	9,415 [a]	Retail (food products, hypermarkets)
14	BMW Italia	BMW (Germany)	2,503	-45	293	Automobiles
15	IBM Italia	IBM Corp (United States)	2,403	1,057	7,762	Computers and software
16	Tamoil Italia	Lafico (Libyan Arab Jamahiriya)	2,333	87	343	Oil and natural gas
17	Mercedes-Benz Italia	Daimler Benz (Germany)	2,302	31	683	Automobiles
18	SMA	Auchan (France)	2,251	318	9,198	Retail (food products, hypermarkets)
19	Mediamarket	Metro (Germany)	2,245	309	6,371	Retail (appliances, consumer electronics)
20	E.On Produzione	E.On (Germany)	2,123	555	897	Electrical energy

Source: Reprint database, Politecnico di Milano; Mariotti S. and M. Mutinelli, *Italia Multinazionale 2010*, (Soveria Mannelli: Rubbettino Editore, 2010).

[a] Data relate to 2008.

Annex table 6. Italy: main M&A deals, by inward investing firm, 2007-2009

Year	Acquiring company	Home economy	Target company	Target industry	Shares acquired (%)	Estimated/ announced transaction value (US $ million)
2008	E.On	Germany	Endesa Italia	Electric services	80.00	14,342.19
2007	Swisscom	Switzerland	Fastweb	Telecommunications	82.40	5,483.49
2007	Crédit Agricole	France	Cassa di Risparmio di Parma e Piacenza	Banks	100.00	4,757.61
2007	London Stock Exchange Plc	United Kingdom	Borsa Italiana	Security exchanges	100.00	2,153.93
2008	NK Lukoil	Russian Fed	Isab	Petroleum refinery	49.00	2,097.93
2007	Groupama	France	Nuova Tirrena	Life insurance	100.00	1,712.56
2007	Crédit Agricole	France	Banca Intesa – Branches (193)	Banks	100.00	1,665.16
2008	GE Commercial Finance Inc.	United States	Interbanca	Banks	100.00	1,582.53
2007	AXA	France	Montepaschi Vita	Life insurance	50.00	1,527.90
2007	Petronas	Malaysia	FL Selenia	Lubricating oils	100.00	1,407.46
2007	Fonciére des Regions	France	Beni Stabili	Real estate	34.20	1,239.83
2007	Fonciére des Regions	France	Beni Stabili	Real estate	33.80	1,225.33
2007	International Power Plc	United Kingdom	Trinergy Ltd-Trinergy Wind	Electric services	100.00	1,195.59
2007	Vodafone Group Plc	United Kingdom	Tele2 Italia	Telecommunications	100.00	1,096.05
2007	Credit Agricole	France	Banca Popolare Friuladria	Banks	76.05	1,047.30
2007	3I Investors in Industry	United Kingdom	GGP Italy	Garden equipment	100.00	1,036.64
2008	SOS Cuetara	Spain	Unilever PLC-Bertolli Olive	Olive oil	100.00	1,003.34
2009	BNP Paribas	France	Findomestic Banca	Personal credit	25.00	899.80
2008	Banque Sofinco	France	Agos	Personal credit	49.00	797.90
2008	Zoomlion	China	CIFA	Construction machinery and equipment	100.00	739.19

Source: The authors, based on Thomson ONE Banker, Thomson Reuters; and Reprint database, Politecnico di Milano.

Annex table 7. Italy: main announced greenfield projects, by inward investing firm, 2007-2009

Year	Investing company	Home economy	Industry	Business activity	Estimated/ announced investment value (US$ million)
2008	Sonatrach	Algeria	Transportation	Logistics, distribution and transportation	1,902
2007	Videocon Industries	India	Consumer electronics	Manufacturing	1,576
2007	IKEA	Sweden	Consumer products	Retail	658
2008	Nucor	United States	Metals	Manufacturing	658
2007	Novartis	Switzerland	Pharmaceuticals	Manufacturing	638
2009	E.On	Germany	Coal, oil and natural gas	Logistics, distribution and transportation	600 [a]
2009	Mediterranean Oil & Gas	United Kingdom	Coal, oil and natural gas	Extraction	526 [a]
2009	Northern Petroleum	United Kingdom	Coal, oil and natural gas	Extraction	526 [a]
2008	Po Valley Energy	Australia	Coal, oil and natural gas	Extraction	526 [a]
2008	Po Valley Energy	Australia	Coal, oil and natural gas	Extraction	526 [a]
2009	Renova	Russia	Warehousing and storage	Logistics, distribution and transportation	513
2009	Po Valley Energy	Australia	Coal, oil and natural gas	Extraction	506 [a]
2009	SunRay Renewable Energy	Malta	Alternative/renewable energy	Electricity	478 [a]
2009	Vodafone	United Kingdom	Communications	Headquarters	453
2008	Ratia Energie	Switzerland	Coal, oil and natural gas	Electricity	449 [a]
2007	DC Chemical	Republic of Korea	Coal, oil and natural gas	Electricity	449 [a]
2007	E.On	Germany	Coal, oil and natural gas	Electricity	449 [a]
2008	Sharp	Japan	Electronic components	Manufacturing	447
2008	ExxonMobil	United States	Coal, oil and natural gas	Logistics, distribution and transportation	402 [a]
2008	Gaz de France	France	Coal, oil and natural gas	Logistics, distribution and transportation	402 [a]
2008	Public Gas Corporation of Greece (DEPA)	Greece	Coal, oil and natural gas	Logistics, distribution and transportation	402 [a]

Source: The authors, based on fDi Intelligence, a service from the Financial Times Ltd.

[a] Estimated.