

Insights Links With Italy



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Bilateral plans flourish

Renewable energy is one of the innovative sectors where Italian expertise can play a key role, writes DAVID JACKSON

ITALY and SA are cementing links in a number of key areas, with important new agreements signed or in the pipeline and a brighter economic outlook signalling the prospect of better trade flows in the months ahead.

Highlights in the past 12 months or so have included the signing of an agreement for intensified collaboration in the fields of scientific research and advanced technologies and finalising a co-operation agreement between Italian and South African police forces, due to be signed in the near future.

Other notable events have been the visits by economic delegations from several important Italian regions and provinces, organised by the Italian Trade Commission in Johannesburg.

"These enabled many Italian small- and medium-sized enterprises to obtain a better knowledge of the South African market and to establish useful contacts with South African partners," says Elio Menzione, Italy's ambassador to SA.

He says that the recent agreement for scientific and cultural co-operation between SA and Italy will allow the two countries to launch a number of projects in sectors such as astrophysics, computing and advanced medical research.

Within such a framework, says Menzione, Italy is co-financing six bilateral initiatives that are connected, among others, with the SKA project,

the support of bilateral virtual scientific communities and research at the Synchrontron in Trieste.

The SKA — square kilometre array — is a project to host the world's most powerful telescope in the Karoo and includes Australia and a number of African countries as partners.

Menzione believes that renewable energy is one of the innovative sectors "which appear more promising for the future of bilateral relations".

"Not everyone knows that Italian companies today rank fourth in the world in renewable energy technologies, that Italy ranks third in the European market in terms of wind energy production and second in the solar energy sector."

He says this was illustrated at the Power & Electrical World Africa Conference that took place in Johannesburg in March.

Moreover, says Menzione, Confindustria — the association of Italian industrialists — is planning a major mission to SA in September focused on the renewable energy sector and organised jointly with SA's trade and industry department.

He says that some of the biggest Italian companies in this area are definitely interested in investing in SA.

Through its membership of the European Union Italy will support SA actively in the organisation of the COP17 Conference on climate change and related issues in Durban at the end of this year.

Turning to current events in the rest of Africa, Menzione says: "Italy is sensitive, especially, to the Libyan crisis and the democratisation process in northern Africa, as they take place on its Mediterranean threshold.

"We are looking forward to strengthening collaboration in the field of management of regional crises with SA, which



Elio Menzione... joint ventures.

plays a leading role in the African continent and is at present a member of the UN Security Council."

On development and aid, Menzione points out that Italy's development and aid agenda in SA is traditionally concentrated mainly on the health sector. This is the result of a large programme of support to South African health structures in the struggle against HIV/AIDS and a project to counter drug-resistant tuberculosis in the Eastern Cape — a follow-up of a previous project of the same nature in the same province — and in KwaZulu-Natal.

"As a middle-income country SA would normally not qualify for Italian development co-operation, but the magnitude of the scourge of HIV/AIDS and related diseases — and of their social and economic consequences — is such as to justify an exception to our normal rules and criteria.

"Furthermore, a co-operation project is under way at present — involving the Italian government and the region of Tuscany — in support of local government in some municipalities of Gauteng and the Eastern Cape."

He adds that the decision by SA to return to the International

Arts Biennale of Venice after an absence of 15 years "will help the Italian public to rediscover the intense and thriving reality of contemporary South African arts".

He says several cultural events are being organised by the Italian Embassy and the Italian Cultural Institute in Pretoria that will culminate in a few weeks' time with the second edition of L'Italia in Piazza, a festival due to open in Johannesburg on June 16 focusing on Italian arts, tradition, style and innovation. The Johannesburg event will be organised by Italy's consulate general in Johannesburg under the embassy's auspices.

Of the 2010 Soccer World Cup in SA, Menzione says that the tournament has allowed the Italian public to familiarise itself "with the great organisational and managerial skills of SA".

Moreover, he adds, it has allowed Italy to leave a concrete legacy in SA through the refurbishment of a sports complex in Mamelodi "which was highly appreciated by the local population".

Menzione hopes that the image of Italy in SA will increasingly transcend traditional stereotypes.

"While recognising the importance of South African interest in Italian agricultural products, artistic and cooking tradition, fashion, design and tool machinery, we hope that the South African public will become more aware of the modern Italian reality of our advanced technologies in many sectors in which Italy has a leading position and a comparative advantage.

"We hope the South African and Italian media will intensify their co-operation and dialogue to provide the public with a better knowledge of, and greater curiosity in, their countries' aspirations and achievements."

Italian trade missions target SA

INTEREST in SA by Italian companies is growing, with several trade missions planned to this country over the next few months as both countries seek to consolidate their business and trade relationship.

Elio Menzione, Italy's ambassador to SA, says that bilateral trade increased again in 2010 and in the first five months of 2011 after a fall in 2009, and is approaching the pre-crisis level of €4-billion.

"But besides the traditional sectors — South African commodities versus Italian machinery — this growth also appears to be orientated towards innovative sectors such as renewable energies and advanced technologies, which in our view will contribute to a healthier, mature and diversified bilateral co-operation."

Sergio La Verghetta, Italy's Trade Commissioner in SA, says areas in which Italy performed well last year were exports of machine tools, with an increase of about 50% over the 2009 figure, pharmaceuticals (also about 50%), agricultural machinery (about 30%) and automotive components (about 33%). New Italian companies with a presence in this country include Ansaldo Sistemi

Industriali and Italgest, both active in renewable solar energy, who are already involved in projects in SA, he says.

Italy recently participated in the Power & Electricity World Africa exhibition in Johannesburg with about 40 Italian companies represented, and — together with the representative association of Italian industry, Confindustria — is planning a mission to SA of about 35 Italian companies in September to sound out potential investment opportunities in the local market. The mission will have the support of SA's trade and industry department.

La Verghetta says there are positive signs for future improvement. "Our two economies are integrated. We buy raw materials from SA and export finished products, but Italy's growth in recent years has been mainly through exports. While we have not yet returned to the levels of 2007, SA's exports are much stronger today than at that time so in terms of the total volume of our exports worldwide we probably have had a better performance."

He says SA is definitely a target market for Italy, with at least four or five missions due to



Power from the sun ... SA would be well advised to tap into Italy's expertise in all aspects of renewable energy.

visit this country in the next few months. Nine companies from the Italian province of Padova were in SA recently, while in Italy he says there have been a number of seminars and presentations focused on SA.

Total South African imports grew by 8.7% in 2010 to reach about R586bn. China led the South African imports table in this period with about a 14% share of the total import market — a growth of about 18% in 2010. The second biggest exporter to SA was Germany, with about 11% of the total market share.

Italy's share of SA's total imports in 2010 grew by about 7.5%, says La Verghetta, as Italy felt the impact of the economic recession. Italy's exports to SA are still dwindling in the region of 2.3% to 2.6% of SA's total import figure — a figure that has remained constant for a number of years and may improve in future, La Verghetta says.

In 2010 SA's total exports grew R656bn, including a 14%

increase in exports to Italy that totalled R10,6bn according to Italian statistics, which, unlike local statistics, include precious metals and raw materials.

He says that in conjunction with South African and Italian manufacturers of machine tools, Italy is looking at introducing tooling information training programmes in this country and has been asked to provide advice and expertise on how manufacturing clusters — a mainstay of the Italian economy in certain sectors — work and operate in practice.

On the issue of growing competition from Asian tigers such as China and India, La Verghetta says that this is a worldwide phenomenon.

He says Italy's strength is that it produces goods with a much higher value-added content, including those in the better-known sectors such as fashion or design, as well as in machine tools and machinery — the strength of Italian exports in recent years.

European suppliers outshine them with quality, reliability and after-sales service

Local firm's innovative edge

SOUTH African-owned company Acrow — with senior staff of Italian nationality within its

ranks — is looking to step up productivity and to automate where possible to give it a

competitive advantage. Acrow's core function in the South African market is racking and

shelving. It also manufactures scaffolding for sale or hire.

Sandra Moya, Acrow's financial manager, says that with many Asian competitors flooding the market — "with sub-standard quality and cut-throat prices" — the company has found it necessary to improve productivity and not rely on manual labour only.

"Automation, where possible, has to be implemented to give us the competitive edge without losing focus on quality," she says.

"In the past couple of years our investigations have shown that although the up-and-coming countries supplying machinery and tooling are slightly cheaper, the European suppliers outshine them by far, not only with quality and reliability but also with after-sales service and support.

"Our senior factory staff members, many of Italian nationality who previously worked in Italian corporations such as Fiat and Olivetti, are technically qualified and improve our quality continually and contribute to innovative manufacturing ideas."

The company envisages a transformation not only to European standards, but to be the most competitive in the market, Moya says.

With a staff complement of about 200, the company's head office is in Wadeville, Germiston, with branches in Durban and in Cape Town. It has agencies countrywide and in the UK "and we are in the process of opening a branch in Italy".

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