



## **Innovating to compete. Opportunities for Europe, Italy and Japan**

Presentation of the 2010  
Strategic Study

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*Managing Partner*

The European House-Ambrosetti

### **Innovating to compete. Opportunities for Europe, Italy and Japan**

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#### Agenda

1. Introduction
2. Italy-Japan and EU-Japan bilateral relations
3. The strategic dialogue between EU and Japan

**INNOVATING TO COMPETE.  
OPPORTUNITIES FOR EUROPE, ITALY AND JAPAN**

MACROECONOMIC  
SCENARIO

ITALY-JAPAN AND  
EU-JAPAN  
BILATERAL RELATIONS

EU-JAPAN  
STRATEGIC DIALOGUE

JOINT INITIATIVES IN  
TECHNOLOGY INTENSIVE SECTORS

IJBG  
PROPOSALS

Agenda

1. Introduction

2. Italy-Japan and EU-Japan bilateral relations

3. The strategic dialogue between EU and Japan

**Italy-Japan and EU-Japan bilateral relations**

- Foreign Direct Investment
- Foreign trade



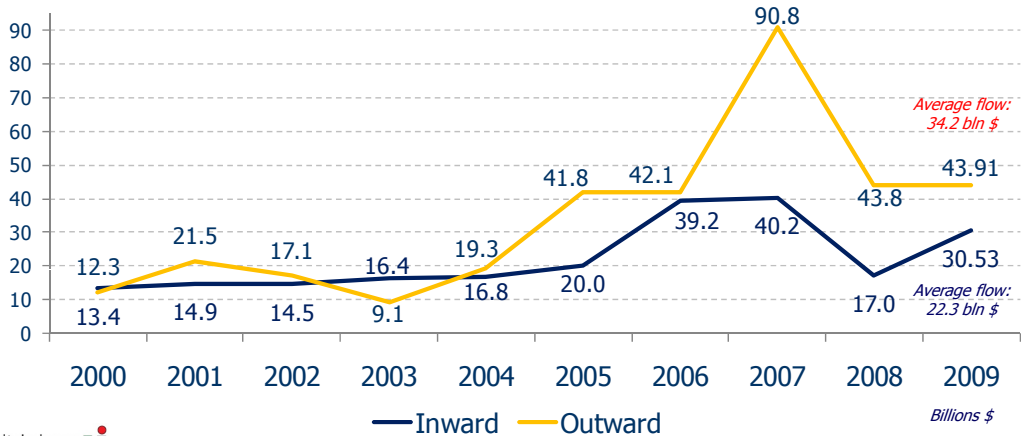
**Italy: Foreign Direct Investment Flows**

UNCTAD Ranking  
"Inward FDI  
performance index"

96<sup>th</sup>  
position

**Compound annual growth rate (2000-09):**

- Inward: +9.6%
- Outward: +15.2%



Source: The European House-Ambrosetti on Jetro and UNCTAD data



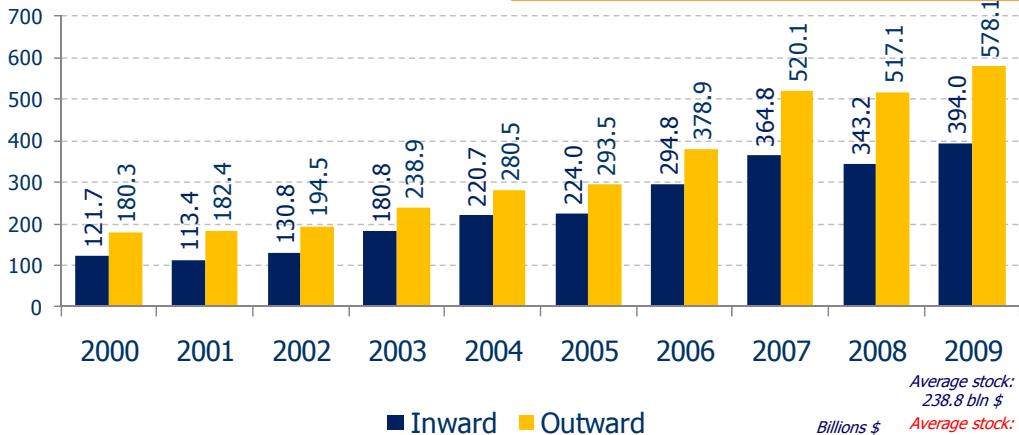
**Italy:** Foreign Direct Investment Stocks

**FDI stock on GDP % (2009):**

- Inward: 18.6% of GDP
- Outward: 27.3% of GDP

**Compound annual growth rate (2000-09):**

- Inward: +13.9%
- Outward: +13.8%



Average stock:

238.8 bln \$

Average stock:

336.4 bln \$

Billions \$



Source: The European House-Ambrosetti on Jetro and UNCTAD data



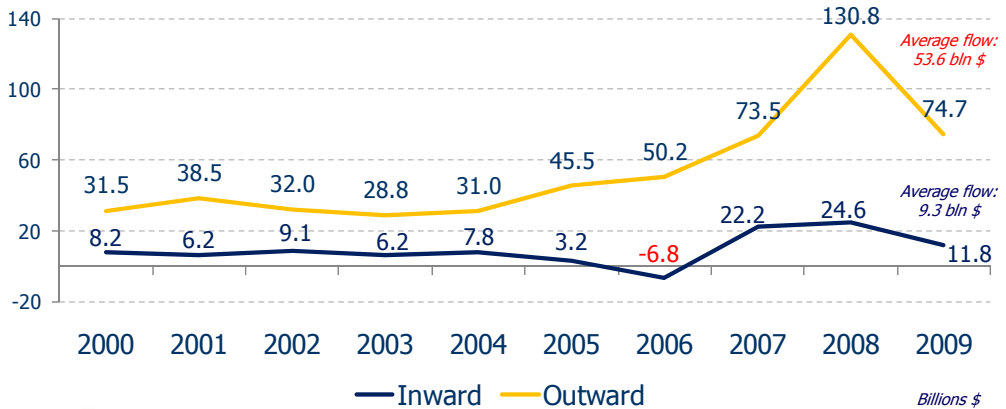
**Japan:** Foreign Direct Investment Flows

UNCTAD Ranking  
"Inward FDI  
performance index"

135<sup>th</sup>  
position

**Compound annual growth rate (2000-09):**

- Inward: +4.1%
- Outward: +10.0%



Average flow:  
53.6 bln \$

Average flow:  
9.3 bln \$

Billions \$



Source: The European House-Ambrosetti on Jetro and UNCTAD data



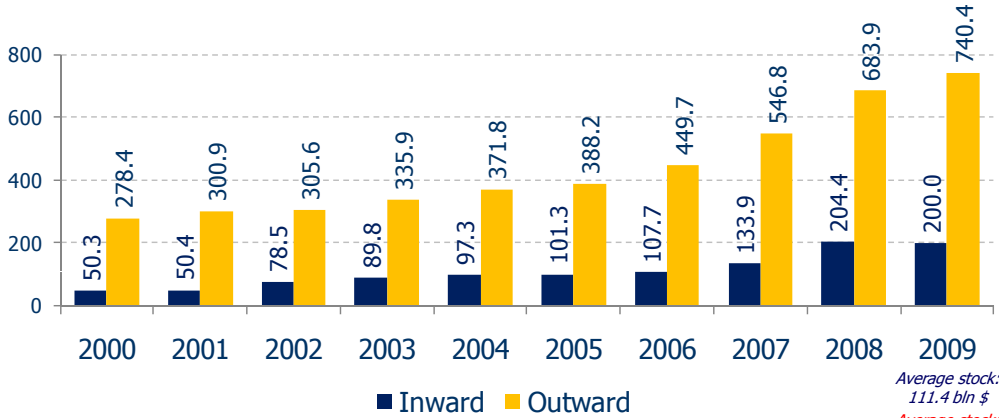
**Japan: Foreign Direct Investment Stocks**

**FDI stock on GDP % (2009):**

- Inward: 3.9% of GDP
- Outward: 14.6% of GDP

**Compound annual growth rate (2000-09):**

- Inward: +16.6%
- Outward: +11.5%



Average stock:

111.4 bln \$

Average stock:

440.2 bln \$

Billions \$



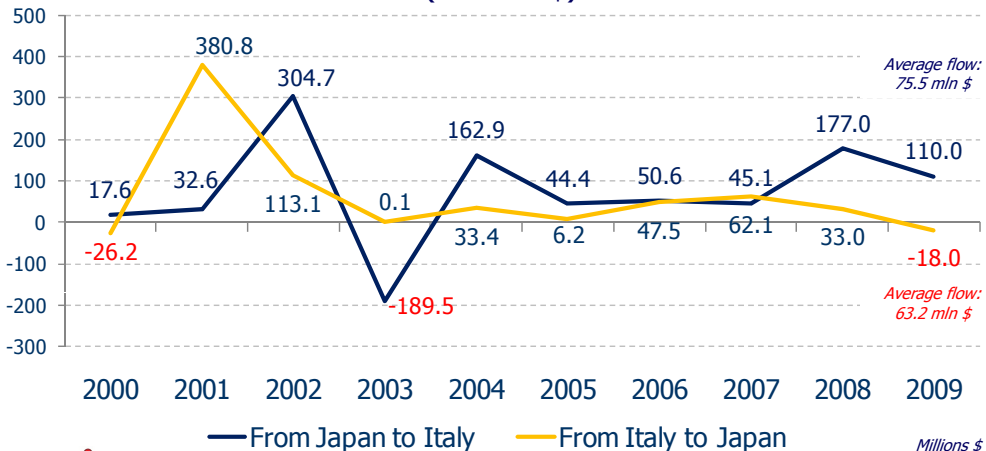
The European House  
Ambrosetti



Source: The European House-Ambrosetti on Jetro and UNCTAD data

**Foreign Direct Investment between Italy and Japan - Flows**

**FDI between Italy and Japan – Flows**  
(Millions \$)



Average flow:

75.5 mln \$

Average flow:

63.2 mln \$

Millions \$



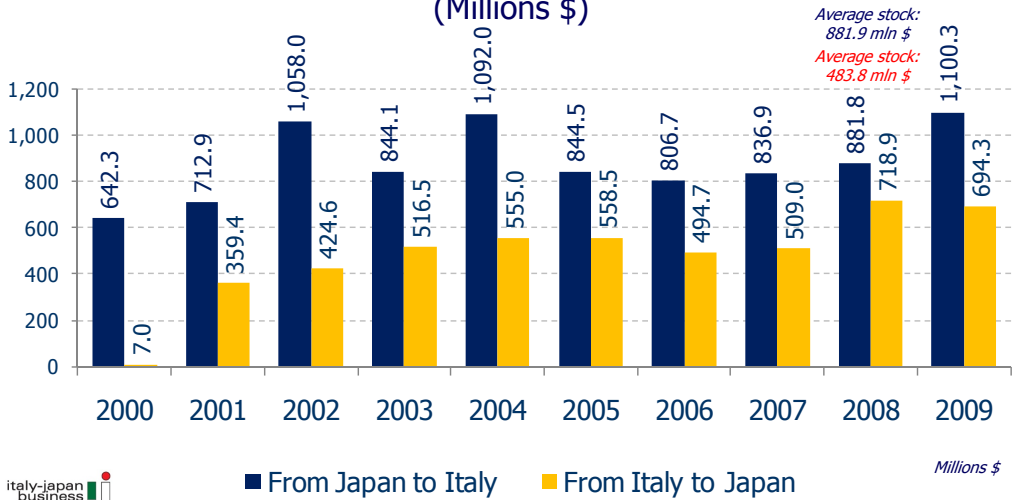
Source: The European House-Ambrosetti on Jetro and UNCTAD data



The European House  
Ambrosetti

Foreign Direct Investment between Italy and Japan - Stocks

FDI between Italy and Japan – Stocks  
(Millions \$)



Source: The European House-Ambrosetti on Jetro and UNCTAD data



**JAPAN**

2009 Stocks to Italy:  
1100.3 mln \$

-> **0.15%**  
of total Japanese stock

Vs

**ITALY**

2009 Stocks to Japan:  
694.3 mln \$

-> **0.12%**  
of total Italian stock



**Italy-Japan and EU-Japan bilateral relations**

- Foreign Direct Investment
- Foreign trade



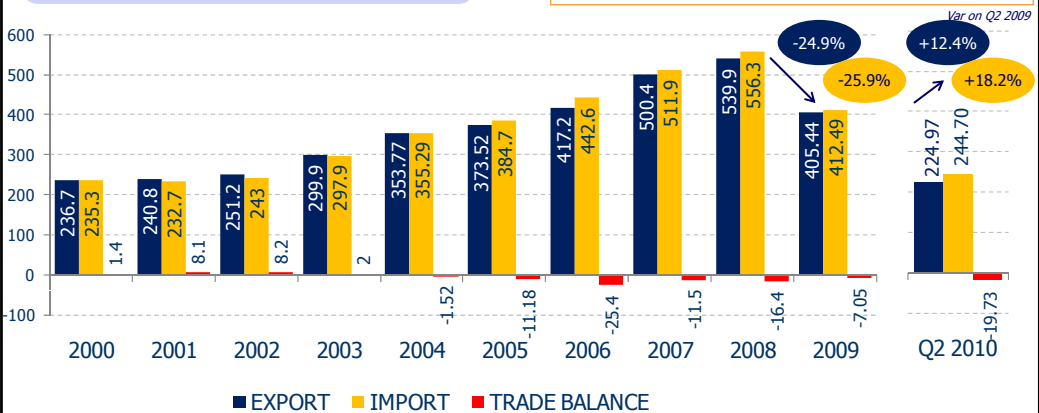
**Italy: foreign trade**

**Foreign trade on GDP % (2009):**

- Export: 19.1% of GDP
- Import: 19.5% of GDP

**Compound annual growth rate (2000-09):**

- Export: +6.2%
- Import: +6.4%

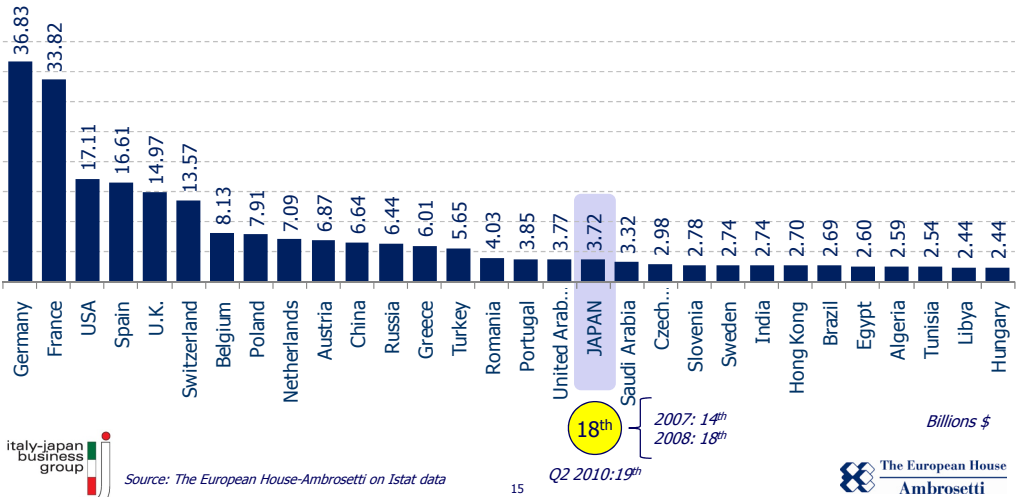


Source: The European House-Ambrosetti on Istat data



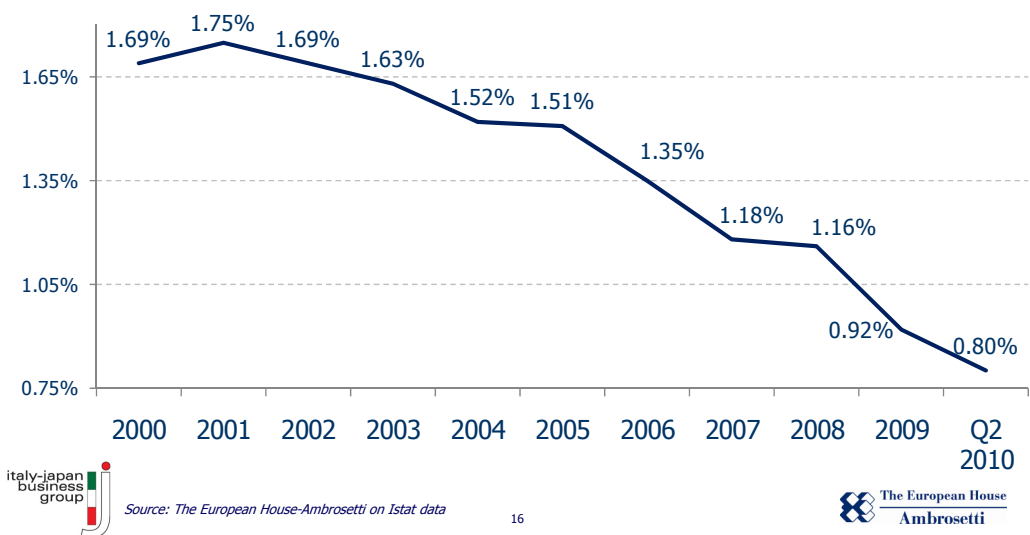
Italian exports to countries in the world

Top 30 recipient countries of Italian exports (2009)



Italy exports to Japan – Market share

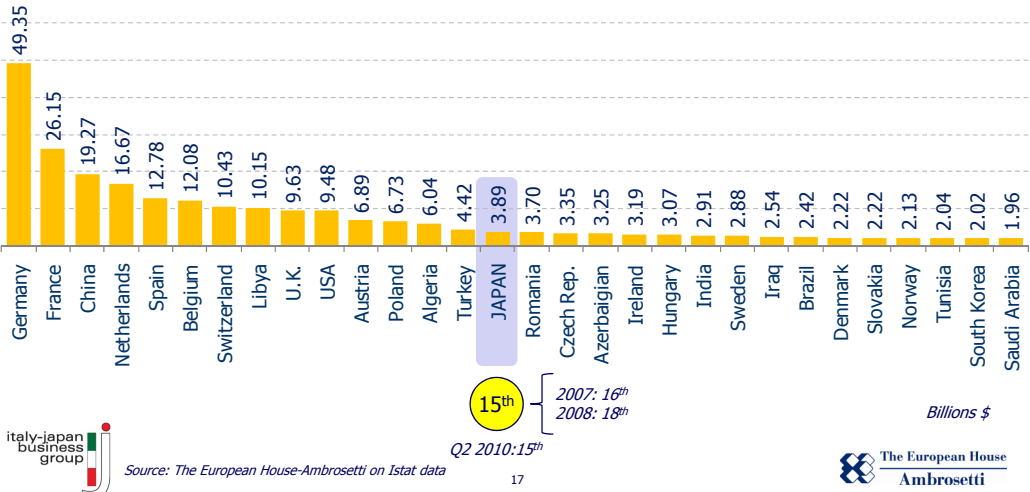
Italy exports to Japan (as % of total exports)





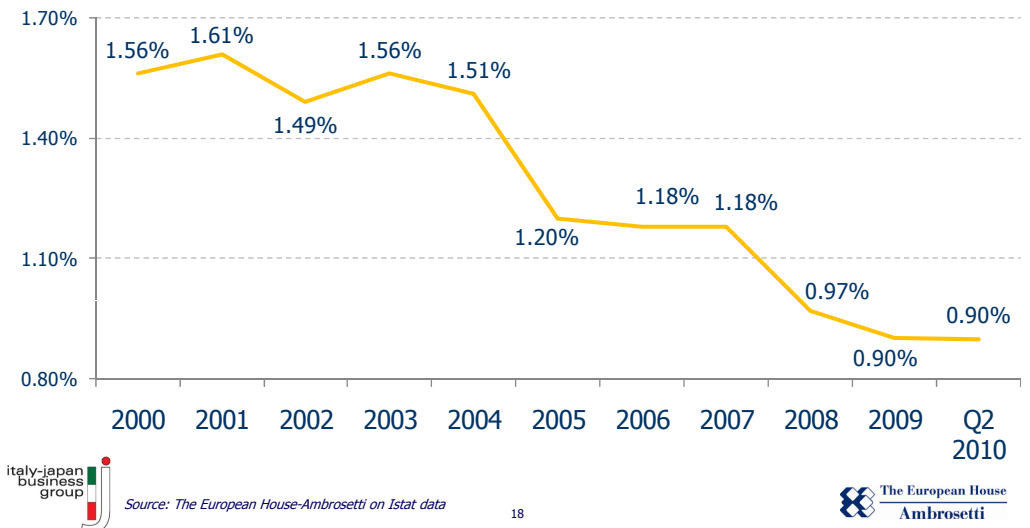
Italian imports from countries in the world

Top 30 importer countries to Italy (2009)



Italian imports from Japan – Market share

Italy imports from Japan (as % of total imports)



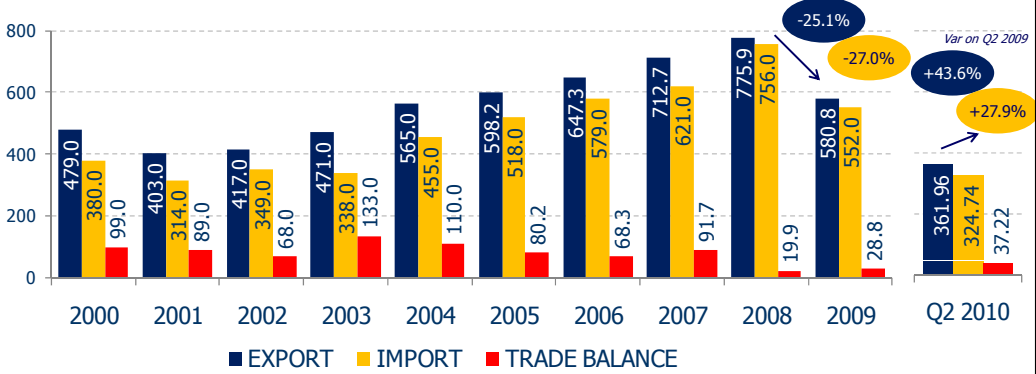
Japan: foreign trade

Foreign trade on GDP % (2009):

- Export: 11.5% of GDP
- Import: 10.9% of GDP

Compound annual growth rate (2000-09):

- Export: +2.2%
- Import: +4.2%



Billions \$

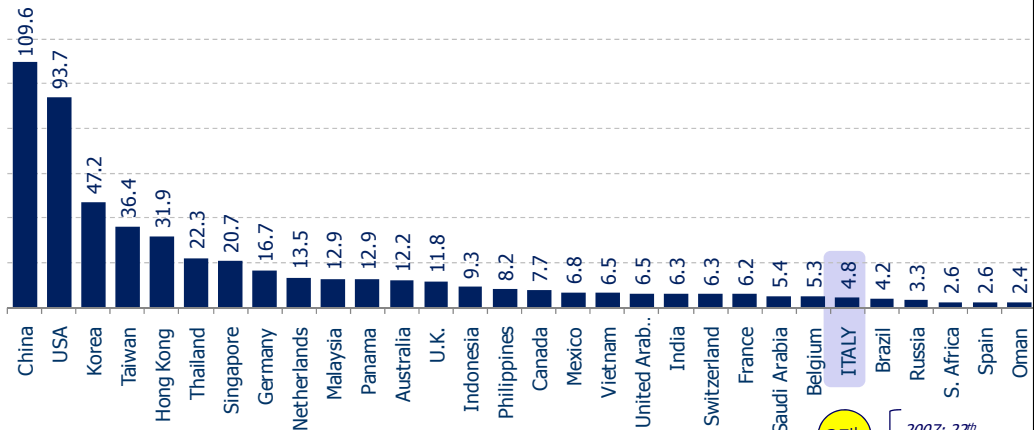


Source: The European House-Ambrosetti on Jetro data



Japan exports to countries in the world

Top 30 recipient countries of Japan exports (2009)



Billions \$

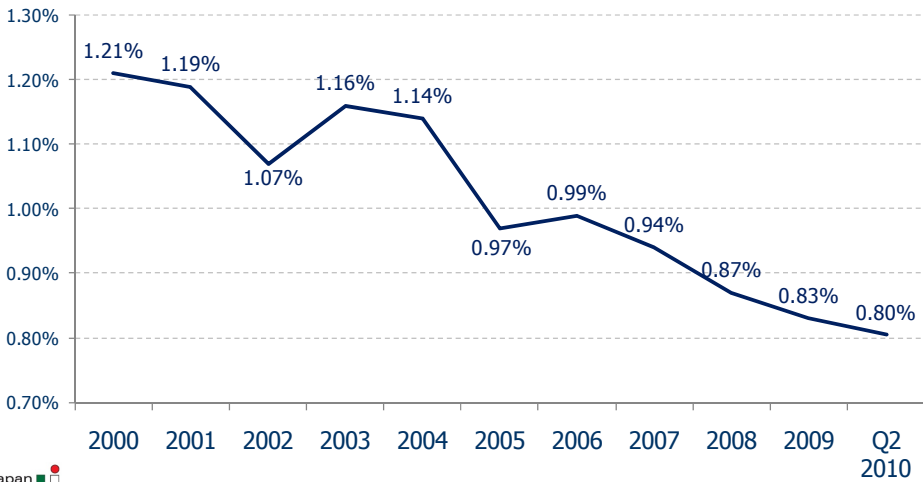


Source: The European House-Ambrosetti on Jetro data



Japan exports to Italy – Market share

Japan exports to Italy (as % of total exports)

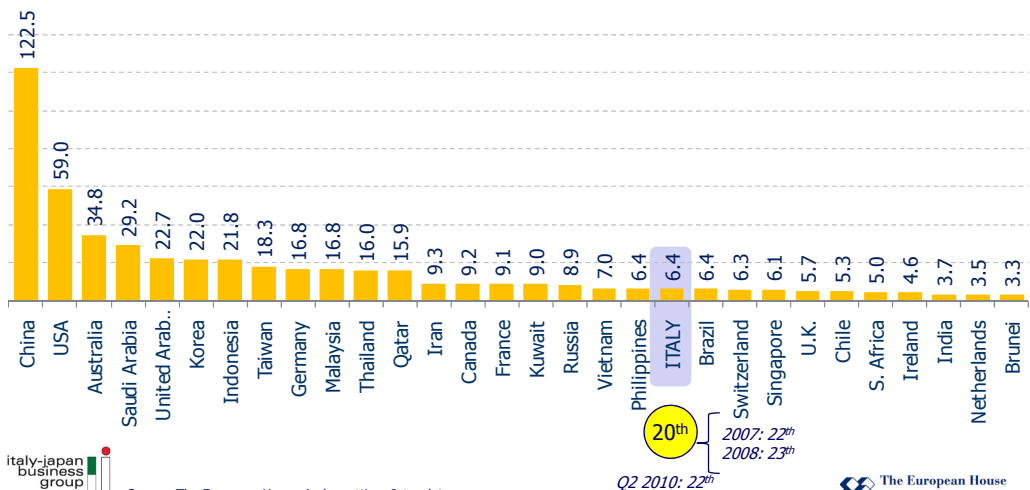


Source: The European House-Ambrosetti on Jetro data



Japan imports from countries in the world

Top 30 importer countries to Japan (2009)

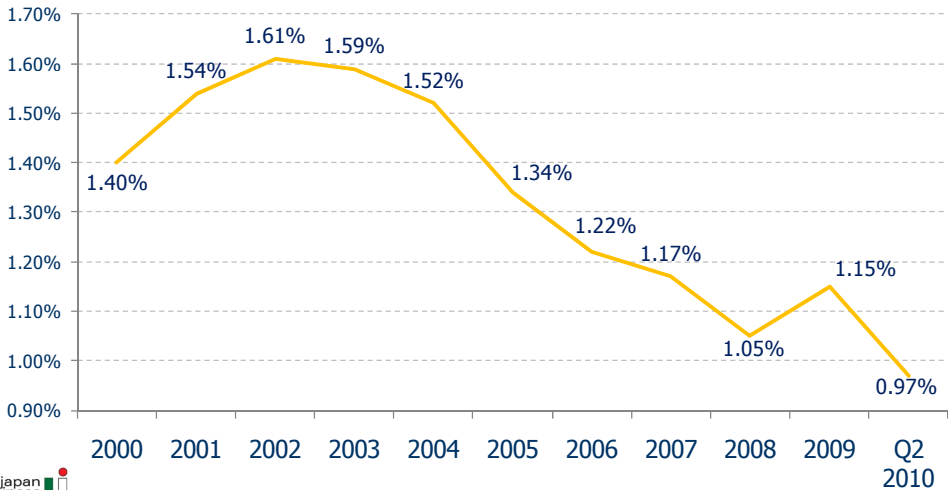


Source: The European House-Ambrosetti on Jetro data



Japan imports from Italy – Market share

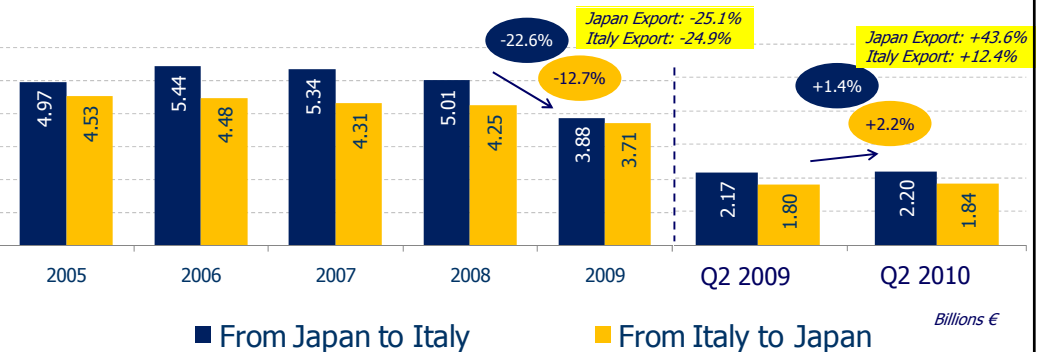
Japan imports from Italy (as % of total imports)



Source: The European House-Ambrosetti on Jetro data



Foreign trade between Japan and Italy (Billions €)

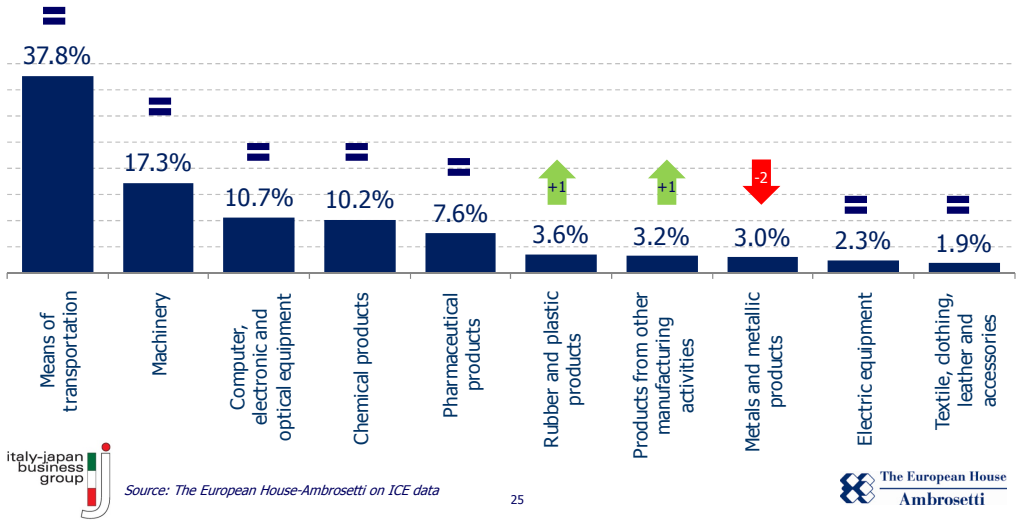


Source: The European House-Ambrosetti on Istat data



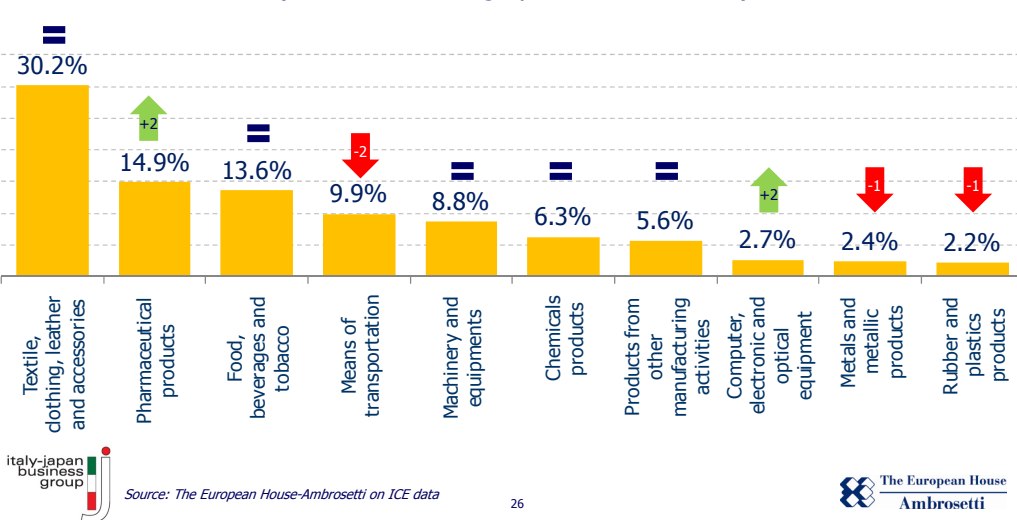
Bilateral trade between Italy and Japan

Top 10 types of products exported by Japan to Italy (2009)  
 (% of total; Change position from 2008)



Bilateral trade between Italy and Japan

Top 10 types products exported by Italy to Japan (2009)  
 (% of total; Change position from 2008)

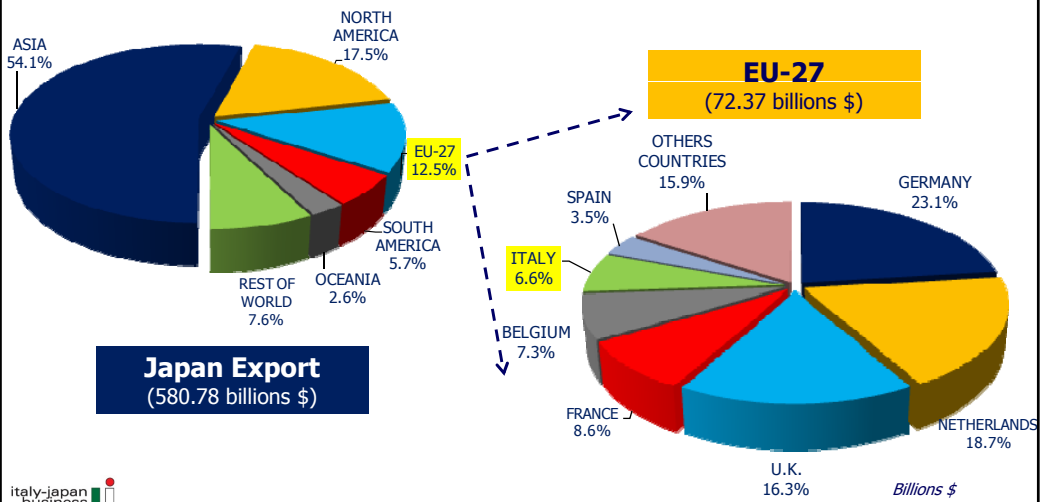


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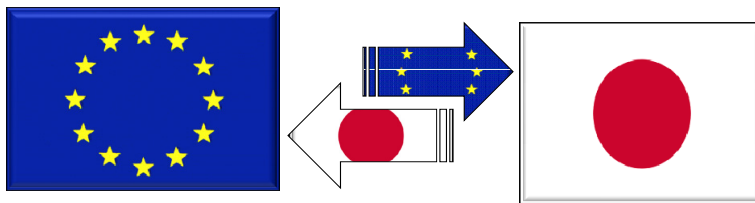
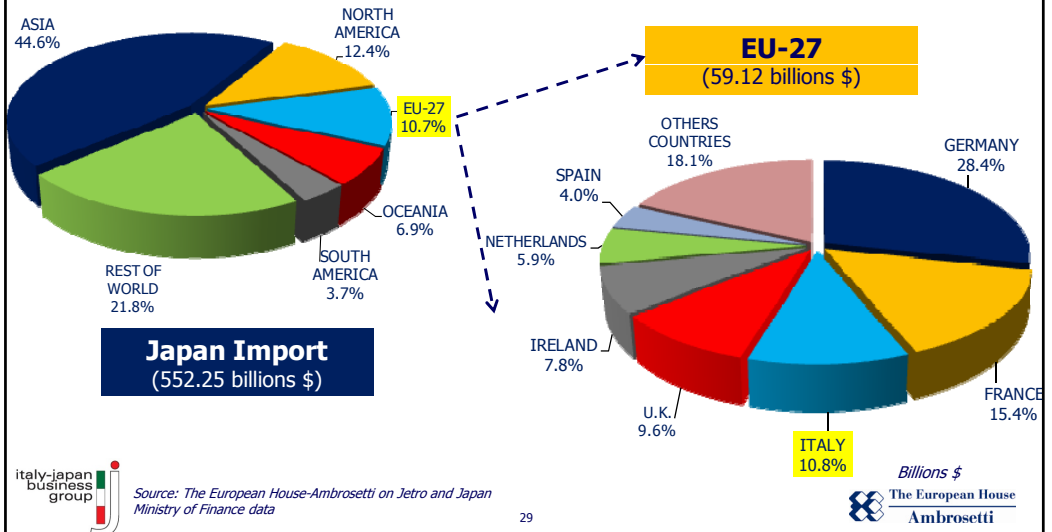
Japan exports to Areas/Countries in the world (2009)



Source: The European House-Ambrosetti on Jetro and Japan Ministry of Finance data



## Japan imports from Areas/Countries in the world (2009)



TARIFF BARRIERS

NON-TARIFF BARRIERS

Tariff barriers between EU and Japan

TARIFF BARRIERS

SECTOR <i>(some areas)</i>	EU TARIFFS ON JAPANESE IMPORT	JAPANESE TARIFFS ON EU IMPORT
Food and beverage	12.36%	34.71%
Chemicals products	2.6%	1.08%
Electrical Machinery	2.32%	0%
Motor vehicles	8.66%	0%
Agriculture products	4.82%	6.70



Source: The European House-Ambrosetti re-elaboration of "Assessment of barriers to trade and investment between the EU and Japan", Copenhagen Economics, November 2009

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Non-tariff barriers between EU and Japan (1/2)

NON-TARIFF BARRIERS

- **Standards, technical regulations and conformity evaluations**  
 (e.g.: Japan does not accept international standards for the use of additives in food products; long periods of time for approval of medical equipment cause a delay of 1-2 years for European products to enter the Japanese market; foreign clinical data on drugs are not yet recognized)
- **Customs procedures**  
 (e.g.: high port costs; long testing procedures for evaluating, classifying and customs authorization for medical equipment)
- **Distribution restrictions**  
 (e.g.: access to the motor vehicle distribution network is complex and costly)



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Non-tariff barriers between EU and Japan (2/2)

**NON-TARIFF BARRIERS**

- **Regulations for defining prices and reimbursement**  
 (e.g.: the system for defining the prices and reimbursement for Japanese drugs does not fully recognize innovation)
- **Public procurement regulations**  
 (e.g.: lack of transparency in public procurement procedures which reduces potential development of exports in the rail equipment sector)
- **Intellectual property protection regulations**  
 (e.g.: risk of importing from China and Korea counterfeit European products)



The economic potential of bilateral trade for EU and Japan

**Estimate of the impact of removal of tariff barriers and reduction in non-tariff barriers in bilateral trade between the EU and Japan**  
*(over the next 10 years)*

	<b>EU</b>	<b>Japan</b>
<b>Tariffs</b>	+14 billion Euros (+23%)	+25 billion Euros (+29%)
<b>Non-tariff measures</b>	+29 billion Euros (+48%)	+28 billion Euros (+32%)

*Note: the impact of removal of tariff barriers is immediate.  
 The impact of removal of non-tariff barriers will be over the next 10 years*



*Source: The European House-Ambrosetti of "Assessment of barriers to trade and investment between the EU and Japan", Copenhagen Economics, November 2009*



The economic potential of bilateral trade for EU and Japan

**Estimate of the impact of removal of tariff barriers and reduction in non-tariff barriers on EU exports to Japan, by sector**

(Over the next 10 years; billions of Euros)

	Baseline trade volume (2008)	Removing tariffs expected impact	Reducing non-tariff measures expected impact	Combined expected impact	Expected trade volume (10 years)	Annual volume at full stretch
Processed foods	4.3	4.8	1	5.8	10.1	+135%
Chemicals (incl. pharma)	9.1	1	10	11	20.1	+121%
Motor vehicles and transport equipment	6.3	0.7	7.5	8.2	14.5	+130%
Machinery (incl. medical)	6.1	0.4	3.1	3.5	9.6	+57%
Metals and metal products	1.4	0.4	2.6	3	4.4	+214%
Wood and paper products	1.9	0.3	2.5	2.8	4.7	+147%
Other sectors (incl. agri.)	10.8	6.1	0.5	6.6	17.4	+61%
Services	21.2	0.4	2.2	2.6	23.8	+12%
<b>Total EU exports to Japan</b>	<b>61.1</b>	<b>14.1</b>	<b>29.4</b>	<b>43.5</b>	<b>104.6</b>	<b>+71%</b>



Source: The European House-Ambrosetti of "Assessment of barriers to trade and investment between the EU and Japan", Copenhagen Economics, November 2009 35



The economic potential of bilateral trade for EU and Japan

**Estimate of the impact of removal of tariff barriers and reduction in non-tariff barriers on Japanese exports to the EU, by sector**

(Over the next 10 years, in billions of Euros)

	Baseline trade volume (2008)	Removing tariffs expected impact	Reducing non-tariff measures expected impact	Combined expected impact	Expected trade volume (10 years)	Annual volume at full stretch
Chemicals	9	1.5	7.6	9.1	18.1	+101%
Electrical machinery	8.8	2.2	4	6.2	15	+70%
Motor vehicles and transport equipment	24.6	17.4	14.1	31.5	56.1	+128%
Other machinery	25	3.2	-1.5	1.7	26.7	+7%
Metals and metal products	1.3	0.7	2.5	3.2	4.5	+246%
Other sectors (incl. agri.)	3.5	0.7	0.6	1.3	4.8	+37%
Services	16.4	-0.3	1.3	1	17.4	+6%
<b>Total Japan exports to EU</b>	<b>88.6</b>	<b>25.4</b>	<b>28.6</b>	<b>54</b>	<b>142.6</b>	<b>+61%</b>



Source: The European House-Ambrosetti of "Assessment of barriers to trade and investment between the EU and Japan", Copenhagen Economics, November 2009 36



The economic potential of bilateral trade for Italy and Japan

- Among the sectors which could benefit most from removal of tariffs and non-tariff barriers in terms of incrementing bilateral trade between the EU and Japan, are a **number of sectors of special importance in trade between Italy and Japan**

**ITALY → JAPAN**

- Food products
- Chemical products and pharmaceuticals
- Machinery (include medical mach.)

**JAPAN → ITALY**

- Motor vehicles
- Chemical products
- Electrical and electronic equipment

The economic potential of bilateral trade for Italy and Japan

- **Applying the percentage increases** in trade calculated by the European Commission study to the values of Italian and Japanese exports, as well as the value of Japanese exports to Italy, both for selected sectors and the total amount of bilateral trade

and

- assuming that the **levels of total trade** between the EU and Japan of various European countries, including Italy, will remain unchanged over the medium-to-long-term period

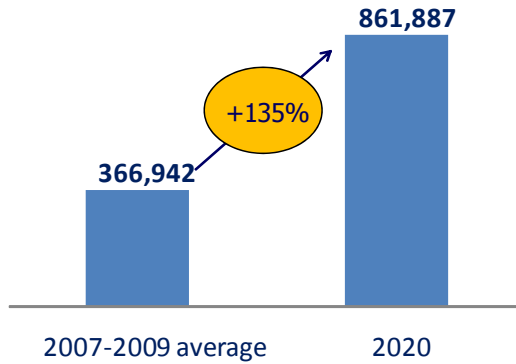
➤ **Estimate of the impact** of removal of tariff barriers and reduction in non-tariff barriers for **Italy and Japan over the medium-to-long-term period**

➤ The calculations were made starting from **average import/export values over the last 3 years (2007-2009)**

The economic potential of bilateral trade for Italy and Japan

**ITALY → JAPAN**

Exports of **processed food**  
(over the next 10 years; thousands Euros)



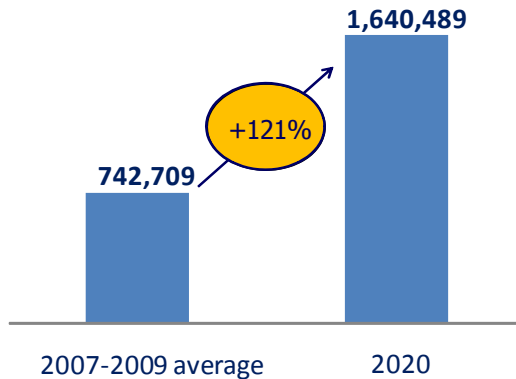
Source: The European House-Ambrosetti of "Assessment of barriers to trade and investment between the EU and Japan", Copenhagen Economics, November 2009 and Coweb ISTAT/ICE data



The economic potential of bilateral trade for Italy and Japan

**ITALY → JAPAN**

Exports of **chemicals (include pharma)**  
(over the next 10 years; thousands Euros)



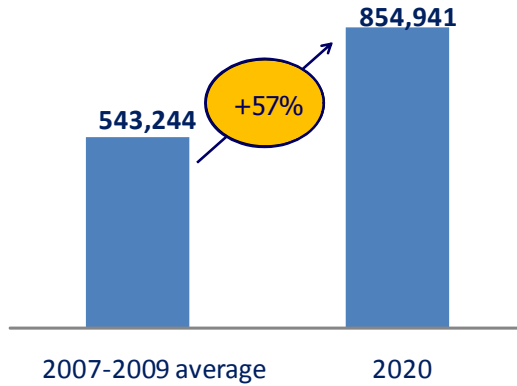
Source: The European House-Ambrosetti of "Assessment of barriers to trade and investment between the EU and Japan", Copenhagen Economics, November 2009 and Coweb ISTAT/ICE data



The economic potential of bilateral trade for Italy and Japan

**ITALY → JAPAN**

Exports of **machinery**  
(over the next 10 years; thousands Euros)

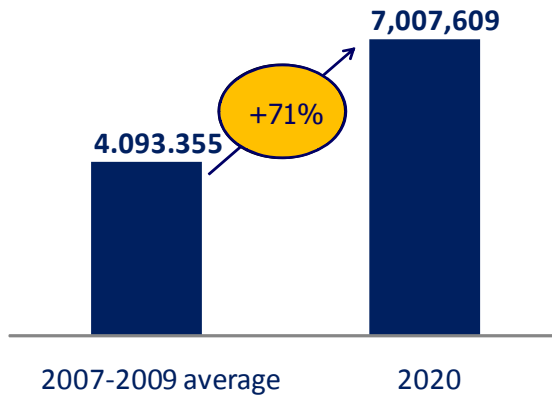


Source: The European House-Ambrosetti of "Assessment of barriers to trade and investment between the EU and Japan", Copenhagen Economics, November 2009 and Coweb ISTAT/ICE data

The economic potential of bilateral trade for Italy and Japan

**ITALY → JAPAN**

**Total Exports** from Italy to Japan  
(over the next 10 years; thousands Euros)

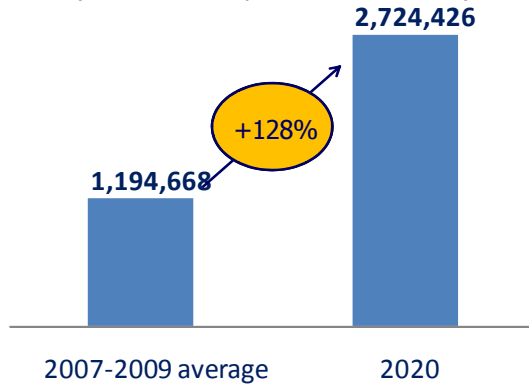


Source: The European House-Ambrosetti of "Assessment of barriers to trade and investment between the EU and Japan", Copenhagen Economics, November 2009 and Coweb ISTAT/ICE data

The economic potential of bilateral trade for Italy and Japan

**JAPAN → ITALY**

Exports of **motor vehicles**  
(over the next 10 years; thousands Euros)

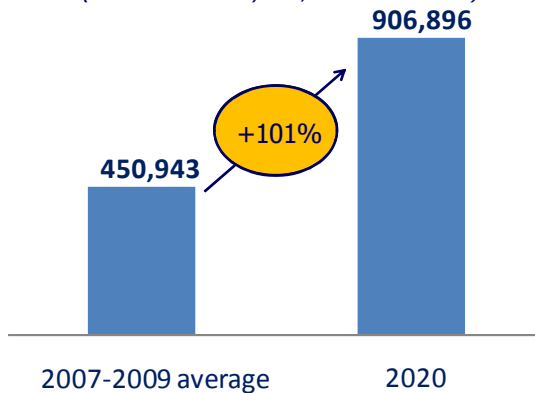


Source: The European House-Ambrosetti of "Assessment of barriers to trade and investment between the EU and Japan", Copenhagen Economics, November 2009 and Coweb ISTAT/ICE data

The economic potential of bilateral trade for Italy and Japan

**JAPAN → ITALY**

Exports of **chemicals products**  
(over the next 10 years; thousands Euros)



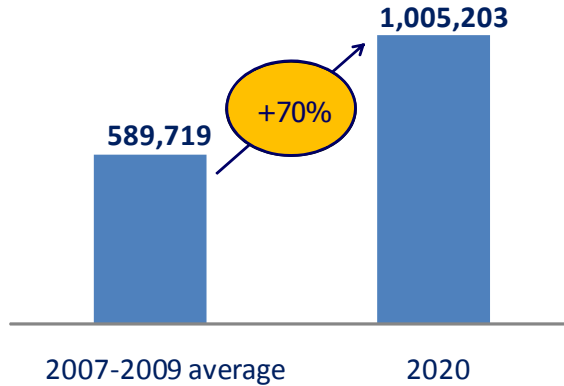
Source: The European House-Ambrosetti of "Assessment of barriers to trade and investment between the EU and Japan", Copenhagen Economics, November 2009 and Coweb ISTAT/ICE data

The economic potential of bilateral trade for Italy and Japan

**JAPAN → ITALY**

Exports of **electrical machinery and electronics**

(over the next 10 years; thousands Euros)



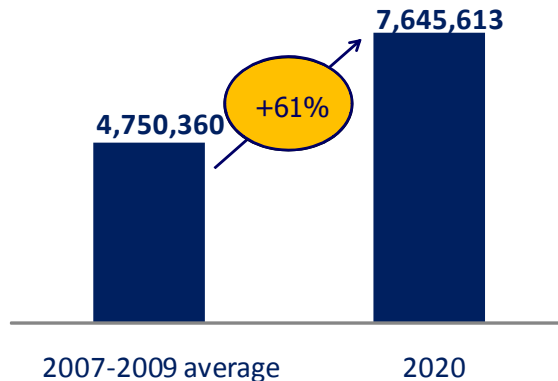
Source: The European House-Ambrosetti of "Assessment of barriers to trade and investment between the EU and Japan", Copenhagen Economics, November 2009 and Coweb ISTAT/ICE data

The economic potential of bilateral trade for Italy and Japan

**JAPAN → ITALY**

**Total exports** from Japan to Italy

(over the next 10 years; thousands Euros)



Source: The European House-Ambrosetti of "Assessment of barriers to trade and investment between the EU and Japan", Copenhagen Economics, November 2009 and Coweb ISTAT/ICE data

The economic potential of bilateral trade for Italy and Japan

ITALY	Processed food	Chemicals products	Machinery	Total Export to Japan
<i>Over the next 10 years; millions Euros</i>	+135%	+121%	+57%	<b>+71%</b>
	494.9	897.7	311.6	<b>2,914.2</b>

JAPAN	Motor veichles	Chemicals products	Electrical machinery	Total Export to Italy
<i>Over the next 10 years; millions Euros</i>	+128%	+101%	+70%	<b>+61%</b>
	1,529.7	455.9	415.4	<b>2,895.2</b>

Anticipation of one of the six proposals by IJBG 2010

IJBG recommends that the authorities accelerate the works for **enhancing Japan-EU economic relationship**, addressing all issues of interest to both sides including, for instance, all **tariffs, non-tariff measures, services, investment** in services and non-services sectors, **Intellectual Property Rights** and **government procurement**