

There's More to Business than Exports

Investment, Strategic Alliances, Tourism

Attracting Italians to Invest in Canada

Attracting investment from Italy is a key goal of the Canadian missions in Italy.

Italians, until very recently, have lagged behind in foreign direct investment (FDI), accounting for only 6 per cent of the European Union's FDI stock abroad.

Official statistics reported that the stock of Italian FDI in Canada is similarly very limited: In 1994, Italian direct investment in Canada totalled \$331 million. Canadian direct investment in Italy totalled \$844 million.

The Federation of Italian Business is strongly advocating that Italian companies invest abroad to preserve and expand their international business successes. This is the right time to be presenting Canada as a production base from which Italians can serve all of North America.

Canada is appealing as an access point to the NAFTA market. In fact, in a recent survey, Italians were the only Europeans to rate Canada ahead of the U.S. as a preferred destination for investment.

In general, since the firms are usually small, privately held and privately financed, Italians

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prefer to strike joint ventures or technology transfer agreements, rather than a greenfield investment. They seek a local partner able to adapt the product to local preferences, offer service support and an established distribution network to generate cash flow more quickly than through a greenfield initiative.

For additional information on the Investment Promotion Program in Italy, please contact Jessie Hislop at the Consulate in Milan and Peter Egyed at the Embassy in Rome.

Strategic Alliances in Industrial Machinery

Canadian producers with unique products will find market niches in Italy. However, to expand sales beyond the Italian subsidiaries of existing multinational clients, a local partnership is essential. The competition from local and German suppliers is intense.

Despite the devaluation of the lira, imports of machinery and equipment are expected to increase 4 per cent in each of the next two years.

With the high rate for the German mark, openings exist for new suppliers that can

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demonstrate a high quality product and commitment to this market.

Customizing the product to local technical norms, translating manuals and training material into Italian, and establishing local service and parts back-up is essential. *A partner is the easiest way to meet these requirements.*

Two-way Street

Italian machinery manufacturers have been very successful in exporting to Canada and the U.S., still, they are willing to consider a partnership that will help:

- * expand market share by offering clients faster delivery, closer service back-up and lower-cost product through local assembly;
- * overcome supply constraints from Italy, driven largely by lack of industrial manpower;
- * position them for the future as the lira recovers value;
- * diversify holdings from Italy and access a more business-friendly environment; and
- * continually improve, discover in North America new features, high tech content or applications that can be incorporated into their product.

In seeking a local partner, Italians often begin with modest ambitions: a local partner who knows the market can adapt the product and marketing to local preferences and offer service support. Alternatively, Italian firms will often consider licensing their technology for the North American market. With a proven market and distribution system, requisite technological capability, and personal rapport, the relationship can evolve (sometimes very quickly) into a true joint venture.

Post Support Services

The Posts in Rome and Milan welcome any Canadian firms interested in identifying an Italian partner for business in Italy, or to acquire technology to bring to the North American market. Contacts in industrial associations and

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