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FOREIGN DIRECT INVESTMENTS OBSERVATORY

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INVEST IN LOMBARDY

The present study was coordinated by Promos through its Invest in Milan service and by the Milan Chamber of Commerce Analysis Office, with scientific consultancy provided by Prof. Marco Mutinelli, professor at Brescia Università degli Studi, Milan Polytechnic MIP lecturer as well as Milan Polytechnic REPRINT databank manager.

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EXECUTIVE SUMMARY

Highlights

- In the second quarter 2012 some 3,085 new *cross-border* investment projects were registered on a global level involving the launch of new activities or the expansion of pre-existing activities. For the fourth consecutive quarter we have experienced a contraction relative to the previous quarter; the fall relative to the first quarter 2012 is equal to 4%, while relative to the corresponding quarter 2011 we have experienced a contraction of 28%.

- The considerable reduction in the number of projects has been accompanied by an intensification of the trend which started in 2009 involving a progressive reduction in average economic size. The number of jobs created has fallen by 12.1% relative to the previous quarter and by more than 36% relative to the second quarter 2011; the reduction in average economic size is on the other hand in the order of 20% relative to the first half of 2011 and 40% relative to the historic maximums of 2008. A similar trend has been registered relative to average capital invested, which has now been halved with regard to the record values of 2008.

- The trend is even more negative for Europe, which since 2009 continues to register a contraction in projects that is more acute than the average global figure with reference to both outgoing direct investments (i.e. *cross-border* investment projects of European companies), and incoming direct investments (i.e. direct investment projects towards Europe).

- More specifically, the direct projects towards Western Europe represented, in the first six months 2012, only 21.5% of the world total, as against 28% of 2007; those towards Central-Eastern Europe were 12.4% of the total in the first half of 2012, as against 21.1% in 2005.

- In a Western Europe that confirms this negative trend, Italy has registered an albeit modest inversion of trend, with 30 investment projects attracted in the second half of 2012 as against 29 projects in the first half of 2012 and only 22 projects in the fourth quarter 2011. Italy's share relative to Western Europe has therefore risen to 4.5%, as against 2.7% in the fourth quarter 2011.

- Lombardy too is displaying signs of recovery. The slight growth in the number of investment projects from abroad in the second half of 2012 relative to the two preceding quarters, while still a long way off the numbers achieved in the past, still permits Lombardy to climb back to thirteenth place in the ranking of European regions, while also profiting from the fact that other important European regions have experienced a dramatic fall in new initiatives relative to previous periods.

- In the light of a steep decline in *cross-border i*nvestment projects in Europe, the main European cities, with only a few exceptions, of which London is the most evident, seem to be losing their attraction capacity to a greater extent than the average for the respective countries. This is an aspect that requires greater analysis.

- Within this context, in the last four quarters Milan has held on to a dignified fifteenth position among European cities. On the one hand, it is appropriate to recall that in the last three quarters 2010 Milan maintained a position among the first eight, a position that today seems a long way off. On the other hand, it must also be emphasised that in the most recent quarters Milan has maintained a constant flow of new investments from abroad, albeit at levels lower than in the past, demonstrating the existence of potential for recovery over the medium period, as already occurred in the recent past following a very negative 2009.

- To a large extent the acute fall in investment projects in Milan can be attributed to the steep recession which has impacted the Italian market. Proof of the same is provided by the fact that in the last four quarters the number of investment projects has collapsed regarding retail activities (only one, in comparison with ten initiatives registered in the previous quarters), while projects regarding wholesale activities have been halved. A trend that is less negative than the average has been registered relative to company services, while projects concerning R&S and production activities remain stable but at very modest levels.

- From the sector point of view, there has been a collapse in initiatives in the electronics and fashion sectors; among services communication and marketing and logistics and transport services, initiatives have been halved, while a less than average fall has been registered for ICT services and software.

- If one looks at the geographic origin of Greenfield investment projects, in the most recent period there has been modest growth in Russian and Chinese investments in Lombardy, while BRIC investments in Milan are noteworthy for their absence (up to the end of June 2012, the last project registered concerns an Indian investor and dates back to July 2011).

- The last section of the Observatory presents the main investments realised in Milan and Lombardy in recent months.

Figure 10 – Trends in *greenfield* and expansion foreign direct investment flows, by origin and destination of projects (2011 Q3 – 2012 Q2 with respect to the four previous quarters)

		Towards				
		World	Western Europe	Italy (Lombardy excluded)	Lombardy	Milan
Coming from	World	↘	↘	↘	↘	↘
	China	↗	↘	↗	↘	↘
	Brazil	↘	↘	⇔	⇔	⇔
	Russia	⇔	↗	↗	↗	⇔
	India	↘	↘	↘	↘	⇔
	USA	↘	↘	↘	↘	↘

	Western Europe	↘	↘	↘	↘	↘

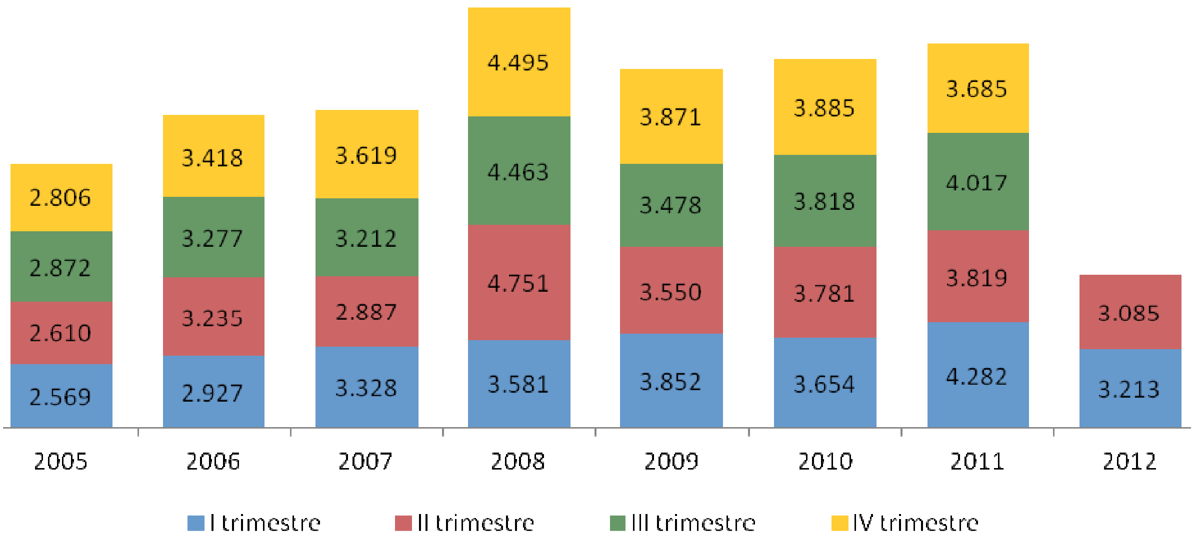
Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data. HERE

FOREIGN DIRECT INVESTMENTS IN THE SECOND QUARTER 2012

In the second quarter 2012 the Financial Times fDi Markets databank registered for the third consecutive quarter a reduction in the number of foreign direct Greenfield and expansion investment projects on a global level. The negative trend which has continued since the start of 2011 has thus been consolidated and was only interrupted in the third quarter of last year.

The cross-border investment projects surveyed on a global level in the second quarter 2012 come to 3,085, as against 3,213 projects in the previous quarter (-4%) and 3,819 projects in the second quarter 2011 (-19.2%); relative to the first quarter 2011, which with 4,282 projects had achieved the highest value since 2009, the fall is equal to 28%, while with respect to the historic maximum reached in the second quarter 2008 the fall exceeds 35%. To find a number of projects lower than that of the second half 2012 it is necessary to go back to the second quarter 2007, when there were 2,887 projects.

Figure 1 – Number of *greenfield* and expansion foreign direct investment projects, 2005 – 2012 Q2



I quarter **II quarter** **III quarter** **IV quarter**

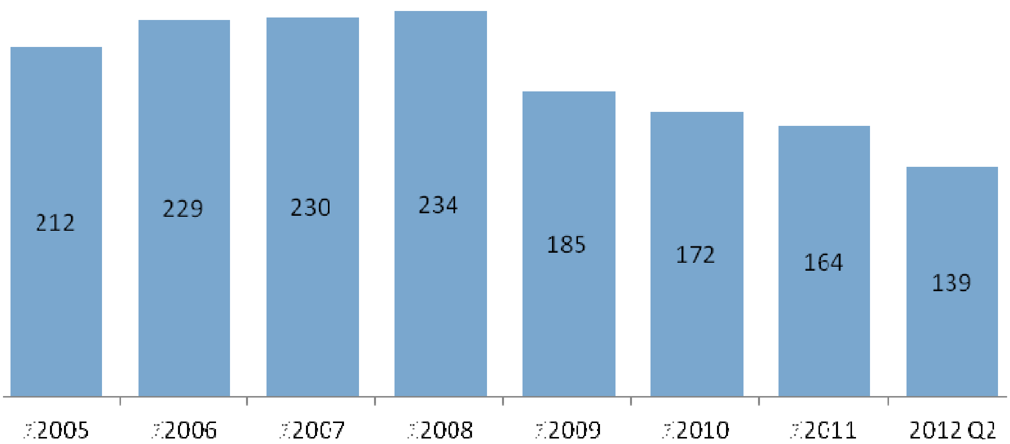
Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

Even more significant is the reduction in jobs created by investment projects. In the second quarter 2012 approx. 410,000 jobs were created on a global level as against approx. 467,000 in the previous quarter (-12.1%); relative to the second quarter 2011 (approx. 638,500 new jobs) the contraction has exceeded 36%.

To find such a low value it is necessary to return in this case to the first quarter 2003 (i.e. the first quarter recorded by the databank). As a result the number of jobs created on average by each investment project fell to 139 units, as against 234 in 2008. On a six-monthly basis, the comparison with the first half of 2011 indicates a reduction in the average dimension of projects in the order of 20%.

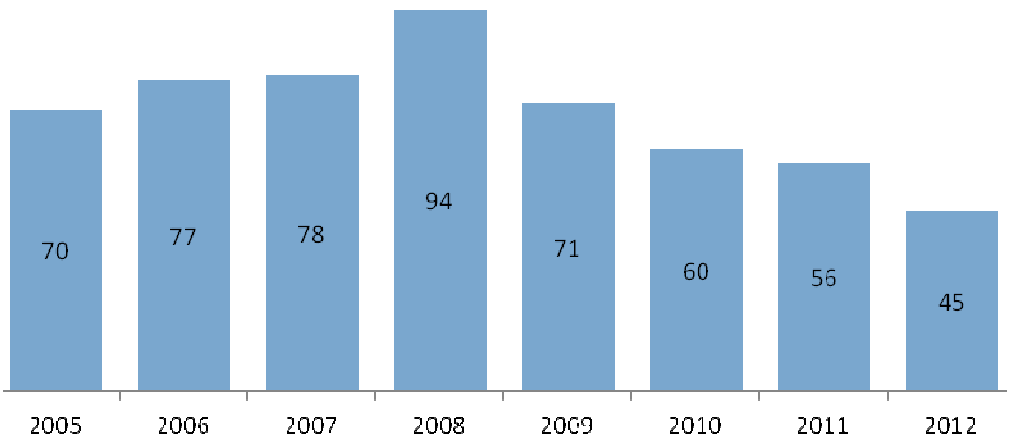
A similar trend was registered relative to average capital invested in cross-border investment projects, which has now been more than halved relative to the record values of 2008 (Fig. 3). In both cases one is dealing with the lowest values registered since 2003.

Figure 2 – Average number of new jobs created by *greenfield* and expansion foreign direct investment projects, 2005-2012 Q2



Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

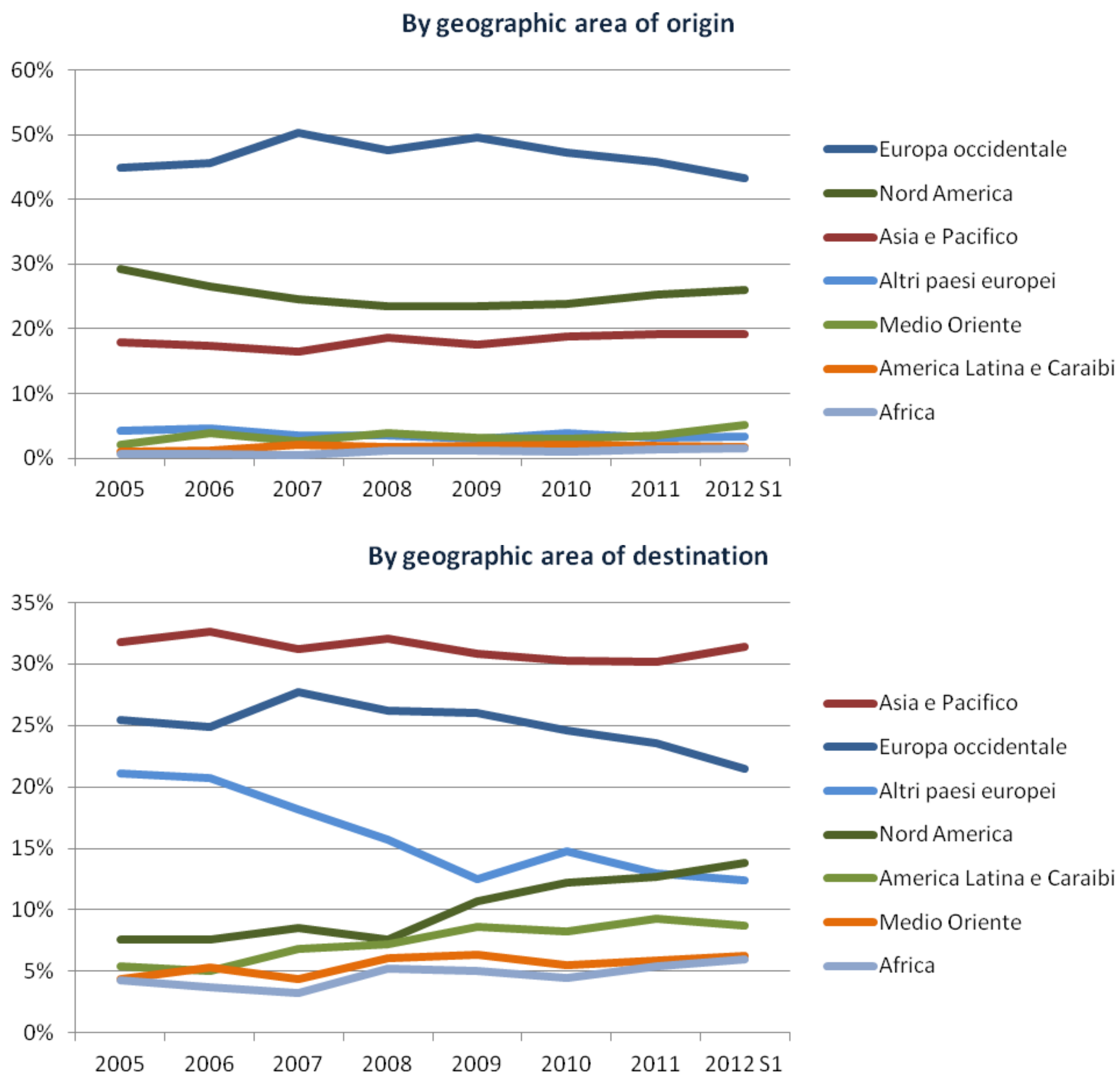
Figure 3 – Average capital invested *greenfield* and expansion foreign direct investment projects, 2005-2012 Q2 (values in millions of dollars)



Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

The trend is still more negative for Europe, which since 2009 continues to register a greater contraction in projects than the global average with reference to both direct outgoing investments (i.e. cross-border investment projects by European companies), and direct incoming investments (i.e. direct investment projects towards Europe). More specifically, with reference to the latter, in the first half 2012 the quotas for Europe out of the world total, which between 2005 and 2007 had always remained around 46% and still reached 40% in 2010, stood at 34.4%.

Figure 4 – Distribution of *greenfield* and expansion foreign direct investment projects, by geographic area of origin and geographic area of destination, 2005-2012 Q2



Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

The cross-border investment projects towards Western Europe, in particular, represented in the first half 2012 only 21.5% of the global total, as against 28% in 2007; on the other hand, in the first half 2012, some 12.4% of global investment projects were directed towards Central-Eastern Europe, as against 21.1% in 2005.

Within a Western Europe that continues to lose share on the international scene, Italy has fortunately been able to reverse this trend and recover quotas, at least within a European context (Fig. 5). In the second half 2012 Italy registered 30 investment projects from abroad, a figure that consolidates the marked recovery in the first half 2012 (29 projects) relative to the minimum reached in the fourth quarter 2011 (22 projects), when Italy's international credibility collapsed and the *spread* sky-rocketed, driving international investors away, fearful of a possible public deficit *default*. Italy's quota relative to Western Europe thus rose in the second half of 2012 to 4.5%, as against the minimum value of 2.7% reached in the fourth quarter 2011.

The ability of Italy to attract new investments from abroad nevertheless still remains extremely modest within the European context, when compared with the importance of Italy relative to other economic indicators: one need only consider that Italy has been overtaken by Ireland and the Netherlands, as well as by the other four main countries of Europe (Germany, United Kingdom, France and Spain) and is being progressively caught up by other countries of much smaller economic size, such as Switzerland, Belgium and Austria.

Figure 5 – New *greenfield* and expansion foreign direct investment projects in Western Europe, by country, 2010 Q2 – 2012 Q2

	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	Total
United Kingom	205	202	250	248	217	305	228	216	203	2,074
Germany	191	183	204	227	190	232	176	96	91	1,590
Spain	92	100	123	96	90	69	89	60	65	784
France	119	93	72	85	84	69	88	94	55	759
Ireland	50	38	58	57	62	66	40	40	50	461
Netherlands	45	41	35	47	42	68	44	38	42	402
Italy	49	49	59	48	33	39	22	29	30	358
Switzerland	32	29	23	46	31	33	18	29	34	275
Belgium	42	38	38	32	26	21	23	21	20	261
Austria	18	28	14	28	31	26	22	12	14	193
Other countries	78	82	65	88	80	84	67	56	58	658
Total	921	883	941	1,002	886	1,012	817	691	662	7,815

Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

Signs of recovery have also been registered for Lombardy, which in the period under observation (2010 Q2 – 2012 Q2) attracted overall 116 investment projects from abroad i.e. approx. one third of all projects directed towards Italy (Fig. 6).

Figure 6 – New *greenfield* and expansion foreign direct investment projects in Western Europe, by region, 2010 Q2 – 2012 Q2

	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	Total
South East (UK)	107	86	113	104	120	151	96	100	109	986
Nordrhein-Westfalen	45	38	44	48	50	63	48	23	14	373
Île-de-France	40	42	25	42	41	40	24	33	18	305
Baden-Württemberg	38	26	46	50	30	48	27	5	9	279
West-Nederland	29	28	22	29	23	33	27	22	24	237
Hessen	24	34	25	32	31	25	25	14	7	217
Scotland	15	34	14	22	22	29	15	20	27	198
Comunidad de Madrid	25	33	28	24	22	11	16	20	17	196
Cataluña	23	12	29	23	25	21	26	16	20	195
Bayern	20	22	23	21	19	26	16	15	17	179
North West (UK)	14	14	25	16	10	22	16	14	13	144
Vlaams Gewest	29	22	28	8	9	9	8	8	7	128
West Midlands (UK)	12	7	13	17	15	18	13	18	11	124
Berlin	11	7	11	22	11	16	15	11	14	118
East Anglia	17	25	28	27	2	9	5	3	2	118
Lombardy	19	18	21	16	12	10	6	6	8	116
Ostösterreich	11	12	8	10	15	17	8	7	6	94
Rank Lombardia	11th	12th	13th	16th	14th	19th	29th	27th	13th	16th

Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

Even though the overall projects registered for Lombardy in the last three quarters were lower in number than those for just the fourth quarter 2010 (20 as against 21), it is important to emphasise the small increase achieved in the second half 2012 relative to the previous two quarters, which has lifted Lombardy to thirteenth position in the ranking of European regions, thanks also to the contrasting performance of other important European regions, which have experienced a collapse in new initiatives relative to previous periods: for example, in Nordrhein-Westfalen, Baden-Württemberg, Flanders, East Anglia and Ostösterreich.

In the period between the second quarter 2010 and second quarter 2012 Milan was the target for an overall number of 90 foreign investment projects, achieving eleventh position among Western European cities. In this ranking Milan was preceded by London, Paris, Dublin, Madrid, Frankfurt, Amsterdam, Düsseldorf, Munich, Berlin and Barcelona, but kept ahead of cities like Brussels, Zurich, Vienna, Stockholm and Hamburg.

Following a very negative 2009, which saw the Lombard capital fall to twentieth position among European cities in terms of the number of foreign investments, in the last three quarters of 2010 Milan was placed among the first eight in the continental ranking. Following a sharp fall in the second quarter 2011, which took it out of the ranking for the first twenty Western European cities, the following quarters saw Milan achieve between five and eight projects per quarter. The said numbers have allowed the Lombard city to continue to occupy a dignified fifteenth position among

European cities, within a context that sees London maintaining and indeed further strengthening its clear leadership position, and Dublin expanding until it has reached second place, pushing Paris down – indeed Paris has fallen significantly and has even been overtaken by Amsterdam.

The general impression is that the main European cities, with a few exceptions – London being the most obvious one – are losing their attraction capacity in this most recent period to an extent greater than the average for their respective countries. This is an aspect which, if confirmed over the coming period, requires more extensive analysis.

Figure 7 – New *greenfield* and expansion foreign direct investment projects in Western Europe, by city, 2010-2012 Q2

	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	Total
London	87	65	87	74	92	117	76	79	91	768
Paris	37	39	24	41	32	35	23	31	15	277
Dublin	27	16	21	22	24	26	19	18	25	198
Madrid	20	28	21	24	19	9	13	18	12	164
Frankfurt	14	22	15	22	20	17	16	10	7	143
Amsterdam	21	15	13	17	11	16	12	11	18	134
Düsseldorf	14	9	12	18	15	24	21	9	4	126
Munich	15	18	17	11	8	17	10	11	14	121
Berlin	11	7	11	22	11	16	15	11	14	118
Barcelona	12	6	13	12	15	14	14	14	12	112
Milan	16	15	17	12	6	8	5	6	5	90
Brussels	5	11	6	16	10	8	12	6	8	82
Zurich	8	7	9	15	10	11	3	10	8	81
Vienna	9	8	6	9	13	14	8	6	5	78
Stockholm	7	9	6	5	15	13	10	7	5	77
Hamburg	8	10	8	11	14	3	5	9	4	72
Cologne	9	6	11	8	10	14	6	4	2	70
Edinburgh	4	4	4	7	11	8	8	7	3	56
Manchester	5	7	10	7	2	8	5	8	2	54
Geneva	5	6	2	10	4	6	3	5	6	47
Rank Milan	6th	8th	5th	11th	21th	16th	16th	16th	15th	11th

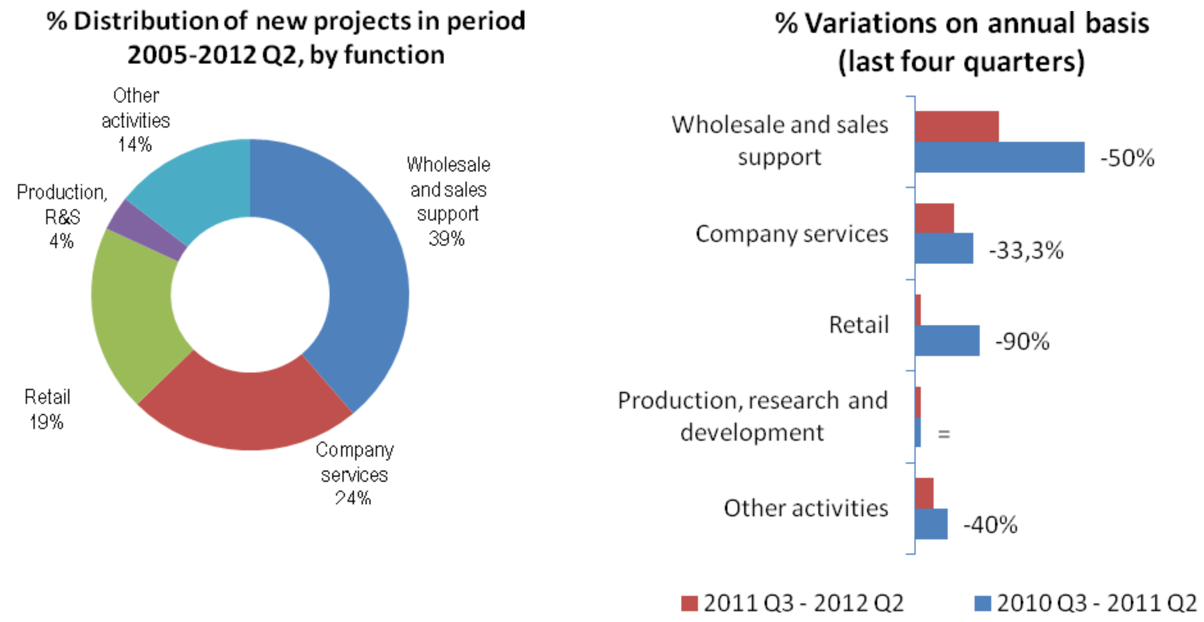
Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

The position of Milan can be explored by taking a detailed look at the sector and functional specialisations of investment projects and the geographic origin of investors.

As regards the typologies of activities involved in new investment projects from abroad, it must be recalled that in the recent past Milan's ranking has been above all sustained by projects regarding commercial activities (wholesale and retail) and sales support, functions which overall represent

39% of foreign investment projects realised in Milan from 2005 to today. In this regard, it must be noted how in the last four quarters (2011 Q3 – 2012 Q2) it is the number of projects regarding retail activities that has registered the most significant decline relative to the immediately preceding period (2010 Q3 – 2011 Q2), with a -90%, testifying to an appalling collapse in initiatives, some of which was foreseeable in the light of the negative trend in consumption figures on the Italian market. In the last four quarters Milan has registered only one project regarding the opening of new retail activities, in comparison with ten projects registered in the previous four quarters (Fig. 8).

Figure 8 – New *greenfield* and expansion foreign direct investment projects in Milan, by typology of activity

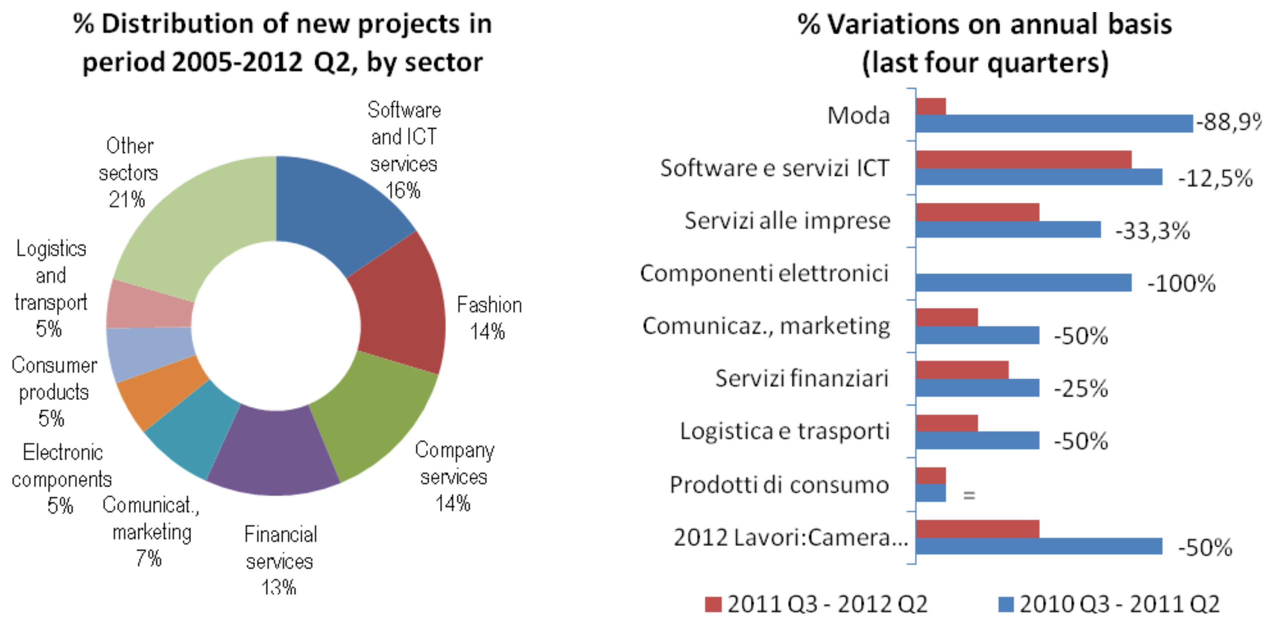


Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

Taken overall, for the second consecutive quarter the number of projects has been more than halved on an annual basis (24 projects in the last four quarters as against 51 projects registered in the previous four quarters). The number of projects regarding wholesale activities and sales support have also been halved, while the fall in the number has been just under the average as regards projects in the company services sector (-33.3%) and in other activities (-40%). The only sign of stability is found in investment projects regarding production activities and research and development, which however remain extremely low in numbers: over the last eight quarters there have been only two such initiatives, equally distributed in the two periods considered.

From the sector point of view (Fig. 9), there has been a collapse in initiatives in the fashion sector (which is directly related to the steep contraction in the opening of new sales outlets, as mentioned above) and in electronics components (which had registered a significant increase in the previous period but now exhibit a complete zeroing of new initiatives); among services, communication and marketing and logistics and transport services have been halved, while there has been a below average fall in software and ICT services (-12.5%) and other companies real and financial services (-33.3% and -25%, respectively). It is important to note that financial services remained the last to exhibit a positive trend in the last quarter, while now only consumer products exhibit numbers in line (though at very modest levels) with those of the previous period.

Figure 9 – New *greenfield* and expansion foreign direct investment projects in Milan, by sector



Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

The red arrows pointing downwards, which indicate a negative trend, now generally dominate the table shown in Fig. 10, which makes it possible to cross origin and destination of investment projects and compare the data relative to the period 2011 Q3 – 2012 Q2 with those relative to the previous four quarters. In this representation, the following are the places of origin of investment projects: Western Europe, USA, and the four BRIC nations (Brazil, Russia, India and China); while destinations include Western Europe, Italy (Lombardy excluded), Lombardy and Milan.

As regards the origin of investment projects, the negative trend now involves, in addition to the most industrialised areas, the majority of emerging nations, which in previous years had displayed interesting signs of growth as foreign investor countries. Of the BRIC nations only China is moving against the current trend and increasing its number of investment projects abroad, while Russia is stable on a global level but increasing the number of projects in Europe. Italy too, which has seen the number of investment projects coming from other industrialised countries decline markedly, is benefiting from a modest increase in investment projects from China and Russia (while in Lombardy only the latter have registered an increase); in the opposite direction, Indian investment projects have fallen to zero and those from Brazil also continue to be entirely absent.

Figure 10 – Trends in *greenfield* and expansion foreign direct investment flows, by origin and destination of projects (2011 Q3 – 2012 Q2 with respect to four previous quarters)

		Towards				
		World	Western Europe	Italy (Lombardy excluded)	Lombardy	Milan
Coming from	World	↘	↘	↘	↘	↘
	China	↗	↘	↗	↘	↘
	Brazil	↘	↘	⇔	⇔	⇔
	Russia	⇔	↗	↗	↗	⇔
	India	↘	↘	↘	↘	⇔
	USA	↘	↘	↘	↘	↘
	Western Europe	↘	↘	↘	↘	↘

Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

On the other hand, no positive indication is evident for Milan, as was foreseeable, given that over the last four quarters the total number of projects has more than halved relative to the previous four quarters (24 projects as against 51). More specifically, it is important to note the fall in investments from BRIC, after the positive resurgence registered in the last months of 2010 and in the first months of 2011, when in just six months five Chinese and one Indian project were registered. Following a second Indian project registered in July 2011, no other project arriving from BRIC has been registered in the Lombard capital by the Financial Times databank through to the end of June 2012.

NEW FOREIGN INVESTMENTS IN MILAN AND LOMBARDY IN THE SECOND QUARTER 2012

Hackett

The English men's clothing and accessories brand, Hackett London, which combines the classical look typical of *Made in Britain* with considerable creativity in colours, fabrics and youngsters' items inaugurated, on 12 April, in Milan (recognised as the international capital of fashion), its first monobrand store in Italy, in the prestigious and super central via Manzoni. With this opening, Hackett London now numbers some 37 independent stores round the world, in addition to 44 licensed sales outlets.

Company	Hackett Italy Srl
Foreign investor	Hackett London (United Kingdom)
Sector	Clothing retail trade
Key points	First Italian monobrand store in the capital of fashion

Gaia-Wind

The Scottish manufacturer of wind turbines, Gaia-Wind, has opened an office in Milan to lend commercial, marketing and technical support to its Italian customers. Gaia Wind, which has its main headquarters in Glasgow, has launched a strategic expansion plan relative to the Italian markets and in Italy already boasts two distributors in Puglia and Sicily. When the Milan office was opened, last spring, it had already received orders for 20 turbines, relative to a potential market which it considers very promising.

Company	Gaia Wind
Foreign investor	Gaia-Wind (United Kingdom)
Sector	Wind turbines
Key points	Technical-commercial support for conquest of the Italian market, offering great development potential

Longchamp

The French *maison*, Longchamp, famous for its iconic bags as well as its creativity, innovation and artisan craftsmanship, has disembarked in Milan in the fashion quarter, via della Spiga, with an elegant and *understated store*. The Milan boutique is the first to dedicate a space to Ready to Wear and footwear and occupying 250 sq.m. on three floors it is in absolute terms one of the French company's largest boutiques in the world.

Company	Longchamp Italia Srl
Foreign investor	Longchamp (France)
Sector	Retail of leatherware and accessories
Key points	Entering the Italian market with positioning in the "heart" of Italian fashion

Mechel Steel

Mechel Service Italia, part of the Russian mining and iron and steel group, Mechel OAO, has opened a new warehouse at Arcore, where it has also moved its operations site, previously located in Bergamo. The new warehouse stands on a total roofed surface area of 5,000 sq.m. and is equipped with six overhead cranes and equipment for cutting special steel bars. Mechel Service Italia has other distribution and machining centres in the port of Marghera and Chioggia (Venice), at Brandico (Brescia) and Bari.

With the opening of the new warehouse Mechel's Italian associate company intends to support its growth on the Italian market: thanks to the expansion of its sales network, Mechel Service Italy sold 48,000 tons of steel in Italy in 2011, as against 13,000 tons in 2010.

Company	Mechel Service Italy Srl
Foreign investor	Mechel OAO (Russia)
Sector	Iron and steel products, cutting of special steel bars
Key points	Support growth of sales on the Italian market

DHL

The express courier, DHL, which is part of the Deutsche Post DHL group, last June inaugurated at Pozzuolo Martesana, a maxi-logistic centre which seeks to become "the best transport infrastructure in Italy". The investment sustained by DHL to realise the new logistics hub was approx. 40 million euro. With a surface area of 83,000 sq.m., a warehouse area of 26,000 sq.m. and 500 employees when fully operational, this structure combines in a single site the Italian activities of Dhl Global Forwarding and Freight, the DHL group specialist division in the air, maritime, rail and road consignments sector. The Lombard hub, among the most important in the DHL group in Southern Europe, will act as a central terminal for both business units in the division and will offer optimised and dedicated services for the largest industrial sectors: fashion, food and pharmaceutics.

Company	DHL Global Forwarding (Italy) SpA
Foreign investor	DHL (Deutsche Post Group) (USA/Germany)
Sector	Air, sea, rail and road transport
Key points	New logistics hub strategically located in the centre of important road and rail axes

DLA Piper

The international legal firm, DLA Piper, has confirmed its growth strategy in Italy, announcing the entry, as of 7 May 2012, of 5 new partners and 15 professionals from Studio Legale Grimaldi e Associati, which will be distributed among the two Italian offices of the group in Milan and Rome.
The new team, which has transversal legal skills and a specific focus on Energy, Infrastructures and Project Finance sectors, will be integrated with professionals already present in DLA Piper, in the Corporate and Finance & Project departments.

Company	DLA Piper Italy Services Srl
Foreign investor	DLA Piper (UK)
Sector	Legal offices
Key points	Reinforcement of team in Energy, Infrastructures and Project Finance sectors

UL (Underwriters Laboratories)
Last May UL International Italia, a branch of the American company, Underwriters Laboratories Inc., inaugurated the group's largest European laboratory at Burago di Molgora, dedicated to lighting technologies, with specific reference to LED/OLED technology, today enjoying considerable growth. UL International Italia was established in 1998 and offers its services as a global certification partner for companies that export round the world, providing them with a reference point relative to international regulations.
The new laboratory, which covers a surface area of 30,000 sq.m. and starts with an initial workforce of 30 technicians (for the most part engineers), will provide design support and control of safety standards for European companies in the illumino-technical supply chain. The initial investment of the American multinational for the site at Burago stands at around 2 million dollars but the company is expecting possible further developments in terms of both space and personnel.

Company	UL International Italia Srl
Foreign investor	Underwriters Laboratories (USA)
Sector	Quality certification and technical services
Key points	The new laboratory will offer project support and control of safety standards for companies in the illumino-technical sector supply chain

SDI Italy
The American company, SDI Media, the world's largest supplier of dubbing and subtitle services, has announced the opening of a studio in Milan. The new branch, SDI Italy, follows those recently opened in Japan and the Philippines and takes the number of countries to 21 where SDI Media has a direct presence.
Operational since July 2012, SDI Italy offers its customers in the *broadcasting*, cinema, videogames and *new media* sectors a complete range of services, making available to them, at competitive prices, an infrastructure based on extremely advanced technologies and standardised and totally integrated production processes. SDI Italy is run by Italian management and operates using two recording rooms, with further expansion expected in 2013.

Company	SDI Italy Srl
Foreign investor	SDI Media (USA)
Sector	Dubbing and subtitles service
Key points	Opening of a studio in Milan to offer Italian customers advanced infrastructures and integrated production processes at competitive prices

Pandora Jewellery Srl
The Danish company, Pandora, a distributor of jewellery articles specialising in bracelets and charms, has announced the opening of four new sales outlets in Italy at Milan, Bergamo, Venice and Rome. During 2012 Pandora has planned the opening of at least 135 new sales outlets (*concept stores* and *shop in shops*) in its new key-markets in Italy, France, Russia and Asia.

Company	Pandora Jewellery Srl
Foreign investor	Pandora (Denmark)
Sector	Jewellery
Key points	Opening of four new sales outlets in Italy in Milan, Bergamo, Venice and Rome

FOCUS 1

THE IMPACT OF THE CRISIS ON THE ATTRACTIVENESS OF REGIONS AND METROPOLITAN AREAS IN EUROPE

What is the impact of the crisis on the comparative attractiveness of the leading metropolitan areas and regions of Western Europe? Are there significant changes in the choices of foreign investors relative to the location of their various economic activities? To answer these questions we used the Financial Times fDi Markets databank, analysing the allocation of foreign investment projects by typology of activity in the 16 most attractive European cities i.e. in the European cities which in the period between January 2003 and June 2012 have each attracted at least 250 direct investment projects from abroad.

The tables below respectively highlight the 16 cities considered and the 16 macro-regions in which they are located, setting out for each of them the number of investment projects registered by the databank in the period 2003-2012 S1 (i.e. through to the end of the first half 2012), highlighting the two sub periods 2003-2008 and 2009-2012 S1.

***Greenfield* and expansion investment projects in the main European metropolitan areas, 2003 – 2012 S1**

	2003 - 2008		2009 - 2012 S1		2003 - 2012 S1	
	Rank	No. projects	Rank	No. projects	Rank	No. projects
London	1	1,414	1	1,160	1	2,574
Paris	2	791	2	465	2	1,256
Madrid	3	452	4	256	3	708
Dublin	4	338	3	291	4	629
Barcelona	6	282	6	204	5	486
Munich	7	264	8	195	6	459
Frankfurt	12	208	5	237	7	445
Milan	5	293	11	147	8	440
Amsterdam	8	248	10	189	9	437
Berlin	14	198	9	193	10	391
Vienna	9	242	12	133	11	375
Stockholm	11	221	13	129	12	350
Bruxelles	13	207	15	121	13	328
Copenhagen	10	236	16	66	14	302
Düsseldorf	15	103	7	199	15	302
Zurich	16	153	14	126	16	279
Total		5,650		4,111		9,761
Western Europe		18,574		12,779		31,353
Incidence %		30.4%		32.2%		31.1%

Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

***Greenfield* and expansion investment projects in the regions comprising the main European metropolitan areas, 2003 – 2012 S1**

	2003 - 2008		2009 - 2012 S1		2003 - 2012 S1	
	Rank	No. projects	Rank	No. projects	Rank	No. projects
South East (UK)	1	1,937	1	1,567	1	3,504
Ireland	3	900	2	684	2	1,584
Île-de-France	2	1,025	4	520	3	1,545
Switzerland	4	685	5	461	4	1,146
Nordrhein-Westfalen	12	351	3	590	5	941
Sweden	5	630	11	284	6	914
Catalogna	7	492	7	343	7	835
Comunità di Madrid	6	512	9	318	8	830
West-Nederland	10	438	6	356	9	794
Baviera	8	462	10	291	10	753
Assia	15	294	8	343	11	637
Flanders	11	399	12	197	12	596
Denmark	9	447	16	131	13	578
Lombardy	13	348	14	187	14	535
Östösterreich	14	320	15	160	15	480
Berlin	16	198	13	193	16	391
Total		9,438		6,625		16,063
Western Europe		18,574		12,779		31,353
Incidence %		50.8%		51.8%		51.2%

Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data

The sixteen macro-regions considered have alone accounted for more than half of all foreign investment projects in Western Europe in the period 2003 – 2012 S1. It is also interesting to note that since 2009 i.e. during the crisis, their quota has increased by approx one percentage point relative to the previous period (2003 – 2008).

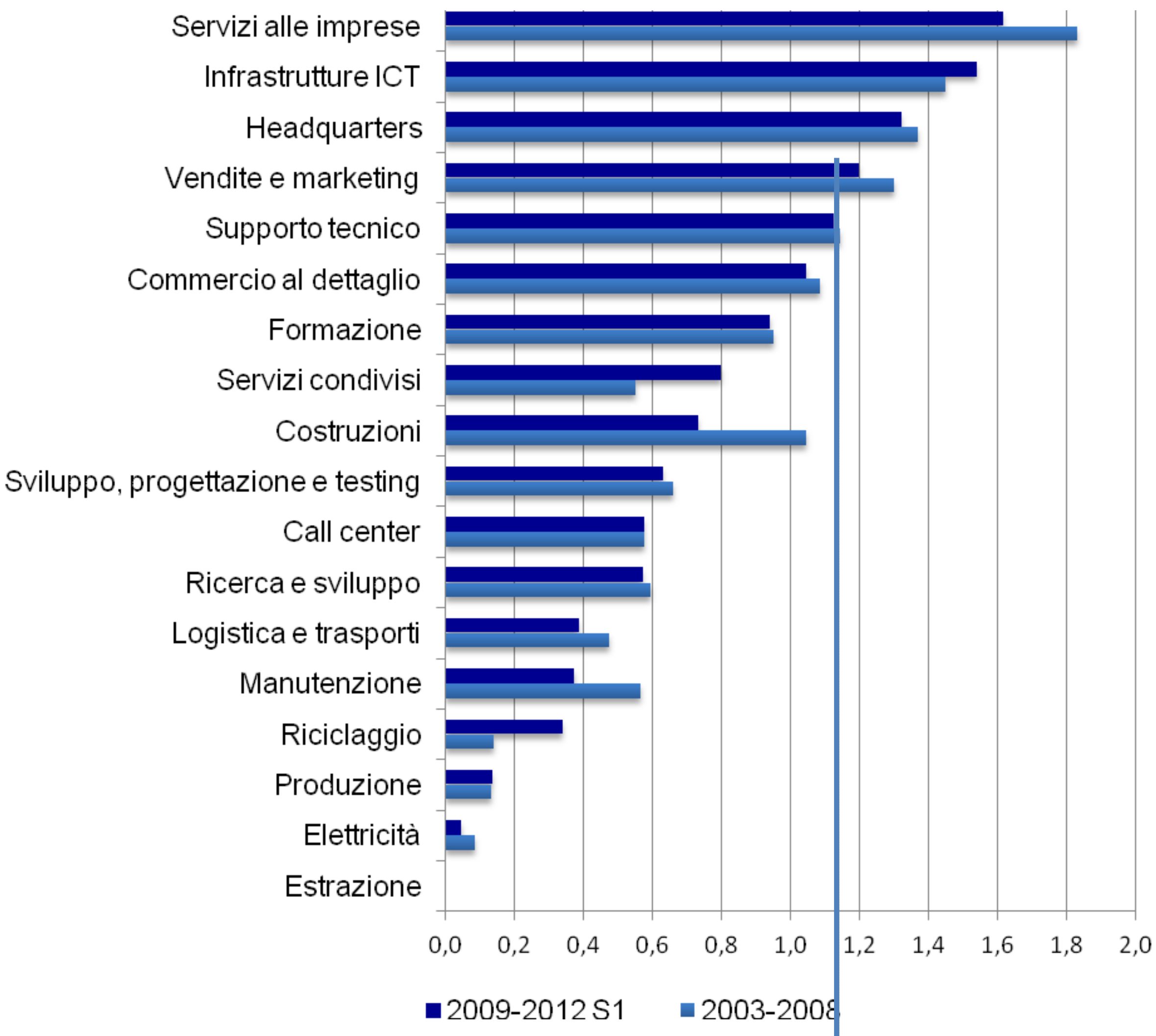
Even more significant is the growth in share of the larger metropolitan areas: overall they have attracted just under a third of all investment projects towards Western Europe in the period 2003 – 2012 S1 (31.1%) and their quota has increased by almost two percentage points between the period prior to and after the crisis (from 30.4% in the period 2003 – 2008 to 32.2% in the period 2009 – 2012 S1). Only in the last quarters does there seem to be a partial trend in the opposite direction, with a reduction in the attractiveness of the leading cities (see text of Newsletter): a phenomenon that merits careful monitoring in the future.

At this point it is appropriate to explore sector and functional specialisations of investment projects aimed at the main metropolitan areas and leading regions.

With respect to the totality of investment projects that have had as their target the relative countries to which they refer, the said direct investments in the main European metropolitan areas exhibit a clear specialisation in service activities (services for companies, ICT infrastructures, *headquarters*, technical support) and in commercial activities, both wholesale and retail.

The specialisations profile for the large metropolitan areas does not seem to have changed significantly after the crisis; on the contrary, it seems to have been consolidated in its essential features.

Specialisation indices (I.S.) of Greenfield and expansion investment projects in the main metropolitan areas relative to the respective countries, by company function, 2003-2008 and 2009-2012 S1

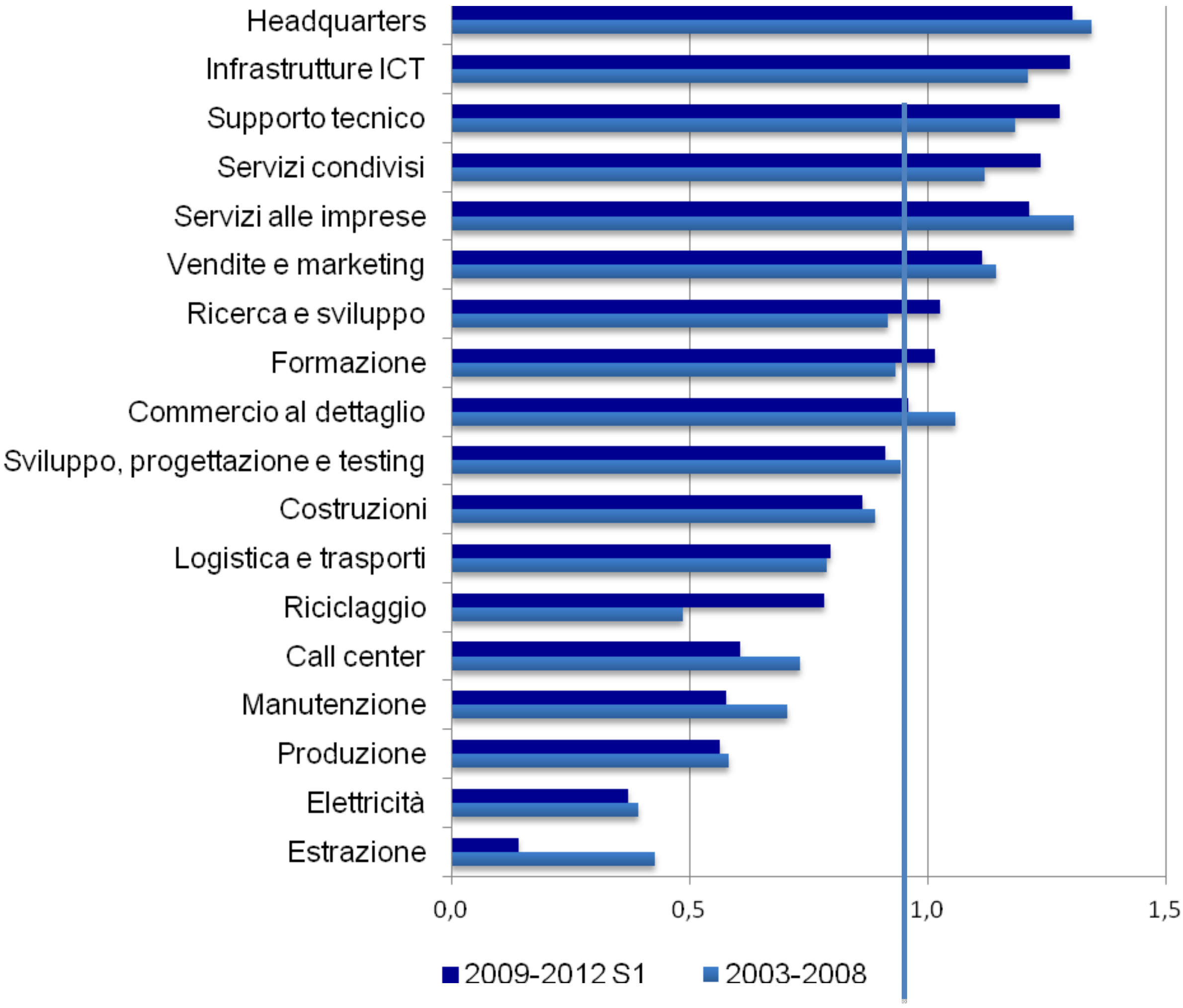


$$\text{I.S.} = \frac{\text{Incidence of function on total projects in the main European cities}}{\text{Incidence of function on total projects in the corresponding countries}}$$

Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data

The leading regions are in turn specialised in comparison with the relative countries in commercial and service activities, obviously thanks to the positive effect of the large metropolitan areas included within them. Moreover, it is interesting to note that the highest index of specialisation occurs for *headquarters*, while with respect to what is registered for the cities, research and development activities, which were previously significantly de-specialised, are now gaining many positions.

Specialisation indices (I.S.) for foreign Greenfield and expansion investment projects in leading regions with respect to the countries to which they belong, by company function, 2003-2008 and 2009-2012 S1



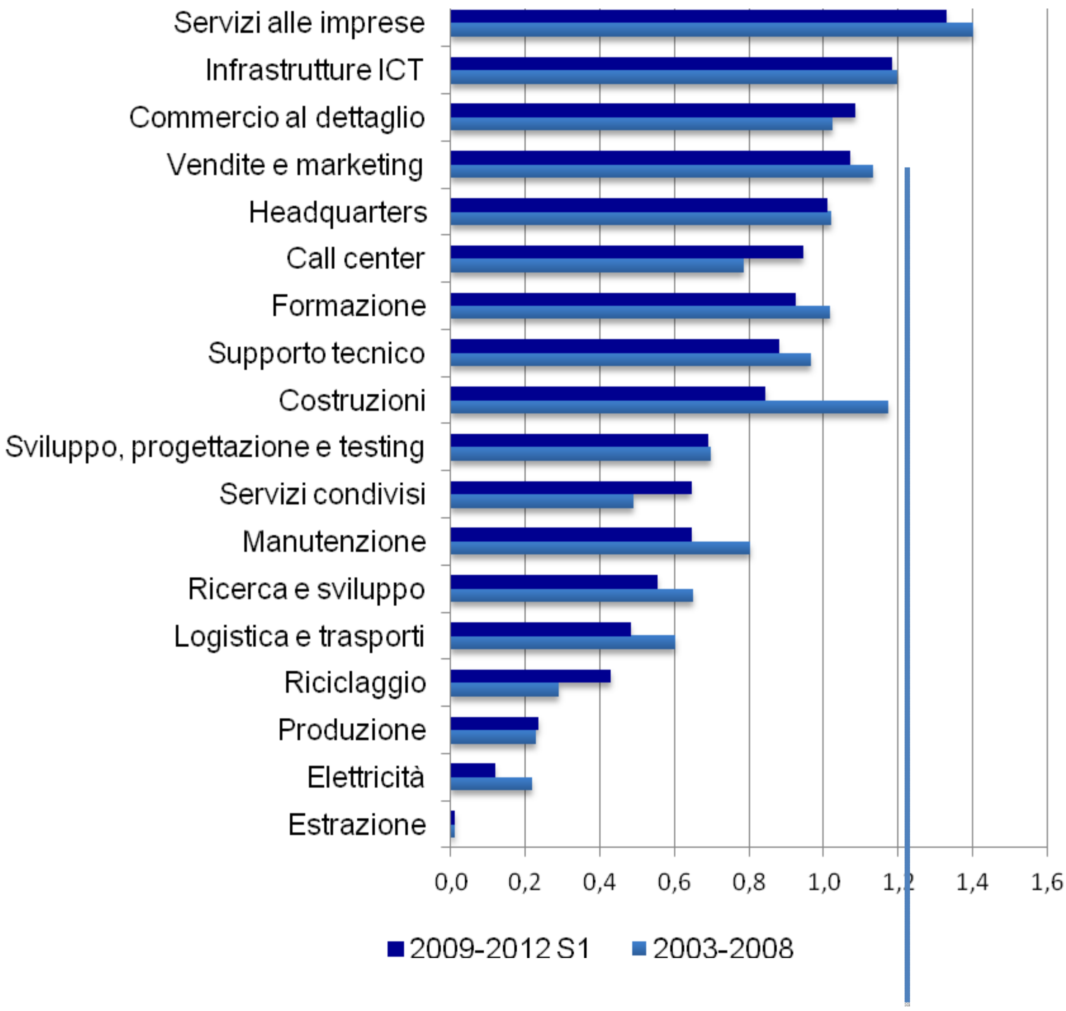
$$\text{I.S.} = \frac{\text{Incidence of function out of total projects in main European cities}}{\text{Incidence of function out of total projects in corresponding regions}}$$

Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data

Closing the circle, the analysis of large metropolitan areas specialisation with respect to the regions that host them indicates that after the crisis the same have maintained their specialisation as prevalently tertiary poles.

It is important to note that after the crisis exploded there has been a steep loss of attractiveness on the part of the metropolitan areas in comparison with investment projects regarding construction and manufacturing activities, as well as all activities connected to the latter (maintenance, logistics and transport, research and development).

Specialisation indices (I.S.) for foreign Greenfield and expansion investment projects in the main metropolitan areas with respect to the regions to which they belong, by company function, 2003-2008 and 2009-2012 S1



$$\text{I.S.} = \frac{\text{Incidence of function out of total projects in the main European cities}}{\text{Incidence of function out of total projects in the corresponding regions}}$$

Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data

FOCUS 2

STRATEGIES OF EMERGING COUNTRY INVESTORS WHO INVEST IN ITALY

In recent years the number of multinationals from emerging countries that are directly investing abroad in advanced countries has grown significantly. This phenomenon is the subject of great interest on the part of those researching the subjects of globalisation and the international expansion of businesses.

An interesting aspect to be evaluated in order to define an attraction policy concerns **the inclination of foreign investors to carry out more "cascade" investments in nearby countries, once the first investment in a specific geographic area has been carried out.**

To this end investments were considered that were carried out by investors outside the countries in the so-called "Triad" of advanced countries (Western Europe, North America and Japan). Taken overall, in the period between January 2009 and June 2012, the said countries have made a total of 80 Greenfield or expansion investment projects in Italy, relative to a total of 62 investors (18 projects were therefore carried out by foreign multinationals which, in the period under consideration, launched various initiatives in Italy).

For each of the 62 investors considered verifications have been carried out to see whether, in the period between January 2003 and the moment of investment in Italy, they had carried out or not any other investments in Western Europe. **The results of the survey can be summarised as follows**:

- ✓ ***Only 22 of the companies from emerging countries that have invested in Italy had carried out, in the preceding period, at least one investment in other Western European countries****. Of these, 9 companies had invested in another country; a similar number had invested in two other countries, while 4 companies had already invested in at least three European countries before investing in Italy.*
- ✓ *In 8 cases, the first investment in Western Europe was realised in the United Kingdom, while 7 investors had chosen Germany; France follows, then the Netherlands with 2 investors, Switzerland, Spain and Portugal with one.*
- ✓ ***No less than 40 companies have therefore chosen Italy as their first target of investment in Western Europe. It must also be mentioned that in 10 cases the investment in Italy occurred at the same time as entry into other European countries*** *(another country in 6 cases, two other countries in 4 cases)*
- ✓ *In general, almost all the companies from countries in Central-Eastern Europe and the Middle East that have invested in Italy had not previously invested in other European countries (the exception being just two Russian investors); among the companies of the other geographic areas, on the other hand, one notes a more balanced presence of the two categories of investors.*

From the results of this analysis some unexpected results emerge. More specifically, **the number of investors from emerging countries that have chosen Italy as their first country in which to invest in Western Europe exceeds that of investors that have, on the other hand, decided to invest in Italy only after having already established a direct presence in other European countries.**
This finding generates considerable interest because it is often the fact that **the first country in which a multinational company invests in a specific geographic region is often also that in which it establishes the bases for any subsequent expansion of the company's activities in the said region**. The said expansion can happen in the same country in which the first investment was carried out – as indicated by the fact that no less than 18 initiatives among the overall number of 80 registered were carried out by companies that had already previously invested in Italy – or in other countries in the same area. But in this case too the first settlement country can benefit from the new investments if it is also assigned the task of hosting the regional *headquarters* of the investing company and coordinating the activities which the same carries out in the region under consideration.

In conclusion, **there is an important space for intervention in BRIC and other emerging countries <u>regarding territorial promotion actions and the attraction of investments into Italy.</u> In such countries there are many companies, including those of extremely large dimensions, that are at present taking their first steps towards multinational expansion in Europe.**
Intercepting the first investments in Europe by these companies can generate interesting opportunities for the creation of new jobs, as was demonstrated in Europe in the 1970s and 1980s with Japanese investments. Back then Italy missed the proverbial bus and Japanese investments went to other European countries instead **-** and to this day the Japanese presence in Italy remains very modest.