Executive Summary

Italy’s economy, the ninth-largest in the world, is fully diversified, but dominated by small and medium-sized firms (SMEs), which comprise 99.9 percent of Italian businesses. Italy is an original member of the 18-nation Eurozone. Germany, France, the United States, Spain, Switzerland, and the United Kingdom are Italy's most important trading partners, with China continuing to gain ground. Tourism is an important source of external revenue, as are exports of engineering products, mechanical machinery, and textiles/fashion. Italy continues to lag behind many industrialized nations as a recipient of direct foreign investment, and Italy does not have a bilateral investment treaty with the United States (see section on Bilateral Investment Agreements for the full list of countries that have such treaties with Italy).

Italy’s relatively affluent domestic market, proximity to emerging economies in North Africa and the Middle East, and assorted centers of excellence in scientific and information technology research remain attractive to many investors. The government in 2013 remained open to specific foreign sovereign wealth funds to invest in shares of Italian companies and banks and continued to make information available online to prospective investors. The Italian government’s efforts to implement new investment promotion policy that would paint Italy as a desirable direct investment destination were overshadowed in large part by Italy’s ongoing economic weakness, setbacks to reform initiatives, and lack of concrete action on structural reforms that could repair the lengthy and often inconsistent legal and regulatory systems, unpredictable tax structure and layered bureaucracy. However, Italy’s economy is moving into fragile recovery after its longest recession in recent memory and this could provide political momentum for improvements to Italy’s investment climate.

1. Openness To, and Restrictions Upon, Foreign Investment

Italy welcomes foreign direct investment. As an EU Member State, Italy is bound by EU treaties and laws, including those directly governing or indirectly affecting business investments. Under the EU Treaty’s Right of Establishment and the Friendship, Commerce and Navigation Treaty with the United States, Italy is generally obliged to provide national treatment to U.S. investors established in Italy or in another EU member state. Exceptions include access to government subsidies for the film industry; capital requirements for banks domiciled in non-EU member countries; and restrictions on non-EU-based airlines operating domestic routes. Italy also has investment restrictions in the shipping sector.

EU and Italian anti-trust laws give EU and Italian authorities the right to review mergers and acquisitions over a certain financial threshold. The government may block mergers involving foreign firms for "reasons essential to the national economy" or if the home government of the foreign firm applies discriminatory measures against Italian firms. Foreign investors in the defense or aircraft manufacturing sectors are likely to encounter an opaque process and resistance from the many ministries charged with approving foreign acquisitions of existing assets or firms, most of which are controlled to some degree by the parastatal defense conglomerate Finmeccanica.

The Government of Italy (GOI) retains controlling interest (approximately 30 percent of shares), either directly or through quasi-sovereign fund Cassa Depositi e Prestiti, in former monopoly operators ENEL (electricity), Eni (oil/gas), Finmeccanica (industrials/defense), as well as Terna (a spin-off of ENEL specializing in electricity transmission). Moreover, while it does not own any shares in former monopoly Telecom Italia, the GOI has made sure to retain a de facto “golden share” (GOI veto power over ownership and investment decisions thought to pose a danger to national security), claiming that TI is of strategic importance because it still owns the largest portion of Italy’s telecommunications infrastructure. Some maintain that, government policy in these key economic sectors tends to favor the interests of these specific firms, and not necessarily the broader economic good. As part of government reforms to liberalize some services in Italy’s economy, the government approved the unbundling of natural gas distribution from the monopoly operator Eni in early 2012, making it formally independent of GOI control. Separately, General Electric Co. (GE) bought Avio’s aviation parts business for $4.3 Billion; Finmeccanica had been its largest shareholder prior to GE’s purchase. Finmeccanica retained 14 percent of Avio space assets, but negotiations with French aerospace groups continue that could further alter the ownership structure of Avio.

According to the latest available figures from the Italian Trade Commission (ICE) from December 2011, 8,492 foreign companies operate in Italy (compared to 8,396 December 2010), employing 886,254 workers (down from 900,019 in 2010), with overall sales of €498.5 billion (almost equal to €498 billion in 2010). The stock of foreign investment in Italy equals 15 percent of GDP, lower than in many EU countries. Approximately 82 percent of foreign companies operating in Italy are located in the north, a percentage that has grown in recent years as the number of companies in the southern Italy has contracted. The ICE study cites as key obstacles to foreign investment taxes on labor, lack of labor flexibility, bureaucratic red tape, and high corporate taxes.

2. Conversion and Transfer Policies

In accordance with EU directives, Italy has no foreign exchange controls. There are no restrictions on currency transfers; there are only reporting requirements. Banks are required to report any transaction over €15,000 ($22,500) due to money laundering and terrorism financing concerns. Profits, payments, and currency transfers may be freely repatriated. Residents and non-residents may hold foreign exchange accounts. A tax-evasion measure in force since December 2011 requires all payments of goods or services of any kind over €1000 to be made electronically. Enforcement is spotty. The rule exempts e-money services, banks and other financial institutions, but not payment services companies (such as those who can perform wire transfers abroad).

3. Expropriation and Compensation

The Italian constitution permits expropriation of private property for "public purposes," defined as essential services or measures indispensable for the national economy, with fair and timely compensation.

4. Dispute Settlement

Though notoriously slow (civil trials average seven years in length), the Italian legal system meets generally recognized principles of international law, with provisions for enforcing property and contractual rights. Businessmen and travelers to Italy should be aware, however, that the Italian legal system does not share all of the features found in U.S. and other European laws. Civil cases and most criminal cases are decided by judges, without the participation of a jury. Serious criminal cases are decided with lay jurors who sit on panels alongside judges. Italy has a written and consistently applied commercial and bankruptcy law. While the Italian judiciary is independent of the executive branch, parties to disputes sometimes accuse Italian judges of political partisanship. Foreign investors in Italy can choose among different means of dispute resolution, including legally binding arbitration.

Slow and expensive court processes over contract-related disputes, in part a product of the immense backlog of nearly ten million legal cases, have discouraged some companies from doing business in Italy. In January 2012, the government introduced new “business tribunals,” intended to cut down the time it takes to resolve business disputes, but these were really just specialized sections of the already-existing tribunals, and have had little to no impact. The government also introduced measures designed to streamline the legal system, and to promote alternative dispute resolution techniques, such as mediation and decriminalization of minor offenses. The World Justice Project’s Rule of Law Index scored Italy as 19th out of the 24 countries in the Western Europe and North America Region in each of the eight factors it evaluates.

The government mandated steps to speed up civil trials in August 2011, but did not complete implementation before the end of the Monti administration in December 2012. In a positive sign, a civil court in Torino halved the average duration of its arbitration cases simply by implementing two new internal practices: requiring judges to follow only one case at a time and requiring judges to transfer incomplete cases to a colleague if going on an extended leave.

Italy is a member of the World Bank's International Center for the Settlement of Investment Disputes (ICSID). Italy has signed and ratified the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States and is a signatory of the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

Italy’s bankruptcy regulations are somewhat analogous to U.S. Chapter 11 restructuring, and allow firms and their creditors to reach a solution without declaring bankruptcy. In recent years, the judiciary’s role in bankruptcy proceedings has been reduced in an attempt to simplify and expedite proceedings.

5. **Performance Requirements/Incentives/Taxes**

The GOI is in compliance with WTO Trade-Related Investment Measures (TRIMs) obligations. Foreign investors face specific performance requirements only in the telecommunications sector.

The GOI offers modest incentives to encourage private sector investment in economically depressed regions, particularly southern Italy. The incentives are available to foreign investors as well, and U.S. companies can usually access grants if the planned investment is located in priority (less developed) regions and if the companies have subsidiaries in the EU or are partnered with local firms.

The Minister of Education, University and Research has identified, funded, and signed Framework Program Agreements with eleven "Technology Districts" and public-private joint laboratories focused on strategic sectors. The GOI has created Technology Districts to facilitate cooperation between public and private researchers and venture capitalists, support the research and development of key technologies, strengthen industrial research activities, and promote innovative behavior in small- and medium-sized enterprises.

The Italian tax system does not discriminate between foreign and domestic investors. Corporate income tax (IRES) rates are 27.5 percent. The World Bank estimates Italy's effective tax rate on commercial profits at 65.8 percent (the average between 2009 and 2013), the highest rate in the EU. Austerity packages implemented in 2011 increased the IRAP – a separate regional tax on value-added business income – from 3.9 to 4.2 percent for companies with government contracts (agriculture, highway management and tunnels contracts were exempted), to 4.65 percent for banks and financial companies, and to 5.90 percent for insurance companies. Project financing through bonds for companies undertaking public infrastructure projects is granted the same tax advantages as direct government debt. Companies hiring women and youth or hiring in the south are exempted from part of IRAP. IRAP produced €24 billion in tax revenue for the GOI during 2013. The Renzi government announced plans to cut IRAP by 10 percent overall in the second half of 2014, at which point it will define eligibility parameters.

In part to increase tax revenues, Italy introduced new financial transactions taxes (FTT) on March 1, 2013. Financial trading in regulated markets is taxed at 0.12 percent (declining to 0.1 percent on January 1, 2014) and in unregulated markets it will be taxed at 0.22 percent (declining to 0.2 percent in 2014). The tax will apply to daily balances rather than to each transaction. As of July 1, 2013, a financial transactions tax will also apply to trade in derivatives. The fee will be from €.025 to €20.0 for non-speculative transactions and from €12.5 – €100 for speculative transactions. Also beginning in July, high frequency trading will be subject to a 0.02 percent tax on trades occurring every 0.5 seconds or faster (e.g., automated trading).

These financial transactions taxes will not apply to "market makers," pension and small cap funds, donation and inheritance transactions, purchases of derivatives to cover exchange/interest-rate/raw-materials (commodity market) risks, and financial instruments for companies with a capitalization of less than €500 million.

The financial transaction tax (FTT, a.k.a. Tobin tax) only yielded €285 million in revenues in 2013, less than one quarter of the previous Monti government's €1.2 billion estimate back in 2012. Italy was one of the eleven EU member countries to actually implement the tax, despite the fact that senior finance officials were privately expressing skepticism that it would yield significant returns. The FTT is still in force and is expected to yield about €400 million in revenues in 2014.

In 2009 the U.S. and Italy enacted an income tax agreement to prevent double-taxation of each other's' nationals and firms, and to improve information sharing between tax authorities.

To offset the effect of corporate tax cuts on public revenue, in 2011 the GOI introduced compensatory measures that keep effective rates of taxation high. They include:

-- setting new limits to the deductibility of interest;

-- abolishing accelerated depreciation; and

-- revising the tax treatment of consolidated reporting.

The government has sought to curb rampant tax evasion by improving enforcement and changing popular attitudes. The GOI actions include a public communications effort to reduce tolerance of tax evasion; increased and very visible financial police controls on businesses (e.g., raids on businesses in vacation spots at peak holiday periods); and audits requiring individuals to prove claims that they make less than the tax authorities believe. The GOI is also engaged in limiting tax avoidance.

On January 10, 2014 representatives of the governments of Italy and the United States in Rome signed an intergovernmental agreement to implement provisions of U.S. law known as "FATCA" (Foreign Account Tax Compliance Act). The FATCA intergovernmental agreement (IGA) allows for the automatic exchange of information between tax authorities and reflects an agreement negotiated between the United States and five European Union countries (France, Germany, Italy, Spain, and the United Kingdom). The automatic exchange of information under the IGA will take place on the basis of reciprocity, and will include accounts held in the United States by persons resident in Italy and those held in Italy from U.S. citizens and residents.

The Italian government approved a decree in January 2014 providing incentives for Italians to repatriate funds they had improperly moved to offshore accounts. In this voluntary disclosure program, those who repatriate funds and file the appropriate paperwork will be allowed to pay the outstanding capital gains taxes but will be spared a fine. The Finance Ministry estimates that €200 billion has been removed from Italy for the express purpose of evading taxes, and that the agreement could incentivize the repatriation of up to €80 billion. If successful, this could translate into almost €15 billion in capital gains revenues for the Treasury's coffers. Individuals will have from September 2014 until September 2015 to participate in the program.

On February 28, 2014 Italy's Parliament completed the final approval of the enabling legislation for a major tax overhaul that has been in draft since late 2011. The legislation has been on the list of "priority" reforms for the Monti, Letta and now Renzi governments. Once implemented, the legislation will reform the cadastral register (by basing real estate values on square footage of residences rather than number of rooms), simplify tax filing procedures, and tighten rules on litigation against tax evaders. The government now has one year to implement the enabling legislation through ten decrees of implementation.

6. Right to Private Ownership and Establishment

There is no limitation in the Italian constitution or civil law on the right to private ownership and establishment of investments.

7. Protection of Property Rights

Italy remained on the Watch List in USTR's 2013 Special 301 Report, primarily due to ongoing concerns about piracy over the Internet. However, the Italian Communications Authority (AGCOM) issued a new regulation to combat digital copyright theft on December 12, 2013. The regulation, which entered into force on March 31, 2014, provides AGCOM with the administrative authority to block domestic sites and access to international sites offering illegal content. This will provide a streamlined procedure to address illegal content, largely reducing the need to go through the lengthy court system. This package was enacted after years of public debate over how to address the problem, and a vibrant public debate over AGCOM's authority to actually issue the regulation.

Copyrighted works sold in Italy generally must bear a sticker issued by SIAE, Italy's royalty collection agency operating under loose authority from the Ministry of Culture. Business software is exempted, though obtaining this exemption requires some (tedious) paperwork. The music and film industries previously supported application of the sticker, but are now dissatisfied with the system, asserting it has become overly burdensome, costly, and has failed to provide adequate protection from piracy.

Italy is a member of the Paris Union International Convention for the Protection of Industrial Property (patents and trademarks), to which the United States and about 85 other countries adhere. U.S. citizens generally receive national treatment in acquiring and maintaining patent and trademark protection in Italy. After filing a patent application in the United States, a U.S. citizen is entitled to a 12-month period within which to file a corresponding application in Italy and receive rights of priority. Patents are granted for 20 years from the effective filing date of application and are transferable. U.S. authors can obtain copyright protection in Italy for their work first copyrighted in the United States, merely by placing on the work, their name, date of first publication, and the symbol (c).

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Embassy point of contact: Ryan Miller: MillerRS1@state.gov

Local lawyers list: http://italy.usembassy.gov/acs/professionals/lawyers/lawyers-main.html

8. Transparency of The Regulatory System

Italy is subject to single market directives mandated by the EU, which are intended to harmonize regulatory regimes among EU countries.

Italy is slowly tackling some of the red tape and other obstacles that have hampered business in the past. The World Bank's 2014 edition of its "Doing Business" guide ranks Italy 65th out of 189 countries, (up 8 places from last year) for ease of doing business. A "liberalization" decree in January 2012 provided limited incentives for entrepreneurs under age 35 starting a new businesses, including cutting the registration fee to one euro and reducing filing requirements. The government issued a broader simplification decree in early February 2012 that eliminated 15 obsolete laws to reduce the amount of red tape and fees required for anyone seeking to open a business. In December 2012, the government passed a decree providing tax credits for startups and incubators, as well as for private infrastructure investment. The decree also authorized creation of a new "Desk Italia" a single contact point at the Ministry of Economic Development to attract FDI and support investors willing to invest in Italy. Desk Italia was subsequently followed by Destinazione Italia, a package of measures designed to simplify and improve the investment climate via a combination of both parliamentary actions and administrative procedures in cooperation with local Chambers of Commerce, regional authorities, the Institute for Foreign Trade (ICE) and Invitalia. Desk Italia still doesn't have a budget, staff, website or phone number as of early 2014, and it is unclear whether the Destinazione Italia measures will continue to be implemented given the recent change in government.

A web of sometimes contradictory laws and regulations serves as a useful tool at times for vested interests to use against foreign competitors. In addition, in some industries, such as new media and financial services, investors have complained that local judicial authorities seem to lack the technical capacity to enforce Italian laws on, for example, consumer protection, IPR, and competition.

9. **Efficient Capital Markets and Portfolio Investment**

The Italian banking system remains relatively sound but profit margins have suffered since 2011 as a result of tensions in the sovereign debt market, tightening of European rules for evaluating bank assets, and related requirements to increase banks' capital bases. According to the Bank of Italy, the recession brought a pronounced worsening of the quality of banks' assets. The ratio of non-performing loans on total outstanding loans increased significantly, especially for lending to non-financial firms. Non-performing loans doubled in four years to 160 billion euro and accounted for 8.1 percent of all loans at the end of 2013, and the Bank of Italy expects this lagging indicator to continue to rise throughout 2014, even after the start of a weak economic recovery in late 2013.

Banks are buying government bonds and stockpiling cash, according to BOI statistics. Italian bank loans to businesses fell by 5.3 percentage points from a year earlier as of December 2013, after falling by 3.4 percent the year before. This is the longest and deepest decline in lending in at least a decade. Lending to businesses continued to be affected both by the weak demand and risk aversion by banks, which have strengthened lending criteria to riskier customers thanks to the effect of the lengthy recession on banks' balance sheets. The latest business surveys confirm the difficulty in gaining access to credit, especially for smaller firms.

The banking system in Italy consolidated significantly during several major 2007 mergers, but Bank of Italy regulators are advising banks that they must undergo additional consolidations starting in 2014 in order to repair weak profitability, including significant reduction of personnel, sale of assets, and reduction in the number of branches. Despite worries that a Europe-wide asset quality review in 2014 will reveal underlying weaknesses in the Italian banking sector, the Bank of Italy maintains that its supervisory standards and its definition of non-performing loans remain among the strictest in Europe.

At the end of 2012 there were 24 subsidiaries of foreign companies or banks operating in Italy out of 706 total banks, 34 fewer than a year earlier. Two of these foreign subsidiaries – Deutsche Bank and BNP Paribas – figured among Italy's top ten banking groups, holding 8.4 percent of total Italian assets. Thirty-seven foreign shareholders – mainly from EU countries – held equity positions of at least five percent in 48 banks. In 2012, seven banks began to operate and forty-four closed as a result of 35 mergers, takeovers and assets disposals (largely to reorganizations within banking groups), five liquidations and the conversion of one bank into a financial company.

Financial resources flow relatively freely in Italian financial markets and capital is allocated mostly on market terms. Foreign participation in Italian capital markets is not restricted. While foreign investors may obtain capital in local markets and have access to a variety of credit instruments, access to equity capital is difficult. Italy has a relatively underdeveloped capital market and businesses have a long-standing preference for credit financing. What little venture capital that exists is usually provided by established commercial banks and a handful of venture capital funds.

The London Stock Exchange owns the Milan Stock exchange, Italy's only stock exchange. The exchange ("Borsa Italiana") is relatively small -- fewer than 300 companies -- and is effectively an inaccessible source of capital for most Italian firms. While Italian firms prefer to get capital from banks, the Bank of Italy governing board and the Ministry of Economy and Finance have initiated some programs to encourage firms of all sizes to seek alternative forms of financing, including through venture capital and corporate bonds. The Italian Companies and Stock Exchange Commission (CONSOB), established in 1974 and strengthened in 2005 after a spate of scandals, is the Italian securities regulatory body. In January 2011, EU Member States established three EU-level regulatory agencies for financial services and related activities: A London-based banking oversight institution (EBA), a Paris-based financial market oversight institution (ESMA), and a Frankfurt-based insurance and pension funds oversight institution (EIOPA).

Most non-insurance investment products are marketed by banks, and tend to be debt instruments. Italian retail investors are conservative, valuing the safety of government bonds over most other investment vehicles. Less than ten percent of Italian households own Italian company stocks directly. Of those who do own stocks, the weight of direct stock shareholding in their portfolios averaged 14 percent in 2011. A few banks have established private banking divisions to cater to high-net-worth individuals with a broad array of investment choices, including equities and mutual funds.

There are no restrictions on foreigners engaging in portfolio investment in Italy. Financial services companies incorporated in another EU member state may offer investment services and products in Italy without establishing a local presence. Cross-EU standardization of regulations should address U.S. and other foreign banks' complaints that Italian interpretation of EU financial regulations tends to be stricter than in other countries. Any Italian or foreign investor acquiring a stake in excess of two percent of a publicly traded Italian corporation must inform CONSOB, but does not need its approval. Any Italian or foreign investor seeking to acquire or increase its stake in an Italian bank equal to or greater than ten percent must receive authorization from the Bank of Italy. See http://www.informazione.it/a/A6D77212-C268-4CA2-B0DA-05AB91CD21F4/Banche-autorizzazione-Bankitalia-adesso-solo-per-quote-oltre-10

10. **Competition from State Owned Enterprises**

The Italian government has in the past owned and operated a number of monopoly or dominant companies in certain strategic sectors. However, beginning in the 1990s and through the early 2000s, the government began to privatize partially most of these state owned enterprises. Notwithstanding this privatization effort, as noted above, the government still retains a de facto controlling interest in several key industrial firms, including Finmeccanica (a defense/aerospace/security conglomerate), Eni (oil and gas), ENEL (electricity), and Terna (utilities). The GOI also maintains full ownership of Trenitalia (transportation) and Poste Italiane's financial services operations). Although the GOI no longer owns Telecom Italia, it can restrict who can buy large stakes in the company according to "golden share" provisions. In practice, these parastatal firms still benefit from their past monopoly status and, sometimes, their ownership of costly infrastructure. Existing laws and practices give them an advantage in public procurement decisions and other critical areas affecting their business. In some cases, particularly in the industrial sectors, U.S. firms seeking to do business in these strategic areas have found it advantageous to form partnerships with the parastatals rather than trying to compete head-to-head. Some opportunities have emerged for new firms in recent years, such as Nuovo Trasporto Viaggiatori (New Passenger Transport, commonly known as Italo), which began operating high-speed trains across Italy in 2012, breaking Trenitalia's monopoly.

11. **Corporate Social Responsibility**

Since 2000, when it signed the Declaration on International Investment and Multinational Enterprises, Italy has supported and encouraged compliance with the OECD's Guidelines for Multinational Enterprises ("Guidelines"), which are recommendations addressed by governments to multinational enterprises operating in or from adhering countries (the OECD members plus Argentina, Brazil and Chile). They provide voluntary principles and standards for responsible business conduct, in a variety of areas including employment and industrial relations, human rights, environment, information disclosure, competition, taxation, and science and technology.

Key links: OECD Guidelines: http://www.oecd.org/dataoecd/12/21/1903291.pdf
Full text in English: http://www.oecd.org/dataoecd/56/36/1922428.pdf

The Italian National Contact Point (NPC) for encouraging observance of the Guidelines in Italy and for ensuring that the Guidelines are well known and understood by the national business community and by other interested parties is located in the Ministry of Economic Development. The NPC spreads and enforces the Guidelines, disseminates related information, promotes the collaboration among national and international institutions, the economic world and the civil society.

Key link: Italian National Contact: http://pcnitalia.sviluppoeconomico.gov.it/en/

12. **Political Violence**

Political violence is not a threat to foreign investments in Italy, but corruption, especially associated with organized crime, can be a major hindrance, particularly in the south – see next section.

13. **Corruption**

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

Corruption and organized crime are significant impediments to investment and economic growth in parts of Italy. Corruption costs Italy an estimated €60 billion annually in wasted public resources, and effectively combating corruption has been a goal for successive Italian governments. In October 2012, the Italian parliament passed an anti-corruption law promoting transparency in public administration and prohibiting persons found guilty of serious crimes from holding public office. The law also provides for the appointment of an Anti-Corruption High Commissioner to head the new National Anti-Corruption Authority (CiVIT), which is responsible for adopting an anti-corruption plan; monitoring its implementation; recommending measures to be taken by other agencies; and conducting inspections and investigations in conjunction with the financial police. A potential lack of adequate funding provisions, however, could limit CiVIT's ability to carry out its mandate. In November 2012, the parliament passed legislation that expanded CiVIT's investigative powers and reorganized it as the National Anti-Corruption Authority. The legislation included stiffer penalties for those convicted of bribery-related offenses, protective measures for whistleblowers, and requirements for greater transparency in public contracts. It also prohibits anyone convicted of a serious crime from holding certain public administration positions.

Organized crime is particularly prevalent in four regions of the south (Sicily, Calabria, Campania, and Apulia). Organized crime (Mafia, Camorra, 'Ndrangheta and Sacra Corona Unita) had an estimated turnover in 2011 of €140 billion (including legitimate commercial activities accounting for €92 billion), or 7 per cent of Italy's GDP. Organized crime is involved in murder, racketeering, loan-sharking, drug smuggling, illegal toxic waste disposal, money laundering, corruption of public officials, illegal construction, the manufacture and distribution of pirated and counterfeit products, and prostitution. There is anecdotal evidence that organized crime groups may be attempting to profit from the tight credit climate, by increasing their loan-sharking activities. However, organized crime is not limited to the south; in fact, the main crime syndicates are heavily involved in money laundering and drug trafficking throughout the country and abroad. There is increasing organized crime influence in the northern regions, particularly Lombardia, Emilia Romagna and Liguria. The statutes of Italy's main business association (Confindustria) require it to expel members found to be paying protection money and to assist those in reporting extortion attempts to authorities.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act

In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/fcpa/

Other Instruments

It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. Italy is party to the OECD Antibribery Convention and the UN Convention, and has signed but not ratified the Council of Europe Conventions. Generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention

The OECD Antibribery Convention entered into force in February 1999. As of April 2012, there are 39 parties to the Convention including the United States (see http://www.oecd.org/daf/briberyininternationalbusiness/anti-briberyconvention/40272933.pdf). Major exporters China and India are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. Italy ratified the 1997 OECD Convention on Combating Bribery and implemented its provisions in September 2001.

UN Convention

The UN Anticorruption Convention entered into force on December 14, 2005, and there are 165 states to it as of December 2012 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Italy enacted the United Nations Convention against Corruption in 2009.

Council of Europe Criminal Law and Civil Law Conventions

Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of January 2013, the Criminal Law Convention has 50 parties and the Civil Law Convention has 42. Italy is a party to both.
(See http://www.coe.int/t/dghl/monitoring/greco/default_en.asp.)

Free Trade Agreements

While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade

Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements. Italy does not have an FTA with the U.S.

Local Laws

U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above. Corruption is punishable under Italian law. As in all judicial processes, much discretion regarding punishment is left to the presiding judge. Most corruption in recent years has involved government procurement or bribes to tax authorities. Bribes are not considered deductible business expenses under Italian tax law.

Assistance for U.S. Businesses

The U.S. Department of Commerce offers services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in major U.S. and foreign cities, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report a Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA

The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Commerce, U.S. Department of Commerce Website at http://www.commerce.gov/os/ogc/international-commerce. More general information on the FCPA is available at the Websites listed below.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa.

Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf.

General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.

Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 176 countries and territories around the world. The CPI is available at: http://cpi.transparency.org/cpi2012/results/. In the CPI report, TI placed Italy in 72nd position alongside Bosnia and Sao Tome. Italian authorities claim that the CPI index is misleading and unfair to Italy. While highly publicized anti-corruption enforcement activities have been underway for years, there is general agreement that a high level of corruption limits Italy's economic growth and ability to attract foreign investment. TI also publishes an annual Global Corruption Report (GCR) which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/research/gcr.

The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 215 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/index.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS.

The World Economic Forum publishes the Global Enabling Trade Report, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/s?s=global+enabling+trade+report.

Additional country information related to corruption can be found in the U.S. State Department's annual Human Rights Report available at http://www.state.gov/g/drl/rls/hrrpt/.

Global Integrity, a nonprofit organization, publishes its annual Global Integrity Report, which provides indicators for 109 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org/.

14. **Bilateral Investment Agreements**

Italy has bilateral investment agreements with the following countries:
Albania
Algeria
Angola
Argentina
Armenia
Azerbaijan
Bahrain
Bangladesh
Barbados
Belarus
Belize (signed, not in force)
Bolivia
Bosnia and Herzegovina
Brazil (signed, not in force)
Cameroon
Cape Verde (signed, not in force)
Chad
Chile
China
Congo
Cote d'Ivoire (signed, not in force)
Croatia
Cuba
Democratic Republic of Congo (signed, not in force)
Djibouti (signed, not in force)
Dominican Republic
Ecuador
Egypt
Eritrea
Ethiopia
Gabon
Georgia
Ghana (signed, not in force)
Guatemala
Guinea

Hong Kong
India
Indonesia
Iran, Islamic Republic of
Jamaica
Jordan
Kazakhstan
Kenya
Korea, DPR of (signed, not in force)
Korea, Republic of
Kuwait
Lebanon
Libya
Macedonia, Republic of
Malawi (signed, not in force)
Malaysia
Mauritania (signed, not in force)
Mexico
Moldova, Republic of
Mongolia
Morocco
Mozambique
Namibia (signed, not in force)
Nicaragua (signed, not in force)
Nigeria
Oman
Pakistan
Panama
Paraguay (signed, not in force)
Peru
Philippines
Qatar
Russian Federation
Saudi Arabia
Senegal (signed, not in force)
Serbia
South Africa
Sri Lanka
Sudan (signed, not in force)
Syrian Arab Republic
Tanzania, United Republic of
Tunisia
Turkey
Turkmenistan (signed, not in force)
Uganda
Ukraine

United Arab Emirates
Uruguay
Uzbekistan
Venezuela (signed, not in force)
Vietnam
Yemen
Zambia (signed, not in force)
Zimbabwe (signed, not in force)

15. **OPIC And Other Investment Insurance Programs**

The U.S. Overseas Private Investment Corporation (OPIC) does not operate in Italy, as it is a developed country. Italy's Export Credit Agency, SACE, is a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA).

16. **Labor**

As a result of its longest recession in post-war history, Italy's unemployment rate reached 13.1 percent in February 2014, its highest level in nearly three decades.

Despite a fledgling recovery, most observers expect the unemployment rate, as a lagging indicator, will increase in 2014 and 2015. The official unemployment data does not account for temporarily laid-off employees who receive benefits from Italy's "wage guarantee fund" (for struggling or restructuring companies) and people who are discouraged and not looking for a job. Participation in the labor market is among the lowest in the industrialized world, especially among women, the young and the elderly.

In February 2014, the unemployment rate for youth between the ages of 14 and 25 reached 42.3 percent, the highest level since recordkeeping began in 1992. The level is well above the EU28 average (22.9 percent) and Euro Area average (23.5 percent); only Spain, Greece, Spain and Croatia have higher rates. An estimated 2.2 million Italians between the ages of 15 to 34 do not study, do not work, and are not looking for a job. Of those who do find work, most are hired under temporary contracts.

Traditional regional labor market disparities remain unchanged, with the southern third of the country posting a significantly higher unemployment rate compared to northern and central Italy. Despite these differences, internal migration within Italy remains modest, while industry-wide national collective bargaining agreements set equal wages across the entire country. Shortages in the North of unskilled and semi-skilled labor are often filled by immigrants from Eastern Europe and North Africa. Skilled labor shortages are also a problem in the north. On paper, companies may bring in a non-EU employee after the government-run employment office has certified that no qualified, unemployed Italian is available to fill the position. In reality, the cumbersome and lengthy process acts as a deterrent to foreign firms seeking to comply with the law, and there are language barriers that prevent outsiders from competing for Italian positions. Work visas are subject to annual quotas, although intra-company transfers are exempt from quota limitations. There are substantial legal obstacles to hiring and firing workers although in recent years, the Italian labor market has become slightly more flexible. As a result of labor reforms in Italy between 1997 and 2012, including those under Labor and Welfare Ministers Treu (1997), Biagi

(2003), and Fornero (2012), Italy's labor market is more flexible than 15 years ago overall, but this flexibility extends only to a limited number of workers. While the reforms in 1997 and 2003 improved incentives for companies to hire, many criticized that the rising number of temporary contract workers in Italy, especially youth, were not entitled to the same job protections and benefits as permanent employees. As a result, the reforms of 2012 reforms reversed some of those gains by limiting the length and terms of temporary contract workers. While companies complained this made it more difficult for companies to hire new workers, two successive governments have taken steps to reintroduce flexibility in hiring contract workers. High costs and legal obstacles associated with laying off workers still remain a disincentive to adding permanent employees. Companies may hesitate in giving new hires full-time contracts because job protection laws make it difficult to later fire them, despite new flexibility on the hiring side as noted above. Ironically given the high youth unemployment rate, firms interested in investing in Italy may have difficulty finding specialized and experienced young employees. This is at least partially a result of Italy's "brain drain" of especially well-educated young workers.

Italy is an International Labor Organization (ILO) member country. Terms and conditions of employment are periodically fixed by collective labor agreements in different professions. Most Italian unions are grouped into four major national confederations: the General Italian Confederation of Labor (CGIL), the Italian Confederation of Workers' Unions (CISL), the Italian Union of Labor (UIL), and the General Union of Labor (UGL). The first three organizations are affiliated with the International Confederation of Free Trade Unions (ICFTU), while UGL has been associated with the World Confederation of Labor (WCL). The confederations negotiate national level collective bargaining agreements with employer associations, which are binding on all employers in a sector or industry irrespective of geographical location.

17. **Foreign Trade Zones/Free Ports**

The main free trade zone in Italy is located in Trieste, in the northeast. At Trieste FTZ, customs duties are deferred for 180 days from the time the goods leave the FTZ and enter another EU country. The goods may undergo transformation free of any customs restraints. An absolute exemption is granted from any duties on products coming from a third country and re-exported to a non-EU country. Legislation to create other FTZs in Genoa and Naples exists, but has yet to be implemented. A free trade zone operated in Venice for a period but is being restructured. Currently, goods of foreign origin may be brought into Italy without payment of taxes or duties, as long as the material is to be used in the production or assembly of a product that will be exported. The free-trade zone law also allows a company of any nationality to employ workers of the same nationality under that country's labor laws and social security systems.

An "urban tax-free zone" has also been set up in the city of L'Aquila that was hit by the earthquake in April 2009. Small and medium sized enterprises that set up activities in the city will pay no or reduced corporate income tax, property tax and payroll taxes for five years. The incentives are not automatic and must be applied for at the beginning of each calendar year until the €50 million set aside are committed and will not exceed €200 thousand per company. A "tax free zone" has also been approved and financed by the Government of Italy for the Province of Caltanissetta in central Sicily with €50 million in European structural funds. It should take effect during in 2013 but the exact incentives were not known at the time of publication.

U.S. Companies in Italy

The largest U.S. companies in Italy, based on number of employees, are: IBM, General Electric, Pfizer, Whirlpool, Electronic Data Systems (EDS), Lear, and United Technologies.

18. **Foreign Direct Investment and Foreign Portfolio Investment Statistics**

The Italian Trade Commission (ICE) reported that as of December 2011 8,492 foreign companies operate in Italy (compared to 8,396 December 2010), employing 886,254 workers (down from 900,019 in 2010), with overall sales of €498.5 billion (in line with €498 billion in 2010). Based on UNCTAD statistics and Italian GDP data, the stock of foreign investment in Italy was approximately 15 percent of GDP in 2011. Approximately 80 percent of foreign companies operating in Italy are located in the north, a percentage that has remained stable in the recent past. Key obstacles to foreign investment continue to include labor taxes, lack of labor flexibility, red tape, and high corporate taxes. Net direct investment inflows in 2011 totaled USD 29 billion (UNCTAD statistics).

Data on Italian Investment Inflows (direct and portfolio) is available at
http://www.unctad.org/sections/dite_dir/docs/wir11_fs_it_en.pdf

This section reports official direct investment statistics calculated by the Italian Central Bank. Data on Italian Investment Inflows (direct and portfolio) is available at
http://unctad.org/en/PublicationsLibrary/wir2013_en.pdf

Table 1: Italian Foreign Direct Investment Inflows by Economic Sector (Net) 2010-2012 (USD Millions) (1)

	2010	2011	2012
Agriculture and Fishing	76.8	-22.3	-162.3
Mining	581.5	2499.4	317.5
Manufacturing	5119.2	14453.4	-7514.1
Electricity, water and gas	843.7	-374.1	5487.1
Constructions	786.8	1834.5	-910.0
Trade	8578.8	3616.1	-8845.8
Transportation/Communication	-5124.5	114.0	7073.3
Hotel and restaurant	1537.5	-87.6	-1002.6
Banking/Insurance	1573.5	6831.7	6425.4
Real Estate, Renting and R&D	370.9	-682.9	572.0
Other Services	-5162.7	6158.6	-1349.2
T O T A L	9181.5	34340.8	91.3

Table 2: Italian Direct Investment Outflows by Economic Sector (Net) 2010-2012 (USD Millions) (1)

	2010	2011	2012
Agriculture and Fishing	47.7	-671.8	-124.7
Mining	1994.7	3774.7	-7046.3
Manufacturing	13699.3	15317.1	21159.4
Electricity, water and gas	4260.9	1699.6	1079.7
Constructions	3229.1	6876.2	4789.2
Trade	394.7	-966.6	-4973.0
Transportation/ Communication	4700.7	12812.2	-2813.6
Hotel and restaurant	-3237.1	208.6	242.9
Banking/Insurance	2373.5	11260.1	-3606.7
Real Estate, Renting and R&D	1034.4	-682.9	329.0
Other Services	4144.5	2019.3	-1057.8
T O T A L	32642.4	53652.3	7978.1

Table 3a: Stock of Foreign Direct Investment in Italy by Major Investors; Year End 2010-2012 (USD Millions) (1)

	2010	2011	2012
United States	10147	11770	15283
EU of which:	266252	299775	291419
Belgium	20465	22266	21502
France	48420	64252	61833
Germany	27457	34516	25169
Luxembourg	68519	65120	57060
Netherlands	58253	70384	80779
Spain	11552	9529	9475
Sweden	4071	3211	2450
United Kingdom	27515	30495	33151
Liechtenstein	191	195	184
Switzerland	13199	15507	21254
Canada	358	388	539
Japan	3434	1903	2182
Argentina	157	194	298
Brazil	535	507	639
Other	27504	24820	31309
T O T A L	321777	355059	363107

Table 3b: Stock of Foreign Direct Investment in Italy by Major Investors; Year End 2010-2012 (Percentage of Total)

	2010	2011	2012
United States	3.2	3.3	4.2

EU of which:	82.7	84.4	80.3
Belgium	6.4	6.3	5.9
France	15.0	18.1	17.0
Germany	8.5	9.7	7.0
Luxembourg	21.3	18.3	15.7
Netherlands	18.1	19.8	22.3
Spain	3.6	2.7	2.6
Sweden	1.3	0.9	0.7
United Kingdom	8.6	8.6	9.1
Liechtenstein	0.1	0.1	0.1
Switzerland	4.1	4.4	5.9
Canada	0.1	0.1	0.1
Japan	1.1	0.5	0.6
Argentina	0.0	0.1	0.1
Brazil	0.2	0.1	0.2
Other	8.5	7.0	8.5
TOTAL	100.0	100.0	100.0

Table 4a: Stock Of Italian Direct Investment Abroad by Major Recipient; Year End 2010-2012 (USD Millions) (2)

	2010	2011	2011
United States	25495	29992	32039
EU of which:	272410	290153	269539
Belgium	18675	18485	14723
France	35978	33079	33038
Germany	42553	43933	45939
Luxembourg	14657	32158	11098
Netherlands	99190	101947	101718
Spain	42893	39487	40708
Sweden	2182	2142	2597
United Kingdom	16282	18922	16718
Liechtenstein	126	145	148
Switzerland	9889	12249	13678
Canada	2342	2401	2700
Japan	1039	1512	2127
Argentina	1519	1820	1951
Brazil	7072	7428	8718
Other	160384	173894	203374
T O T A L	480275	519594	534274

Table 4b: Stock of Italian Direct Investment Abroad by Major Recipient; Year End 2010-2012(Percentage of Total)

	2010	2011	2012

United States	5.3	5.8	6.0
EU of which:	56.7	55.8	50.4
Belgium	3.9	3.6	2.7
France	7.5	6.4	6.0
Germany	8.9	8.4	8.6
Luxembourg	3.1	6.2	2.1
Netherlands	20.7	19.6	19.0
Spain	8.9	7.6	8.4
Sweden	0.5	0.4	0.5
United Kingdom	3.4	3.6	3.1
Liechtenstein	0.0	0.0	0.0
Switzerland	2.1	2.3	2.6
Canada	0.5	0.5	0.5
Japan	0.2	0.3	0.4
Argentina	0.3	0.4	0.4
Brazil	1.5	1.4	1.6
Other	33.4	33.5	38.1
TOTAL	100.0	100.0	100.0

Table 5a: U.S. Investment in Italy by Economic Sector Year End 2010-2012 (USD Millions) (2)

	2010	2011	2012
Agriculture and Fishing	132	132	199
Mining	0	3	0
Manufacturing	2721	2912	3872
Electricity, water and gas	0	0	0
Construction	153	116	-150
Trade	1690	2191	2692
Transportation/ Communication	566	455	883
Hotel and restaurant	3	0	0
Banking/Insurance	3116	4075	3788
Real Estate, Renting and R&D	31	1383	3427
Other Services	1734	503	572
T O T A L	10146	11767	15283

Table 5b: U.S. Investment in Italy by Economic Sector Year End 2010-2012 (Percentage of Total)

	2010	2011	2012
Agriculture and Fishing	1.3	1.1	1.3
Mining	0.0	0.0	0.0
Manufacturing	26.8	24.7	25.3
Electricity, water and gas	0.0	0.0	0.0
Construction	1.5	1.0	-1.0
Trade	16.7	18.6	17.5
Transportation/ Communication	5.6	3.9	5.8
Hotel and restaurant	0.0	0.0	0.0
Banking/Insurance	30.7	34.6	24.8
Real Estate, Renting and R&D	0.3	11.8	22.4
Other Services	17.1	4.3	3.9
T O T A L	100.0	100.0	100.0

Table 6a: Italian Investment in the U.S. by Economic Sector -- 2010-2012 (USD Millions) (2)

	2010	2011	2012
Agriculture and Fishing	368	1	7
Mining	111	24	112
Manufacturing	5742	7697	11034
Electricity, water and gas	1	19	19
Construction	97	126	204
Trade	6509	5519	4643
Transportation/ Communication	2595	2665	1516
Hotel and restaurant	311	311	316
Banking/Insurance	5187	7472	7801
Real Estate, Renting and R&D	545	2106	2091
Other Services	4029	4052	4297
T O T A L	25495	29992	32040

Table 6b: Italian Investment in the U.S. by Economic Sector -- 2010-2012 (Percentage of Total)

	2010	2011	2012
Agriculture and Fishing	1.4	0.0	0.0
Mining	0.4	0.1	0.3
Manufacturing	22.5	25.7	34.4
Electricity, water and gas	0.0	0.1	0.1
Construction	0.4	0.4	0.6
Trade	25.5	18.4	14.5
Transportation/ Communication	10.2	8.9	4.7
Hotel and restaurant	1.2	1.0	1.0
Banking/Insurance	20.3	24.9	24.4
Real Estate, Renting and R&D	2.1	7.0	6.6
Other Services	15.8	13.5	13.4
T O T A L	100.0	100.0	100.0

(1) Annual net investment flow data compiled by Embassy Economic Section, based on Bank of Italy data and converted at the following year-average exchange rates:

	2010	2011	2012
Euro/Dollar	0.755	0.719	0.778

Net = New Investment Less Disinvestment. The volatility and huge changes from year to year in some sections can be explained in part by the fact that listed data are "Net": New Investment minus Disinvestment.

(2) Compiled by the Economic Section of the Embassy, based on Bank of Italy data and converted at the following year-end exchange rates:

	2010	2011	2012
Euro/Dollar	0.763	0.773	0.759

Sources: Bank of Italy

19. **Point of Contact at Post**

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