An article by fDi Intelligence mentions our studies on SEZ and SLZ

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WE WANT TO CREATE A CUSTOMS FREE ZONE WHERE GOODS ARRIVING AT THE PORT CAN BE TRANSFORMED, IMPORTED OR RE-EXPORTED

The Italian way to free zones

Read the article on fDi Intelligence, the specialist division from The Financial Times. The article mentions our studies on SEZ and SLZ. The Italian way to free zones Italy is assessing free zones at the heart of its industrial regions in the north When Genoa's Morandi bridge collapsed in August 2018, the Italian government launched a multi-pronged effort to help rebuild the port city's infrastructure, community and economy. A little-noted aspect of this plan granted Genoa the right to establish a so-called simplified logistics zone (SLZ) to benefit local businesses and attract greenfield investment. Free zones were, and still are, somewhat of a novelty in Italy. Until two years ago, the customs free zones in the immediate surrounds of Venice's and Trieste's ports were the only examples. The broader concept of special economic zones (SEZs) were introduced in early 2018 to encourage investments around harbour areas in the country's south, by offering tax credits, streamlined authorisation procedures, and reduced administrative charges. Since then, SEZs have appeared in Campania, Sicily, Calabria, Puglia and Basilicata, but their success has been limited by the regions' poor transport links and underdeveloped economies. Genoa, however, could mark the turning point. It is the country's first SLZ, the name ascribed to special zones in Italy's north, the country's economic engine and industrial heartland. Now Venice and Trieste are looking to build on their ports' customs free zones by establishing more expansive SLZs. On paper, these free zones have significant potential. Italy is the EU's second-biggest manufacturer, the world's eighth-biggest exporter, and its strategic position in the middle of the Mediterranean basin makes it a valuable transit hub. The northern ports are well connected to European distribution channels, as noticed by China which, last year, convinced Italy to become the first G7 country to join its Belt and Road Initiative. SRM, a research centre within Intesa Sanpaolo, estimates that once fully operational, SLZs and SEZs could increase local exports by 4% and port traffic by more than 8%. "If we look at these figures over the course of a decade, the result is extremely interesting," says SRM director general Massimo Deandreis. Genoa's pilot project The private sector has been charged with turning Italy's SLZ vision into reality. Before Genoa can begin operating as an SLZ, the strategic plan spearheaded by Spediporto -- the city's association of shipping companies -- must be approved by the government. The plan is not yet public - the government is expected to appoint a commissioner in the first half of 2021 and assess it thereafter - but Spediporto's general manager Giampaolo Botta shares some of its key features. "More than 2 million square metres could be converted to host one of the most powerful logistics and technology hubs in southern Europe," he says, noting the presence of the Italian Institute of Technology, Amazon and the 5G lab operated by Ericsson and Telecom Italia within the proposed SLZ. "We want to preserve the green areas via a programme dedicated to promoting green energy and sustainability. And we want to create a customs free zone where goods arriving at the port can be transformed, imported or re-exported," he adds. Import and export processes will also be centralised via a one-stop-shop. In 2019 Genoa's port handled more cargo than any other in Italy. It's just one reason why its economic potential as a SLZ could be greater than those following in its footsteps. "It's one of Italy's most important transit hubs for goods, and it has the potential to drive development across the country's north-west because it is an inter-regional enhanced SLZ," says Valentina Di Milla, chief executive of Ralian Research & Consultancy, which is advising Spediporto. Indeed, Genoa's SLZ stretches to the dry ports of neighbouring Lombardy, Piemonte and Emilia Romagna. This means the tax and administrative benefits will be available to any investment that can demonstrate an economic link between these areas and Genoa's port. Opportunities in the north-east The strategic plan for Venice and nearby Rovigo's SLZ is expected to be delivered to the government by spring 2021. Studies by Confindustria Venezia Rovigo, the local business association which is driving the project, estimate the SLZ could make use of 385 hectares of land, activate EUR2.4bn worth of investments and create 26,600 jobs within three years. To succeed, however, investors may have to cast aside their preconceptions of the area. "Many people view Venice as a tourist city. But outside of the historic centre, tourism actually generates little for the economy," says the association's president Vincenzo Marinese. To his point, the area's biggest 500 companies have a combined annual turnover of EUR35bn, 39% of which comes from exports. As with Genoa, sustainability will be a pillar of Venice's SLZ. "One of our priorities is to attract foreign investors into our green economy," says Mr Marinese. "Even before the EU's Green Deal, we were already strongly focused on environmental remediation and reconversion of production processes." For example, the area is home to an Eni refinery which in 2014 became the world's first to be converted into a biorefinery. Across the Adriatic, Trieste is conducting a feasibility study to establish its own SLZ. A historical anomaly, Trieste's free port was established in the 1700s when it fell under the Austro-Hungarian Empire. This status continued when the territory was annexed to Italy in 1920, and it continues to offer customs exemptions and tax incentives today. But local councillors tell fDi that an SLZ could also stretch to dry ports throughout the Friuli Venezia Giulia region. Piquing interest As a general rule, SLZs do not benefit from tax credits like SEZs do. This was a political decision not only to encourage investment in the country's south, but also to abide by EU state aid restrictions. However, if a SLZ includes areas on the EU regional aid list -- as is the case for Genoa's, Venice's and Trieste's -- it can offer a 30% tax credit for investments by small firms, 20% for medium-sized firms and 10% for large firms. These fiscal incentives are modest compared to free zones in Poland, Bulgaria and further afield. But in a country notorious for bureaucracy, and which is the fifth-lowest EU state in the latest Ease of Doing Business rankings, the benefits of streamlined administrative procedures should not be snubbed. "A relevant problem facing industrial and infrastructure projects in Italy is the time needed to obtain the necessary authorisations," says Chiara Chiosi, a senior managing associate at CBA Law Firm who advises on FDI. "This simplifies, and makes it easier for foreign investors to understand the procedure and timeline." Ms Chiosi reports that foreign investors are showing significant interest in SLZs, which is tipped to grow as the ports' strategic plans are approved. The government is also giving clear signs that its initial focus on developing SEZs now extends to their peers in the north. "It has received additional support from the pandemic, as we now all understand how crucial logistic infrastructure is for supply chains and distributing essential goods," notes Ms Chiosi. Against this backdrop, it is thought that investments in ports and logistics -- including via SLZs -- will feature on the Italian government's request for a slice of the EU's EUR750bn Covid-19 Recovery Fund. It may still be early days, but it seems the political will to help Genoa recover from the Morandi bridge collapse now extends to other SLZs. If so, 2021 could mark the beginning of a new era for the country's ports. This article first appeared in the December/January print edition of fDi Intelligence. View a digital edition of the magazine here.