



Italy South Africa Round Table Discussion Report



At a recent stakeholders roundtable held in Cape Town on June 27, 2024, three critical themes emerged regarding South African-Italian business relations: the South African-Italian business community's challenges (relating to skills and government support); the communication gap about South Africa's opportunities in Italy; and the solution of more robust coordination within Sistema Italia.

A handful of key stakeholders gathered in the first iteration of this event format to discuss the current state of bilateral trade and investment. The Chamber of Commerce used the opportunity to present findings from its Presenza Italiana database for the first time. This database, which is by far the most substantial existing collection of Italian-South African business information, reveals a robust commercial presence of Italian entities in South Africa which encompasses diverse sectors and operational models.

With over 900 unique companies categorized by business size, location, and type of Italian presence, it provides new and detailed insights into Italian-South African business, including in the below graphs. This resource presents the opportunity for strategic decision-making and targeted time- and monetary-investments.

The establishment of this comprehensive database was recognized as significant progress, providing a foundation for more focused conversations on business opportunities. The database's development was made possible by SMILE (The Small to Medium Italian League of Enterprises). SMILE, a crowd-sourcing initiative for collecting critical data on Italian companies, has, amongst other things, thus enabled more focused discussions on specific business opportunities. That being said, it was acknowledged that the data is by no means complete as databases change in real time with the opening and closing of businesses.

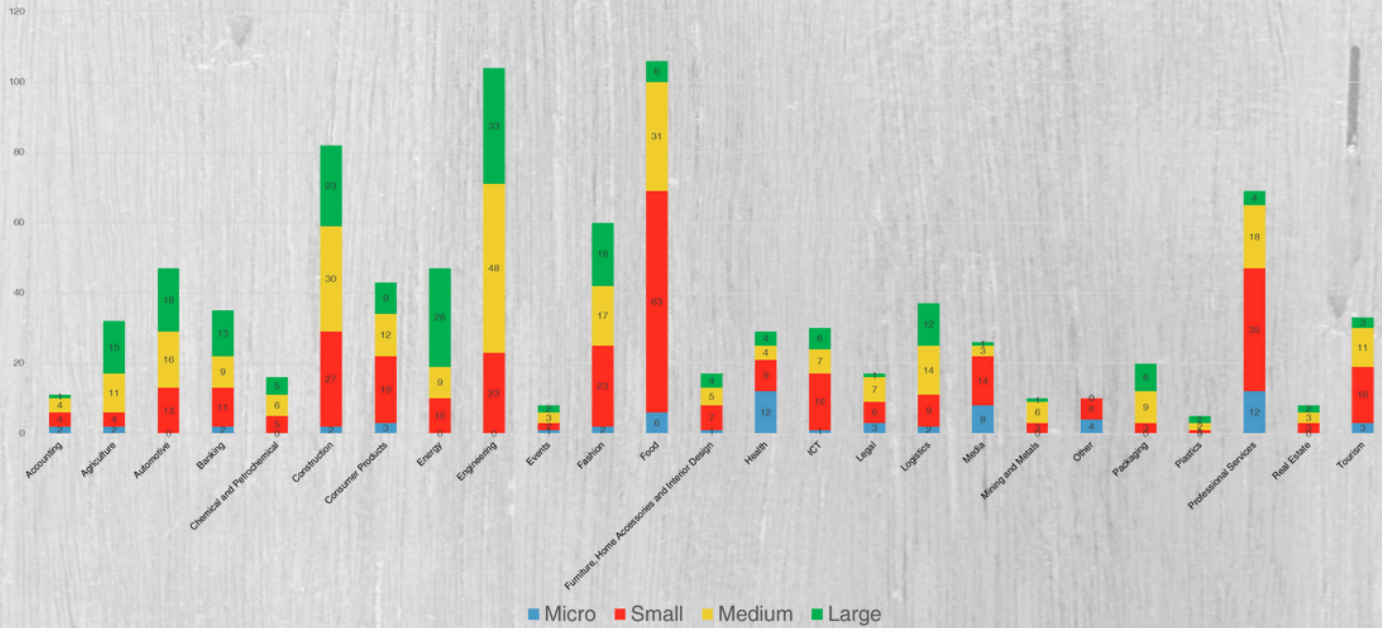
SMILE, as a free platform for professionals with Italian-South African business interests, is also a tool for networking and information dissemination. By allowing any Italian or South African with professional business interests between the two countries to sign up and gain benefits related to networking and events, SMILE has enabled new synergies that would not have existed without the initiative.

The data, mapped out in the graphs below has been carefully categorised to account for the varying kinds of Italian presence that might exist. Consistent with SMILE's data gathering, five types of Italian presence were included in the dataset:

- Italian Businesses with Offices in South Africa
- Italian Passport Holders with Businesses in South Africa
- Importers of Italian Products
- Companies with Italian Executives
- South African Businesses with Interests in Italy

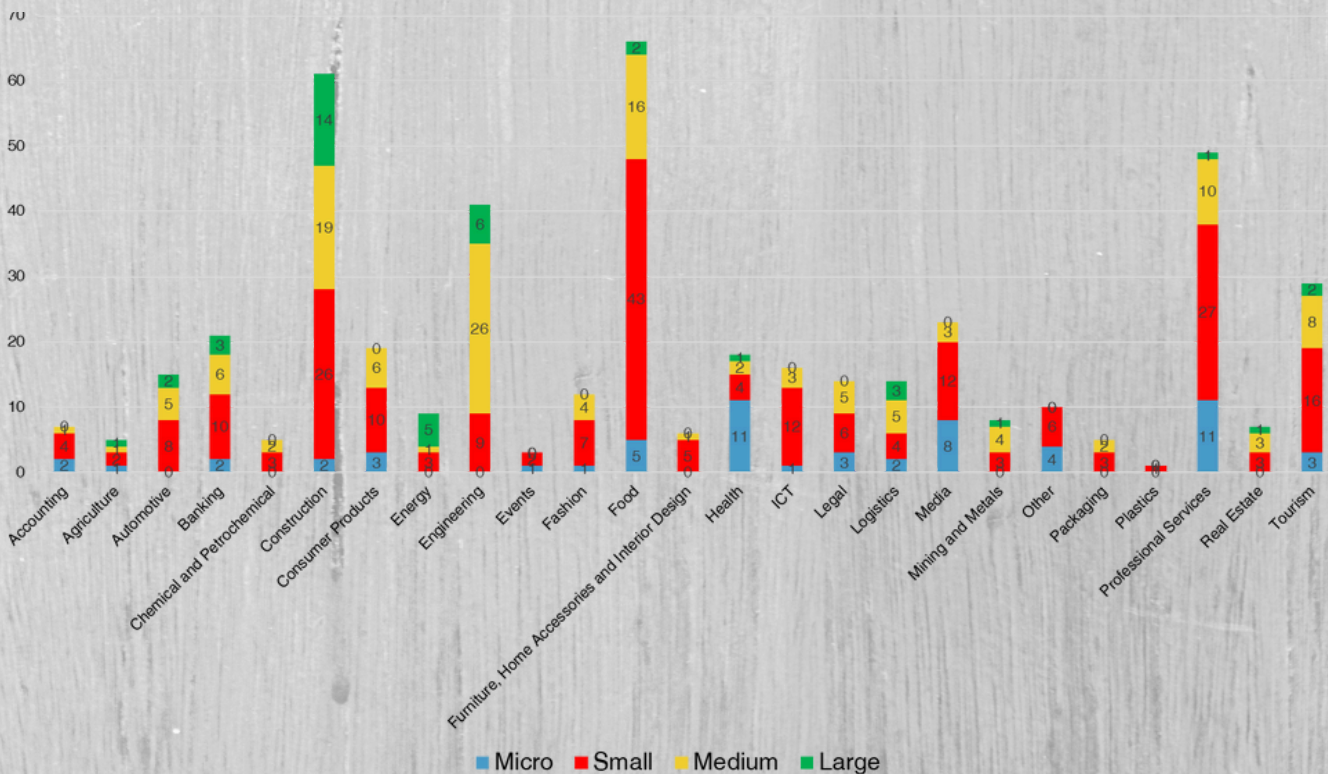


All Companies According to Sector

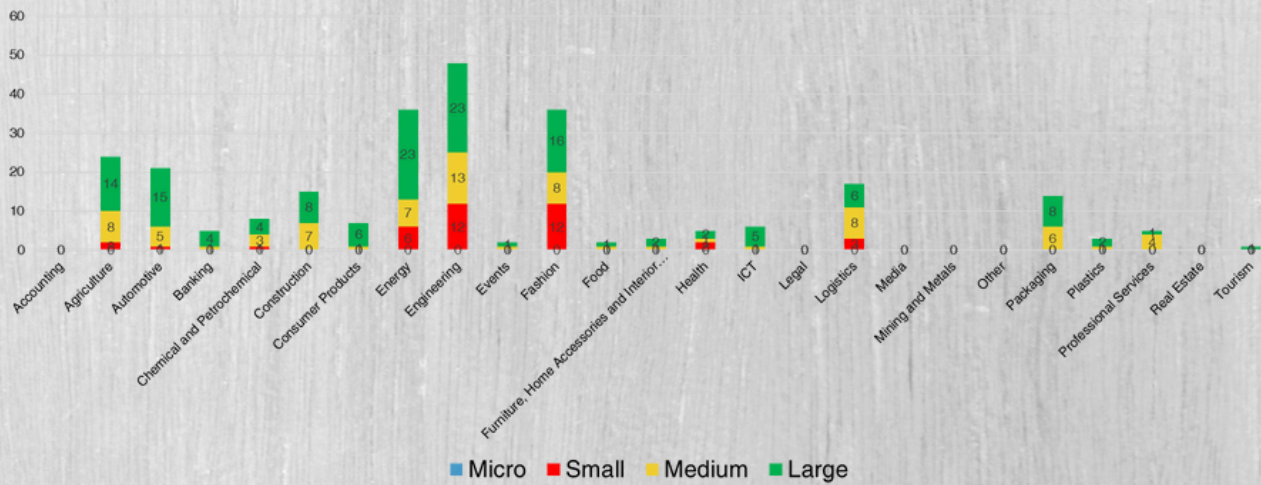


As is visible in the below graph, the local South African-Italian business community is disseminated across the business landscape, operating in many sectors with a varying range of company sizes. Meanwhile in the subsequent graph, which features only Italian companies with offices in Italy, a predominance of large companies is found, with an emphasis on energy, engineering and fashion.

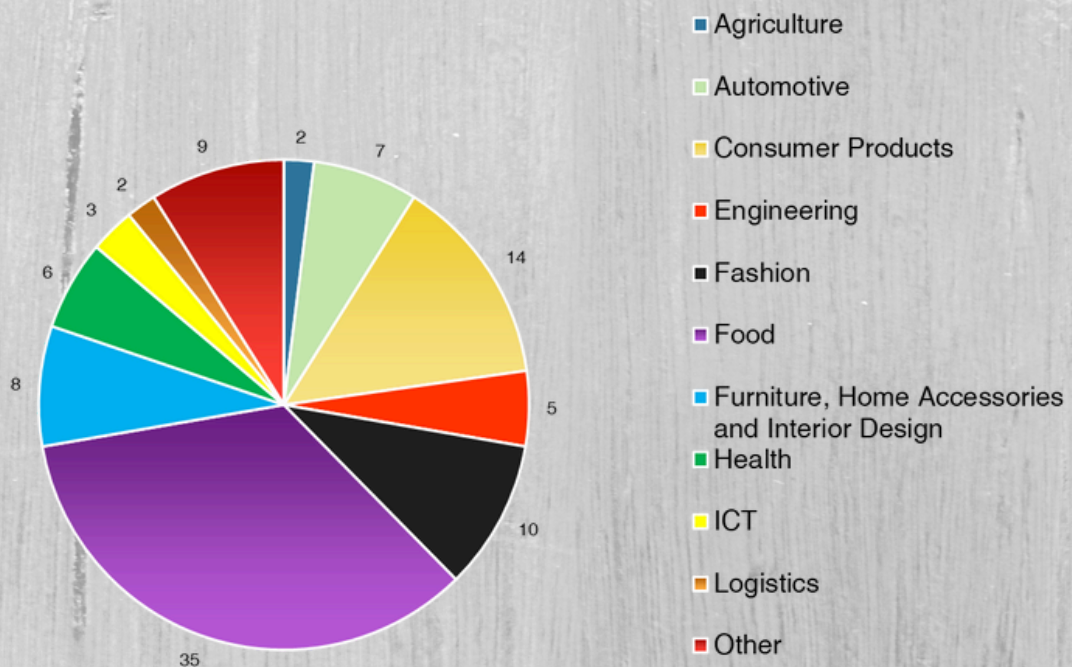
Local Business Run by Italians



Italian Companies and Subsidiaries



As can be seen when comparing the above two graphs, certain sectors (such as food and construction) are conducive to players with established local presence while others are more friendly to direct foreign operators. This is further elaborated on in the below chart which treats companies importing from Italy as their own unique category. Again, food dominates this class of Italian presence, with furniture, fashion and consumer products showing strength too.



Challenges

The data presented above forms only the first step toward fulfilling the potential inherent in the well-established Italian-South African business community. The roundtable raised several challenges hindering South African-Italian business relations relating to skills capacity and governmental support.

A significant knowledge gap was identified as a major barrier to investment and business development, often leading to businesses hesitating to explore opportunities due to uncertainty. The discussion highlighted the gap between policy creation and the tools available for effective implementation. Accessing incentives and support programs was also flagged as a challenge, particularly for medium and small companies. While large companies have the resources to navigate incentive programs, smaller companies often do not have the capacity.

During the roundtable the persistence and pitfalls of stereotypes that can impact South African-Italian business relations was highlighted. These stereotypes, which often reflect outdated or overly simplistic views, can create barriers to effective collaboration and mutual understanding. For instance, there is a perception that Italian businesses are predominantly small-scale and fragmented, lacking the unified strength seen in other European nations.

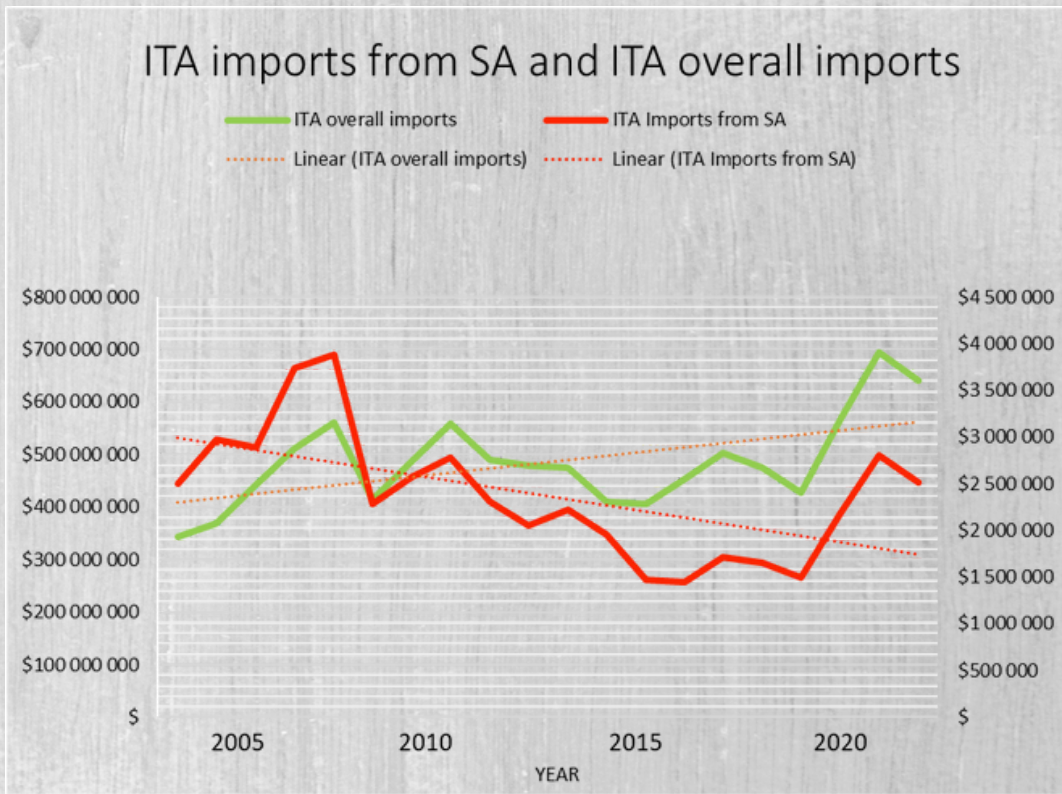
Similarly, South Africa is sometimes viewed through a narrow lens, focusing on its challenges like crime rather than its diverse economic potential and opportunities for growth. Overcoming these stereotypes requires a concerted effort to highlight success stories, showcase the broad spectrum of business capabilities, and promote a more nuanced understanding of both markets. By doing so, stakeholders can foster a more accurate and positive image, paving the way for stronger and more fruitful partnerships.

Addressing this knowledge gap is crucial for fostering stronger business relations. The need for better information dissemination and access to resources was emphasized. Bridging the gap between policy creation and practical implementation tools is essential. Making information more accessible to businesses, particularly small and medium-sized enterprises, was highlighted as necessary.

The presentation provided during the session highlighted a notable weakening in Italian imports from South Africa over the past two decades. At the heart of this reduction, there has been a decline in imports of precious materials, fossil fuels, and steel, particularly since the 2008 global financial crisis and subsequent currency fluctuations. Despite Italy's position as a significant trading partner, South Africa as a supplier of steel to Italy has dramatically declined from 13th place to 26th place in the last fifteen year. While recent geopolitical events like the Russia-Ukraine conflict have prompted a slight recovery, these are likely to be temporary gains and overall volumes remain below previous highs.

Excluding raw materials, Italian imports have shown stability but no growth or diversification, underscoring weaknesses in South Africa's manufacturing capacity. As is visible in the below two graphs, South Africa's exports to Italy have grossly underperformed, even in respect to Italy's European counterparts. It remains possible for Italy to leverage South Africa's competitive advantages and form strategic partnerships to enhance trade diversification and growth.

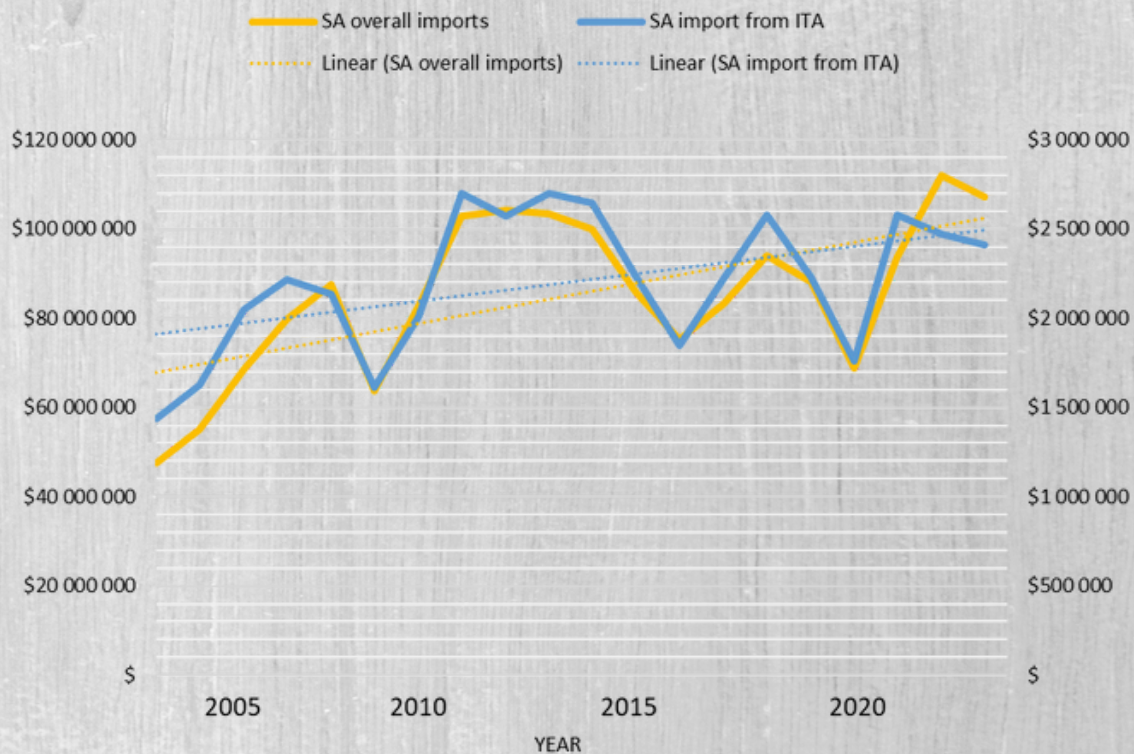




While South Africa has seen growth in imports from Italy, challenges posed by Rand depreciation persist. Imports from Italy accounted for 2.25% of South Africa's total imports in 2023. Key imports include machinery, mineral fuels, electrical machinery, and vehicles, reflecting diverse industrial needs.



SA Import Market



Improving Communication

Despite the aforementioned challenges, the roundtable identified several promising opportunities to enhance South African-Italian business relations. Africa's youthful population and the potential for establishing production hubs in South Africa were viewed as major opportunities. Specific sectors like energy, agriculture, and industrials were highlighted as areas with significant potential for investment and collaboration.

Over the last fifty years, Italy has systematically improved its global image and it was found that it is in all stakeholders' interests for South Africa's image to be better communicated, both for attracting investment and export promotion. To this effect, sharing success stories and case studies was suggested as a way to inspire and attract more investments.

Thus, effective communication emerged as the cornerstone for enhancing business relations between South Africa and Italy. Transparent and regular communication channels are essential for knowledge sharing, issue resolution, and exploring new business opportunities. In this vein, the session emphasized the goal of fostering productive dialogue to mend the knowledge gap identified as hindering progress.

Tourism into South Africa was identified as among the best means for enabling exposure of Italians to South Africa and the opportunities it presents. By promoting tourism between the two countries, both nations can boost cultural exchange and economic collaboration. Efforts to enhance tourism were discussed as a means of creating more personal and professional connections, thereby laying the groundwork for stronger bilateral relations.

Finally, a success story was shared where the Chamber of Commerce facilitated the entry of a medium-sized Italian company into the South African market by identifying potential

importers for their packaging machinery, leading to a commercially viable venture. Firstly, this success story anecdotally displays the results achievable using effective communication. Secondly it points to the underexplored potential for medium-sized Italian companies to fill gaps in South Africa's business landscape, where supportive communication can greatly reduce the cost of internationalisation for these firms.

Coordination Game

Thorough coordination amongst stakeholders will be necessary to maximize the potential of South African-Italian business ventures. The Chamber of Commerce, with its dual mandate of bridging Italy and South Africa and serving as a business hub, was acknowledged for its efforts. However, there was a consensus on the need for more formalized coordination to systematically communicate South Africa as an attractive partner to Italy.

Around the world countries are trying to attract foreign direct investment. Simultaneously South Africa is constrained by certain structural factors known to investors. One way of competing, despite our weaknesses is an exercise of unison, not present in other countries. A multi-stakeholder approach involving national and local government entities, innovation hubs, and private sector players was proposed. Sector-specific coordination, especially in areas like energy, agriculture, and industrials, was also emphasized.

Sistema Italia, a concept describing the many Italian institutions in South Africa (including the Embassy of Italy to South Africa, the Consulate of Italy to South Africa, the Italian Trade Agency) has powerful potential if coordinated. The currently undefined role of who should coordinate the myriad of Italian institutions and stakeholders, was highlighted as a question. Nevertheless, it was clear that aligning the efforts of embassies, consulates, trade offices, and cultural institutions, Sistema Italia can present a cohesive strategy for effectively engaging with South Africa.

The need to coordinate these institutions across very different sectors is simultaneously an opportunity. The same can be said for the need for coordinating and networking Italian businesses which are separated geographically. The below diagram points to a final insight provided by the newly published results from the Presenza Italiana database.

All Companies by Province



The roundtable provided a comprehensive overview of the current state and future potential of South African-Italian business relations. Effective communication, better coordination, and addressing challenges such as the knowledge gap are crucial for realizing the opportunities identified. The Chamber of Commerce, along with other stakeholders, has a significant role in driving this agenda forward. By leveraging opportunities and addressing knowledge gaps, South African-Italian business relations can be significantly enhanced, benefiting both countries. The insights from this roundtable begin to offer a roadmap for the next steps in strengthening these bilateral ties. As such, we are encouraged to host additional events of this nature to co-create knowledge and make the roadmap even clearer.



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