

The European House
Ambrosetti



In collaboration with



BANGKOK
HIGH LEVEL DIALOGUE
ON ASEAN ITALY
ECONOMIC RELATIONS

October 4, 2023 - Grand Hyatt Erawan, Bangkok

PRESENTATION BY

LORENZO TAVAZZI

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FOSTERING ITALIAN-ASEAN INVESTMENTS THE ROLE OF PRIVATE CAPITAL

Presentation of the main results of the Position Paper
The role of Private Capital in ASEAN: State-of-the-art, national initiatives
and development opportunities for ASEAN-Italy cooperation

Lorenzo Tavazzi

Partner and Head of International Development
The European House - Ambrosetti

Grand Hyatt Erawan, Bangkok, Thailand
Wednesday, October 3, 2023



The European House - Ambrosetti group: overview

- Established in **1965**
- Headquartered in Italy with activities in **4 Continents** and direct offices and strategic partners in **18 countries**
- Awarded as **leading European Think Tank** (1st in Italy and 4th in Europe) by the “Global Go To Think Tanks Report” survey of the University of Pennsylvania since 2013
- Awarded as **Top Employer 2023** in Italy for the **3rd consecutive year**
- Awarded as a **case of excellency by the bilateral Presidential Treaty** (Republic of Italy and Republic of France) in 2021
- **Partner of the G20** Italian and Indonesian Presidencies on various strategic papers



(*) Global Headquarters

The European House - Ambrosetti group: key facts&figures



**More than
550
Events**

Organized in 2022, of which 11% digital, 8% physical and 81% phygital

**1
Proprietary platform for creating phygital experiences**

Proprietary technology and know-how for workshops, seminars and complex digital events

**3,000
Experts**

National and international engaged each year

**17,000
Managers
1,300
Clients**

Managers accompanied in their professional growth and consulting clients served each year

**42,000
Participants**

National and international that attended our events and meetings

**More than
250
strategic studies and scenarios**

Designed each year for national and international institutions and corporations

**#1
Think Tank**

Private in Italy, #4 in the European Union and among the most respected and independent – since 2013 – out of 11,175 globally, based on a survey of 73,000 leaders from government and institutions, business and media, in more than 100 countries worldwide (*)

**49
Years**

of the Cernobbio Forum: those attending the last edition represented managed assets of €50 trillion; 7 governments represented

**TOP
EMPLOYER
2023**

For the third consecutive year, The European House – Ambrosetti has been recognized as a Top Employer. One of the 141 Top Employers 2023 in Italy, based on the analysis of 6 specific areas of HR policy and over 400 best practices monitored

**300
People
54%
Women**

Who share the same passion and drive.
42 people abroad (China and the Middle East)

**10
Years**

For the last ten years, key player in the Italian innovation ecosystem: Corporate Venture Capital, Open Innovation and Startup Accelerator

**30
Years**

The experience of our sustainability team in made-to-measure solutions and projects to accelerate company transition towards a sustainable future. In the last year alone, more than thirty companies chose us

**4
new
acquisitions**

In 2023, 4 new societies joined the Group: Cybrain, specializing in cyber security services; GDS Communication, specializing in integrated marketing and communication; Oltre Consulting, specializing in the development of international sports entertainment and food projects; Harvard Business Review Italia, the Italian edition of the Harvard Business Review

**120
Family -
Owned
Businesses**

Assisted over the last year through consulting in Family Agreements and Governance Systems

**7
International
Think Tanks**

Represented as an international best-practice by the ASEAN Community (7 countries/areas: ASEAN, China, France, Middle East, South Africa, USA, European Union – Brussels).
Mentioned as a case of excellence in the treaty between the Italian Republic and the French Republic for enhanced bilateral cooperation, co-signed by the President of the Italian Council of Ministers and the President of the French Republic

**18
Countries**

With direct presence or in partnerships.
In 2020, we provided support to Italy's presidency of the G20 through the formulation of eight policy recommendations involving the priority areas for action of the Italian presidency (the "3Ps": People, Planet, Prosperity)

The European House - Ambrosetti's international High Level Dialogues bring world leaders together



- **70 Governments** involved
- **>250** speakers every year (ministers, CEOs, economists, etc.)
- **>3,000** business leaders and senior institution representatives every year

For the 2023 edition of the High-Level Dialogue Italy ASEAN, The European House - Ambrosetti has developed a partnership with CdP

- One of the output of the present edition of the High-Level Dialogue is the realization of a Position Paper in collaboration with Cassa Depositi e Prestiti – CdP on the **role that the Private Capital sector can have in ASEAN and in strengthening ASEAN-Italy cooperation**
- The **objectives** of the Position Paper are:
 - Presenting the analysis of the **ASEAN socio-economic context and main trends** and the **economic relationship between Italy and ASEAN**
 - Analysing the **role of Private Capital in promoting the growth of ASEAN countries**
 - Identifying guidelines for **promoting ASEAN-Italy cooperation in the Private Capital**
- Starting from tomorrow, the Position Paper will be made available for all the participants to the High-Level Dialogue on the website of the event



POSITION PAPER
The role of Private Capital in ASEAN
State-of-the-art, national initiatives and development opportunities for ASEAN-Italy cooperation

High Level Dialogue on ASEAN-Italy Economic Relations, Bangkok, Thailand, October 3-4, 2023

Today, ASEAN is considered as one of the fastest-growing regions of the world, reporting in the last decade (2013-2022) a GDP growth of +42%. Moreover, it is becoming pivotal on the international scene for what concerns the attraction of foreign investments, recording an inward stock of FDI of 3.1 trillion Dollars in 2021.

Private Equity and Venture Capital firms represent the major sources of investment supporting ASEAN start-ups ecosystem and the region is attracting a growing number of global investors in this sector.

Italy – thanks to its industrial strengths and characteristics – can be a preferential development partner for ASEAN countries. However, despite the growth experienced in the past years, the Italian private capital sector still looks less developed than the main European countries – like France and Germany.

Considering the current level of cooperation – especially in terms of investment – Italy-ASEAN relations show space for improvement. Strengthening Italian investor awareness on recent and future market trends in ASEAN countries and, at the same time, raising awareness of the Italian private market ecosystem could be the key to boost Italian investment in Southeast Asian countries.

In addition to the implementation of an “advocacy” action, this paper offers some guidelines that could be implemented to promote ASEAN-Italy cooperation in the Private Capital sector and promotes the decisive role that Cassa Depositi e Prestiti (CDP) can play in bringing the relationship between Italy and the ASEAN countries to a higher level.

ASEAN socio-economic analysis and main trends

1. The Association of Southeast Asian Nations (ASEAN), if considered as a single economy, is the 3rd largest economy in Asia and the 5th largest in the world after the US, China, Japan, and Germany. Established in 1967, ASEAN includes 10 member States (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam), and, with a population of 600 million people, is the 3rd largest globally region, after China and India.
2. Today, ASEAN is considered as one of the fastest-growing regions of the world, reporting in the last decade (2013-2022) a GDP growth of +42%. More specifically, in 2022, the region recorded a GDP of about 3.7 trillion Dollars (+8.3% compared to 2021), and a growth rate of +7.8% is expected for 2023, lower than the one experienced in 2022 but still well above the global average, that is estimated to be of +2.8% in 2023¹.
3. In fact, despite the global dynamics of great uncertainty, caused by the COVID-19 pandemic and the Russian-Ukrainian conflict, the Southeast Asian region has shown resilience, mainly thanks to the adoption of adequate monetary and macroeconomic policies, export performance, and a solid domestic demand.
4. Finally, looking at the outlook 2023, it can be stated that the countries of South-East Asia will play

an increasingly important role in the global landscape. In fact, growth prospects are high: according to the International Monetary Fund estimates, ASEAN GDP is expected to grow by +7.3% annually in the 2023-2028 period and reaching 5.6 trillion Dollars in 2028².



Year	GDP (billion Dollars)
2000	647
2005	961
2010	1,017
2015	1,823
2020	3,086
2021	3,278
2022	3,628
2023	3,940
2024	4,248
2025	4,525
2026	4,800
2027	5,140
2028	5,600

5. Linked with its strong growth, Southeast Asia is becoming pivotal on the international scene for what concerns the attraction of foreign investments. In fact, after China, ASEAN represents the major target of Foreign Direct Investments³ (FDI) in the developing world, with a stock of FDI of 3.1 trillion Dollars in 2021 (+108.9% compared to 2012 vs. +98.3% average at the global level). With a share on global FDI inflows of 11%, in 2021, ASEAN inflows of Foreign Direct Investment (FDI) increased by +43.6% compared to 2020, reaching an all-time record of 175.2 billion Dollars (vs. 174.9 billion Dollars in 2019) and having a growth of 12 percentage points higher than average growth in developing economies⁴.

¹Source: “ASEAN Economic Outlook 2023”, 2023.
²Source: International Monetary Fund, 2023.
³ FDI include mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations, and intra company loans.
⁴Source: UNCTAD “World Investment Report 2023”.

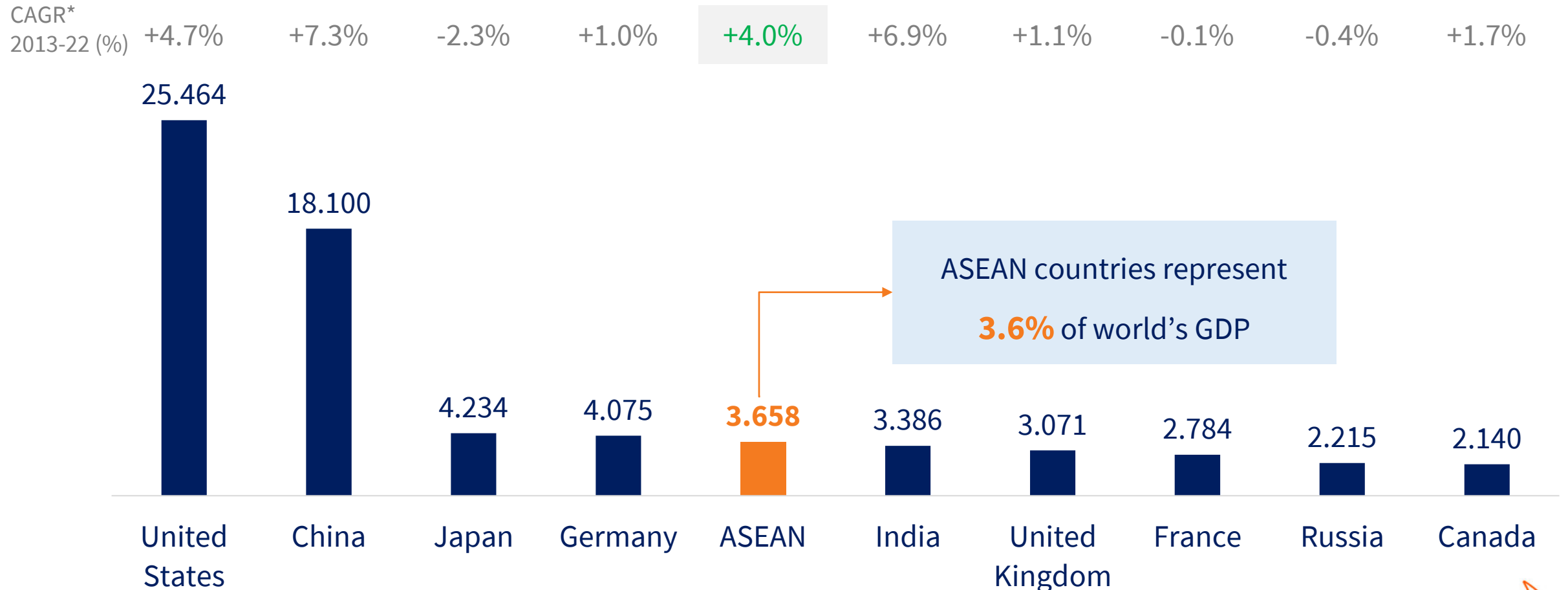
1

WHY IS IT IMPORTANT FOR ITALY TO STRENGTHEN THE PARTNERSHIP WITH ASEAN COUNTRIES?

- 1. The ASEAN Region is an economic power-house and one of the most dynamic and thriving areas of the world**
2. Italy, thanks to its industrial strengths and characteristics can be a preferential development partner for ASEAN Countries

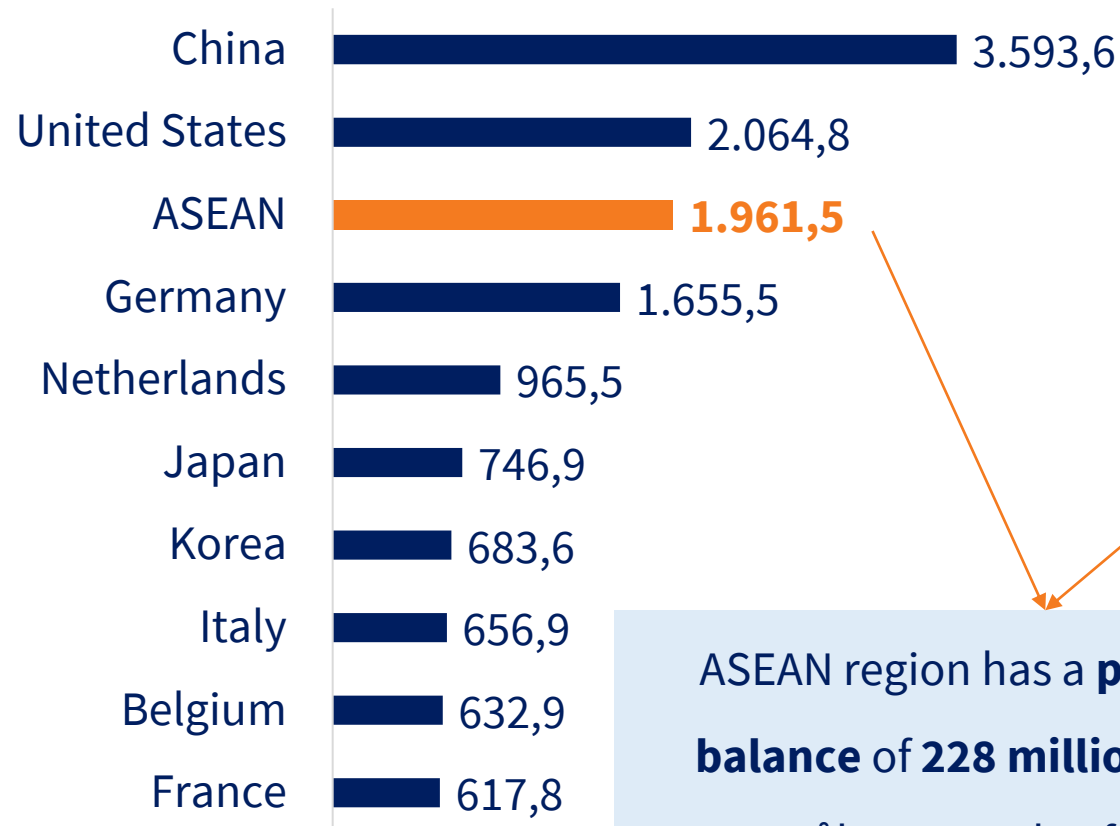
If it were a single economy, the ASEAN area would be the 3rd largest in Asia and the 5th in the world

GDP of the first 10 world countries, current prices
(US\$ billion), 2022

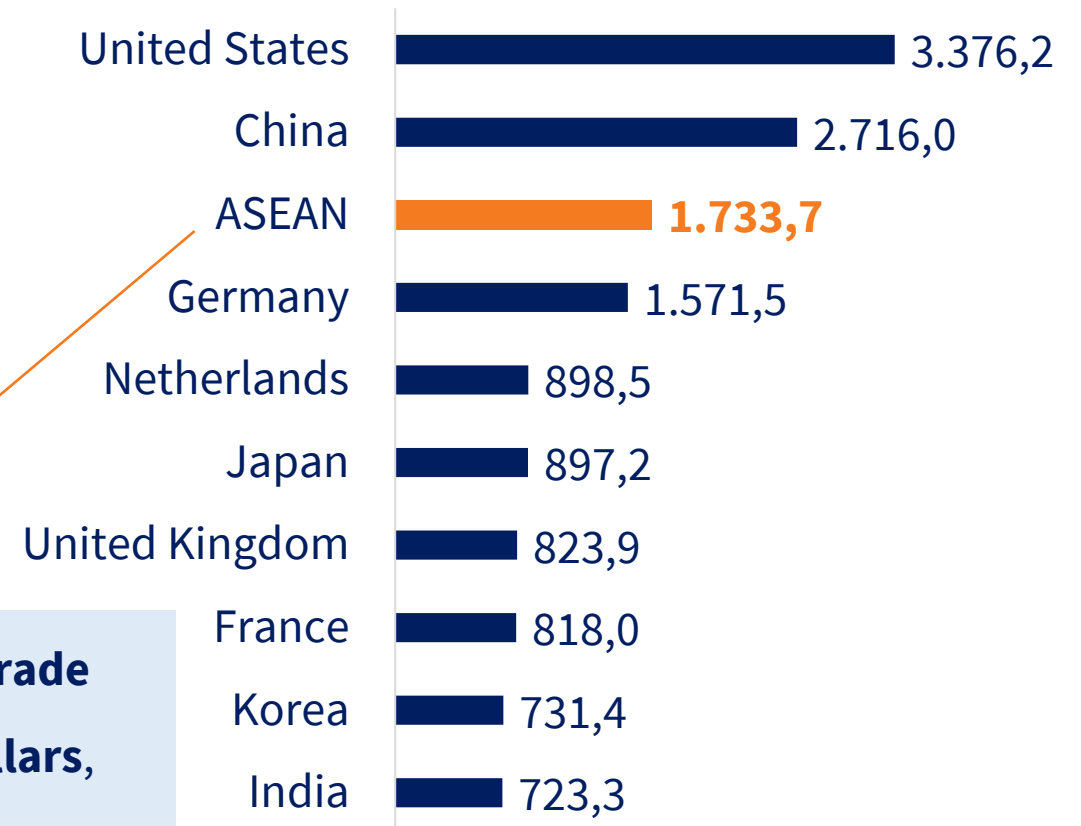


ASEAN is one of the largest trading area globally: 3rd for export and import (after US and China) and 2nd for trade balance (+US\$228 mln)

Export of the first 10 world countries (US\$ billion), 2022



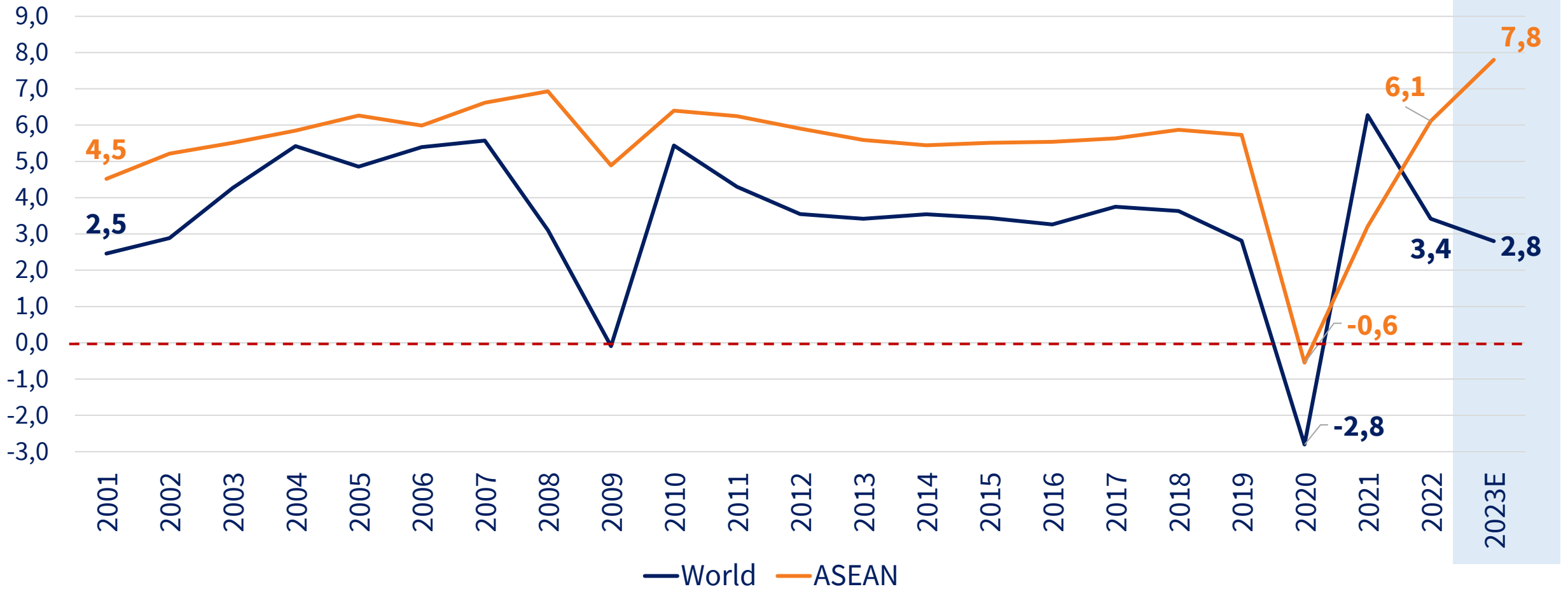
Import of the first 10 world countries (US\$ billion), 2022



ASEAN region has a **positive trade balance** of **228 million US Dollars**,
2° largest only after China

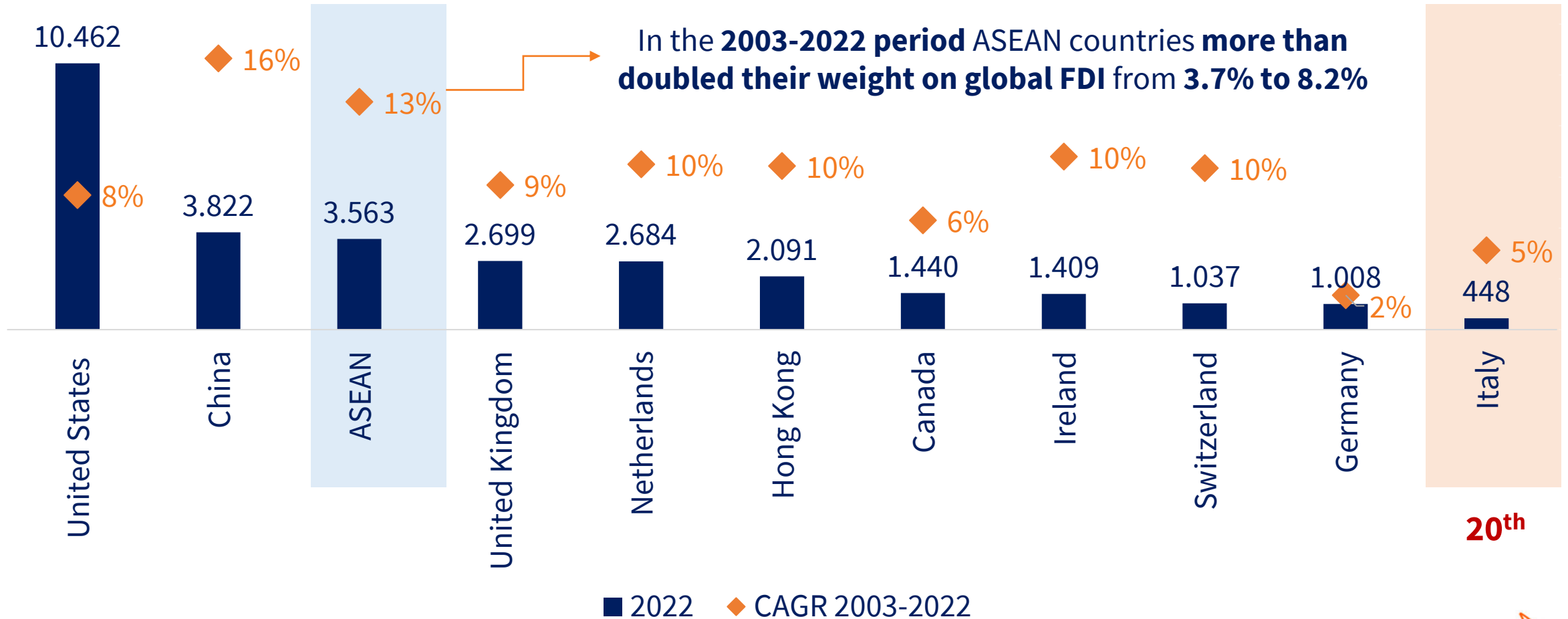
Over the past 20 years, the growth of ASEAN countries outperformed the world average (even during the 2008 financial crisis and COVID-19)

GDP growth in the world and in ASEAN (%), 2003-2023^e



ASEAN countries more than doubled their share of FDI in the last 20 years and have become the 3rd top recipient of FDI in the world

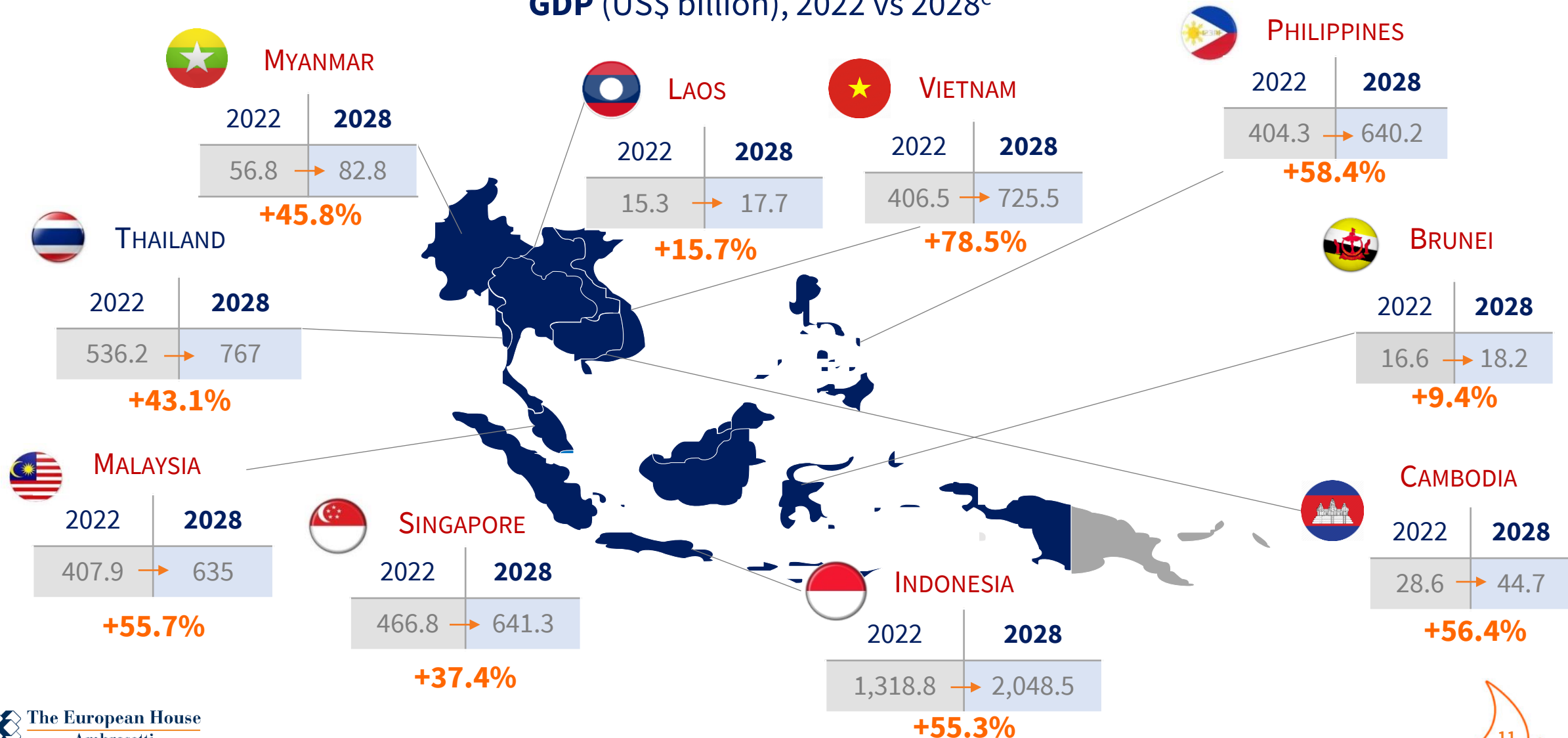
FDIs inward stock in the first 10 world economies + Italy
(US\$ billion), 2022 and CAGR* (% val.), 2003-2022



20th

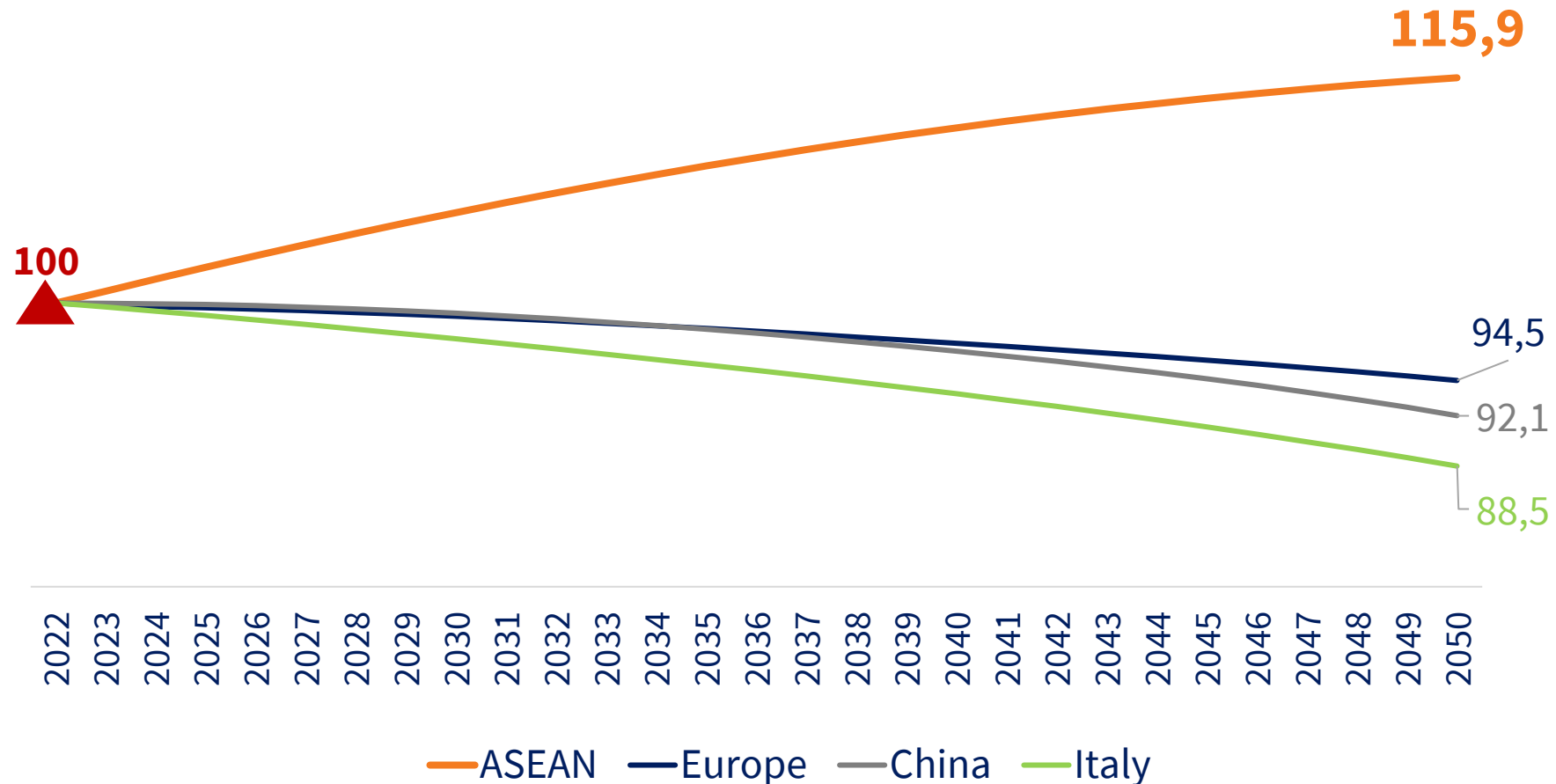
Looking forward, ASEAN countries are expected to experience explosive economic growth in the coming years...

GDP (US\$ billion), 2022 vs 2028^e



...and the ASEAN population is expected to reach almost 800 million people by 2050, making the area the 3rd largest global market

Population forecast to 2050
(Index 100 = 2022)



By 2050 Asean will be the **3rd largest market** in the world with 778 million people (after India and China) and with the **youngest population** (37.3 years)

WHY IS IT IMPORTANT FOR ITALY TO STRENGTHEN THE PARTNERSHIP WITH ASEAN COUNTRIES?

1. The ASEAN Region is an economic power-house and one of the most dynamic and thriving areas of the world
2. **Italy, thanks to its industrial strengths and characteristics can be a preferential development partner for ASEAN Countries**

Italy is one of the major global economies



€1,745 billion GDP

(2022) **+5.4% vs 2015**

3rd economy in the EU

10th economy in the world



€494 billion FDI (stock)

(2021) **+17.8% vs 2015**



€625 billion export

(2022) **+51.7% vs 2015**

8th largest exporter in the world



€655 billion import

(2022) **+76.9% vs 2015**

11th largest importer in the world



17% manufacturing Value Added on the total

(2021) compared to 16.7% in the world

2nd largest in the EU



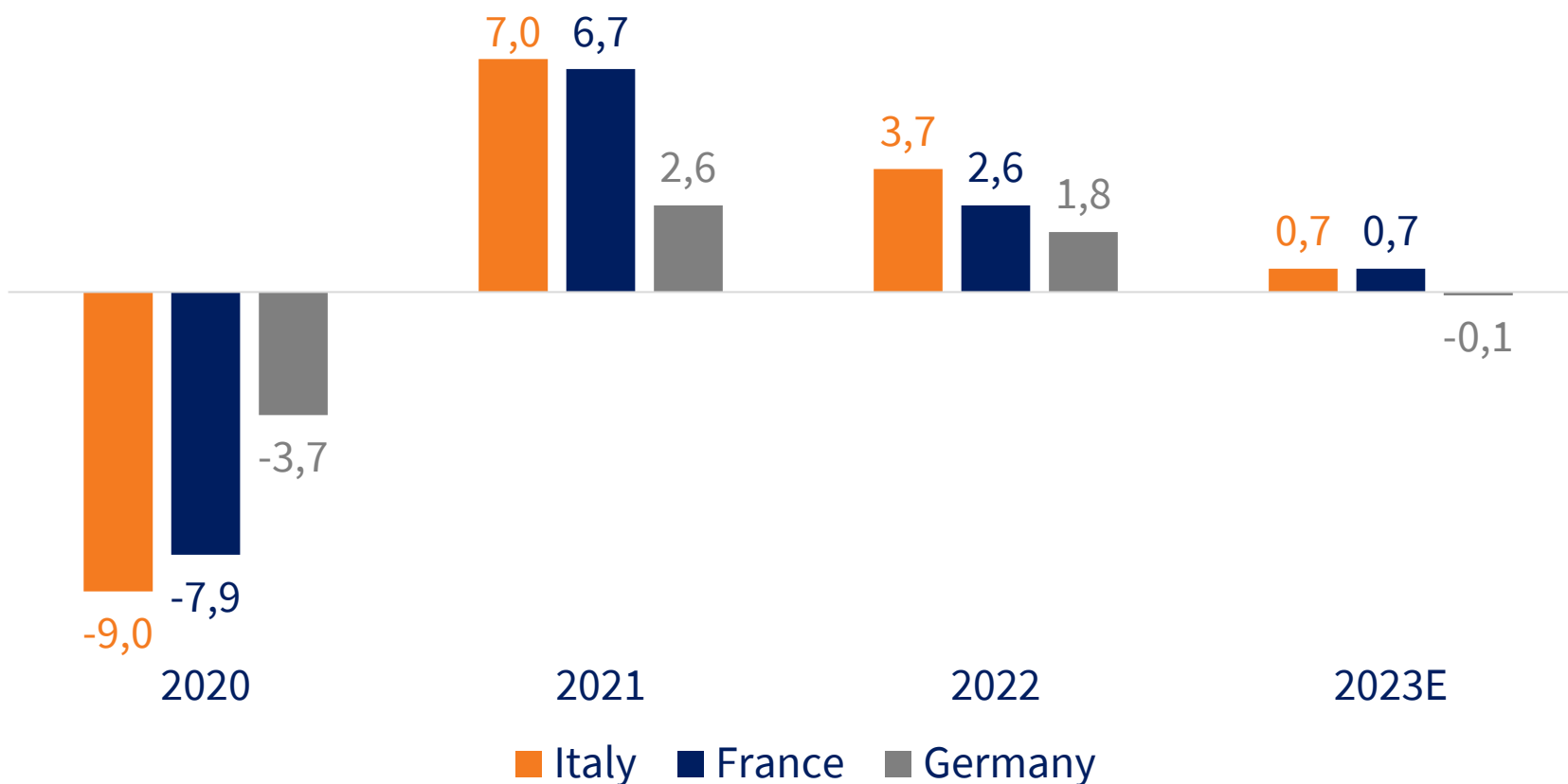
€103 billion manufacturing trade balance (2021)

5th largest in the world

2nd largest in the European Union

Although severely impacted by the Covid-19 crisis, Italian GDP recovered strongly, much better than France and Germany

GDP growth in Italy, France and Germany
(var %), 2020, 2021, 2022 and 2023^e



The rebound allowed Italian GDP to **return to pre-crisis levels already in 2022**

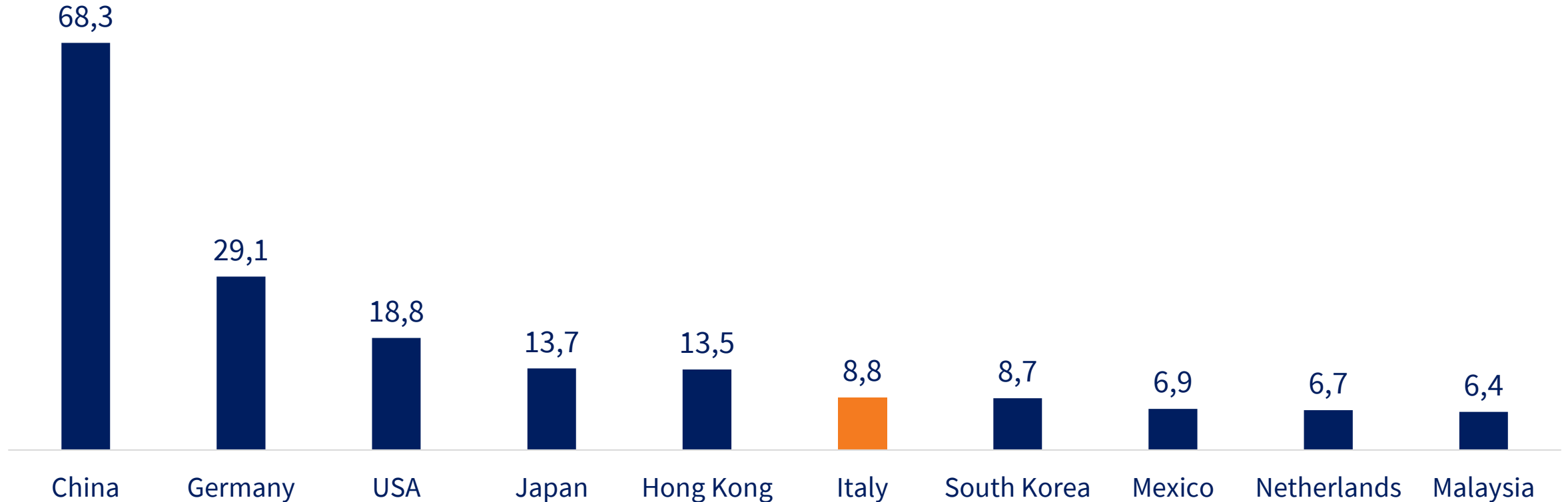
At the beginning of the **crisis**, forecasts indicated that it would be **necessary to wait until 2025**

Some of Italy's main strengths and industrial characteristics

- **2nd country in the world by export value** in the **machinery and automation** sector
- **6th country in the world for export of green technologies**
- **6th largest space power** in terms of revenues
 - The Aerospace and Defense (AD&S) sector is the **1st high-tech manufacturing sector in Italy** whereas Italy is also the **3rd country** in the world for helicopter exports
- Italy's **pharmaceutical production value is the highest in Europe** (€34.4 billion) with a strong contribution of SMEs (€6.6 billion)
- **Italy's "4F"** (Food, Factory automation, Furniture and Fashion) generate **€149 billion** of value added
- Italy's manufacturing **SMEs** (~360,000) account for **1/5 of the European total** (70% more than Germany and France)
- Italy can also count on a **research system of excellence**: it is the **1st country** in the world for number of citations per researcher (383)
- Through its National Recovery and Resilience Plan (NRRP) Italy is deploying the largest investment plan in EU-27 for the **"twin transition"** (green and digital): **€130 billion** allocated, more than the total value combined of Germany, France and Spain

Focus: Italy is 6th in the world (and 2nd in Europe after Germany) for export of renewable technologies

Top-10 renewable technology exporting countries*
(US\$ billion), latest available year

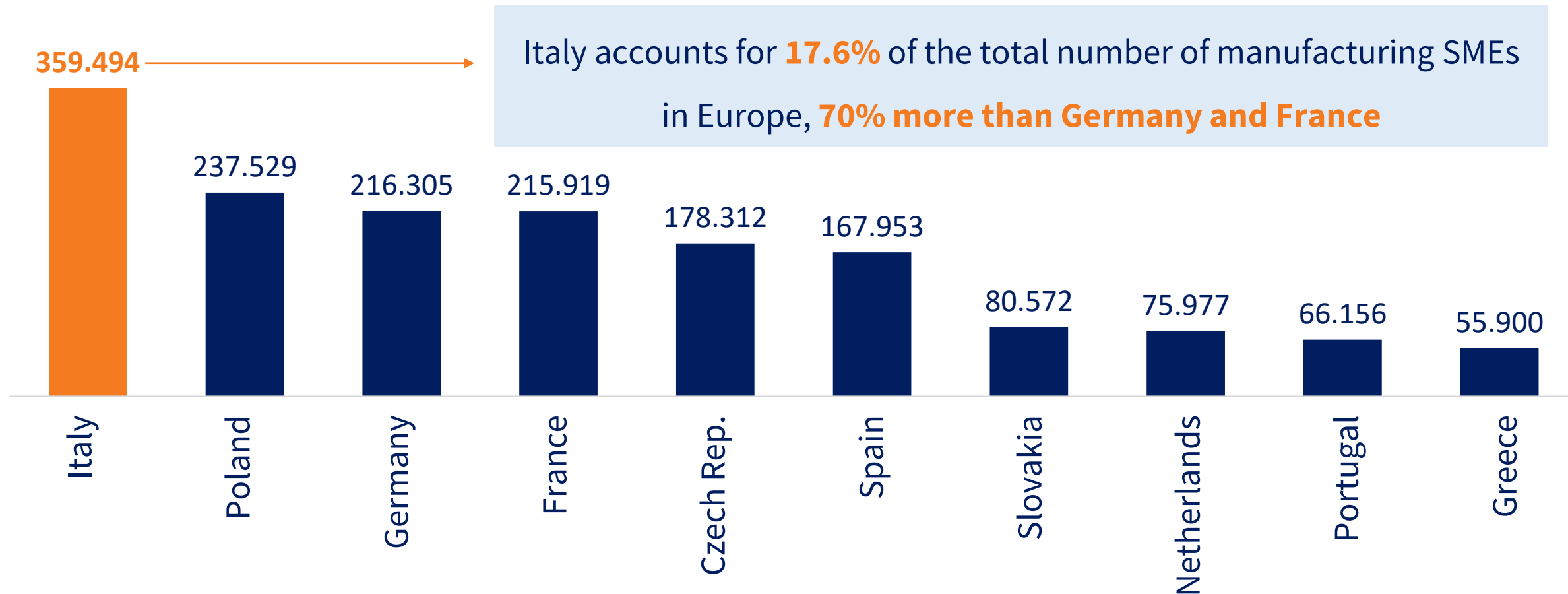


(*) The aggregate includes products mainly related to the world of renewable energy sources (so-called core renewables, including technologies for the production of photovoltaic, wind, thermodynamic solar, hydroelectric, etc.) and components not exclusively related to the production of energy from renewable sources and therefore also intended for other sectors (such as, for example, alternators for electric power or towers and pylons for wind turbines).

Focus: Italian manufacturing SMEs represent 1/5 of the European total

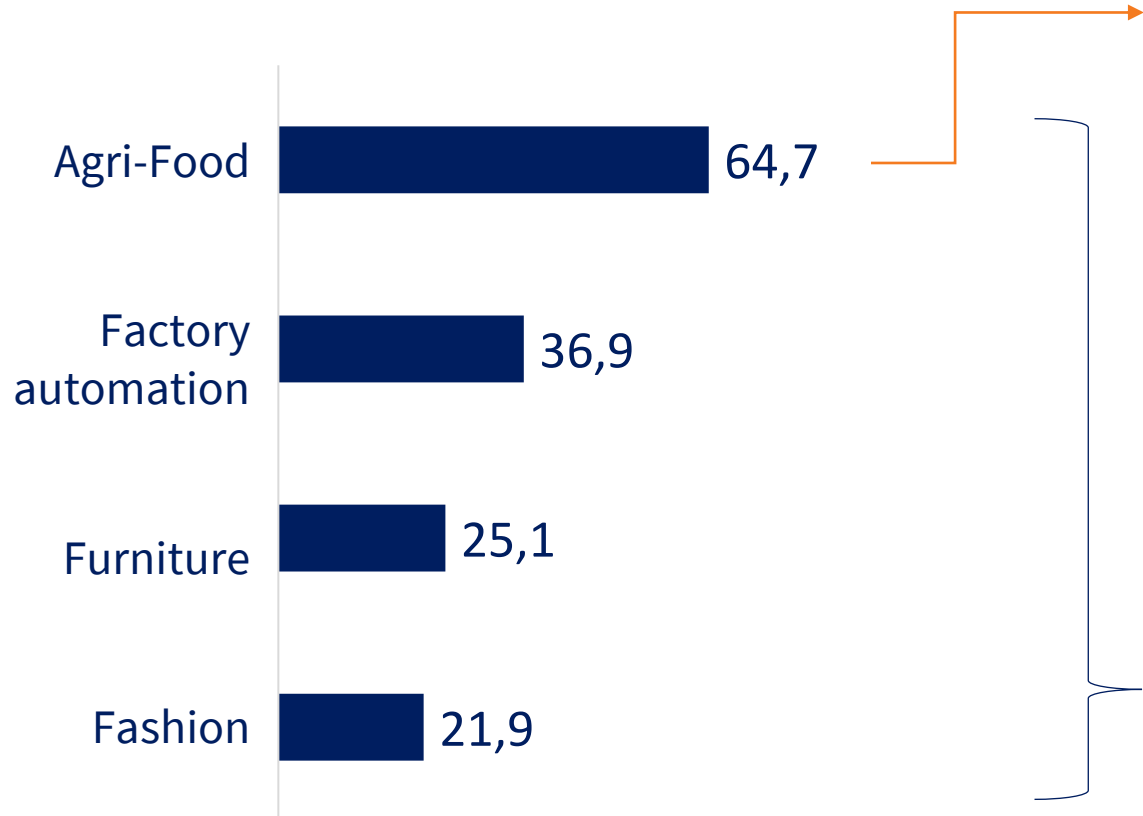
Number of manufacturing SMEs in EU top-10 countries
(absolute values), 2022

Italy accounts for **17.6%** of the total number of manufacturing SMEs in Europe, **70% more than Germany and France**



Focus: The “4F” sectors of Made in Italy generated in 2021 a total added value of 149 billion Euro

Value added in Italian manufacturing “4F” (€ billion), 2021



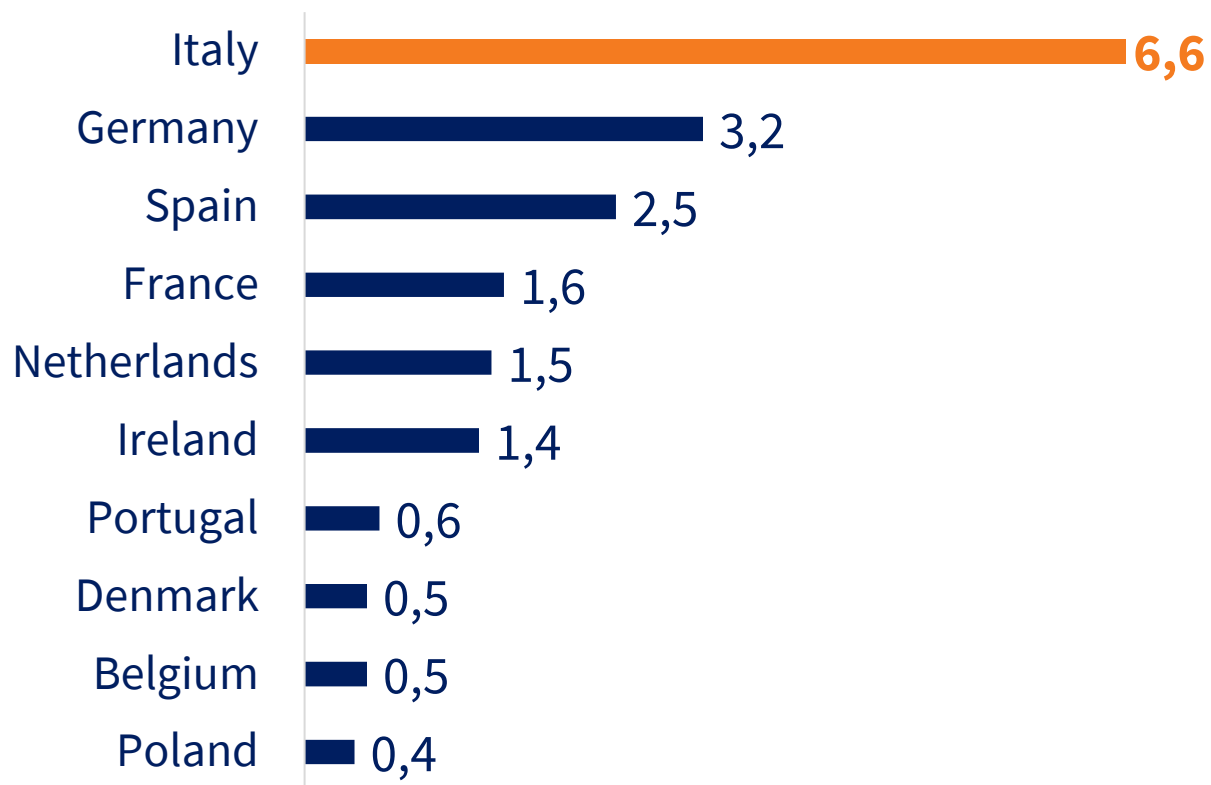
More than 3 times the added value generated by the **automotive** industry of France and Spain

More than twice the added value generated by the **aerospace** of France, Germany and the UK combined

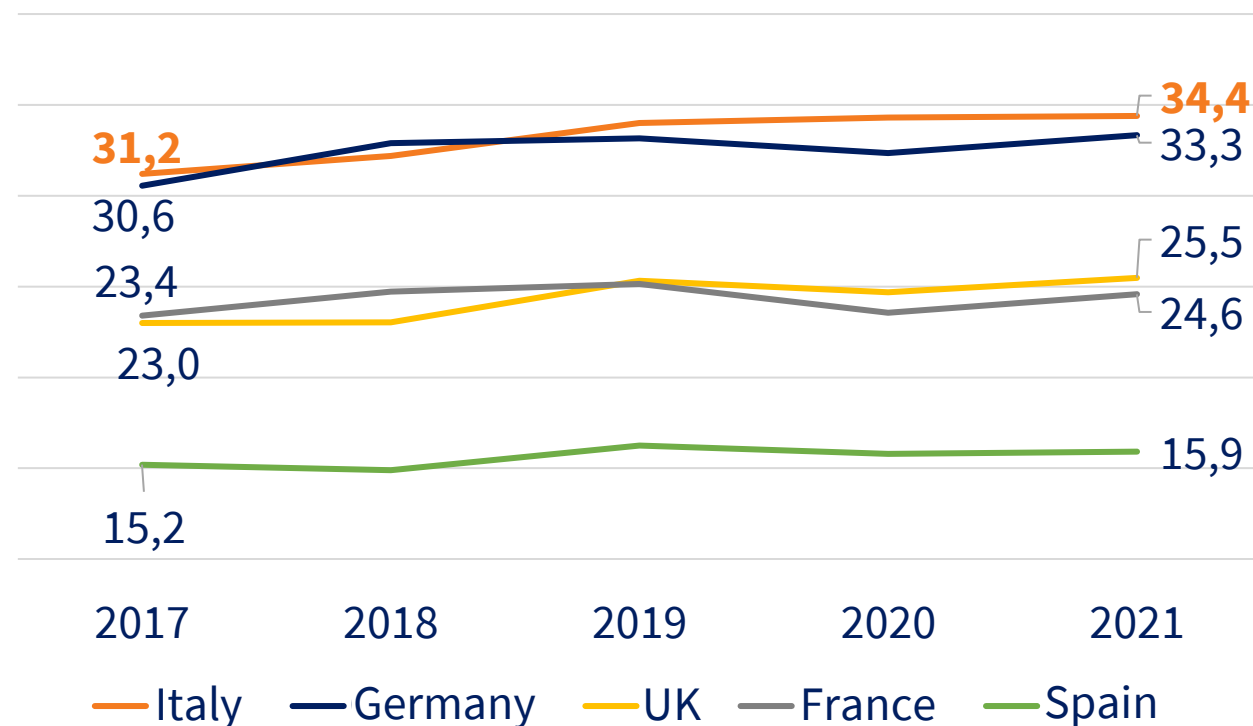
€148.6 billion

Focus: Italy's pharmaceutical production value is the highest in Europe with a strong contribution of SMEs

Top-10 countries in Europe by production value of pharmaceutical SMEs (€ billion), 2022

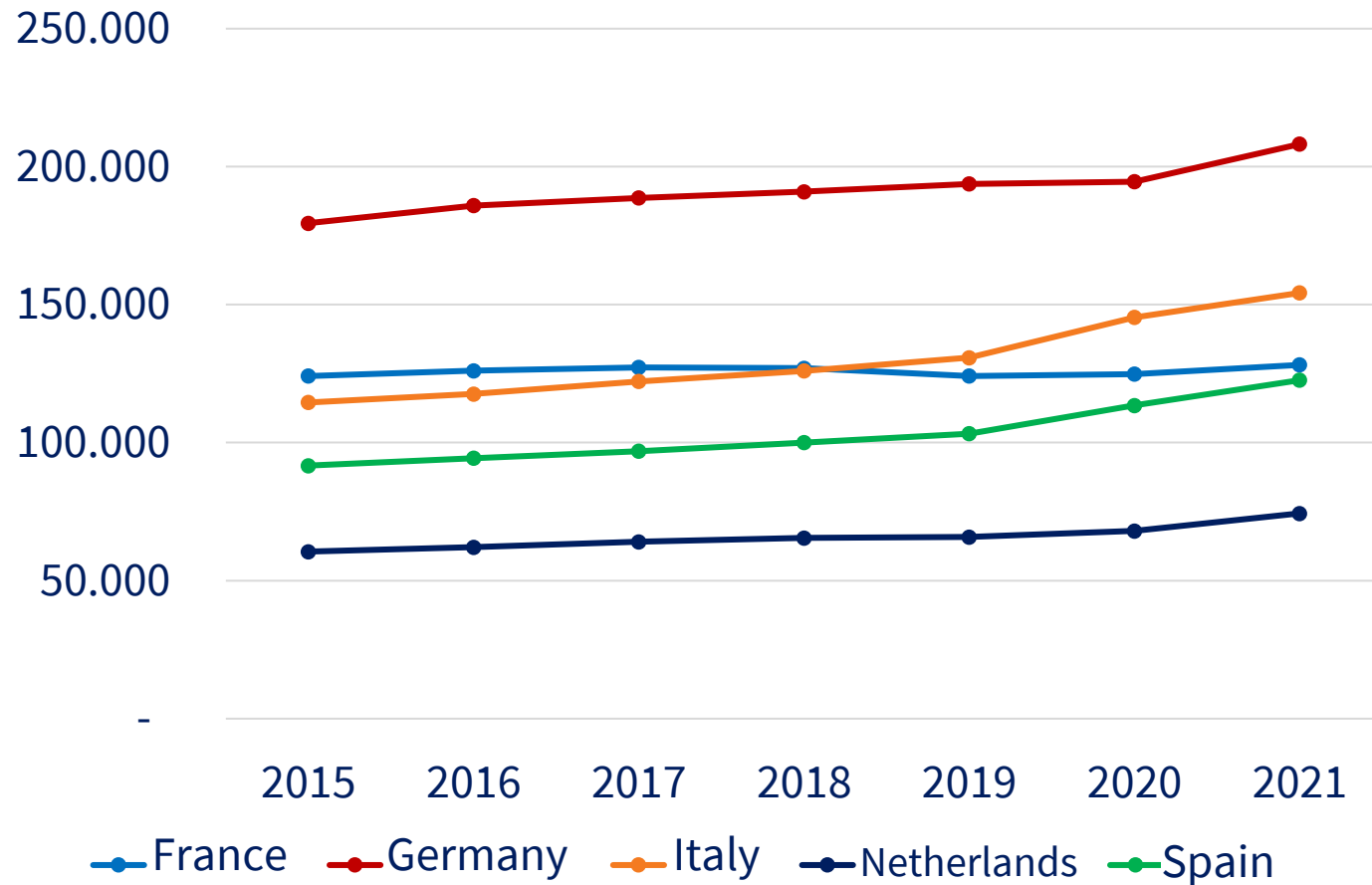


Pharmaceutical production value in the top 5 EU27+UK countries (€ billion), 2017 - 2021

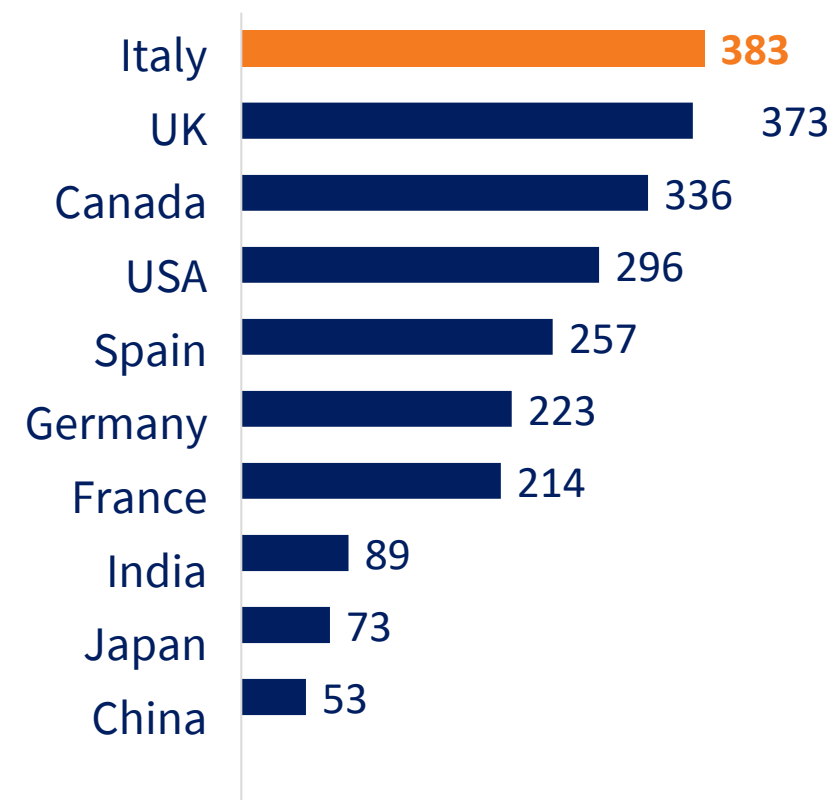


Focus: Italy can also count on a research system of excellence

Peer reviewed scientific publications (absolute value), 2015-2021



N° of citations per researcher: top 10 countries in the world by publications (absolute value), 1996-2021



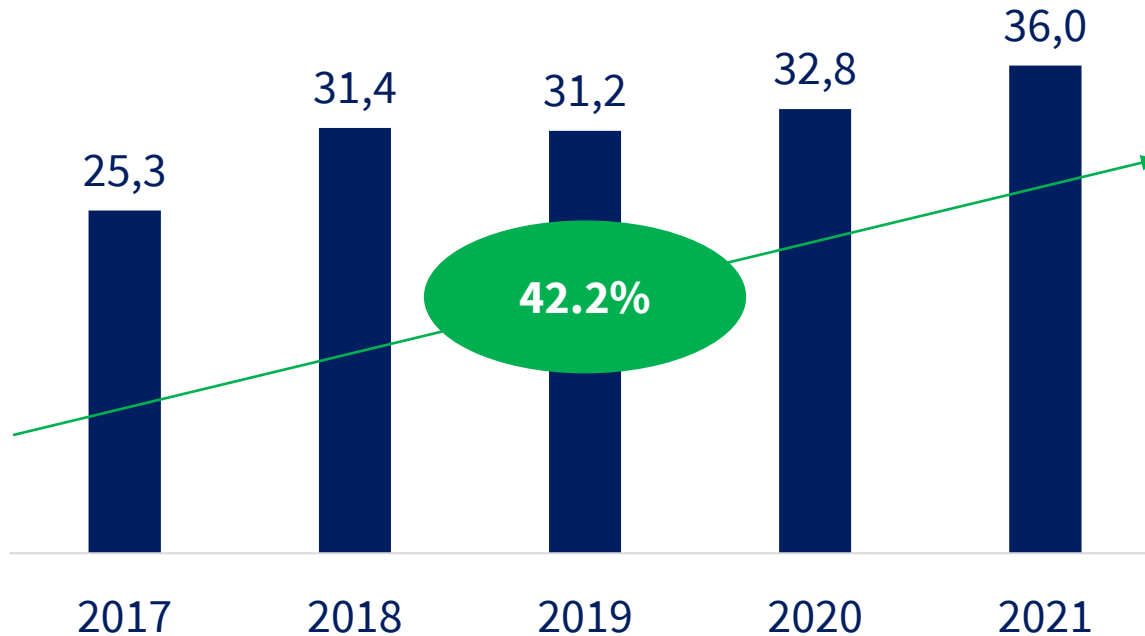
WHAT IS THE ROLE OF PRIVATE CAPITAL SECTOR IN PROMOTING ASEAN-ITALY COOPERATION?

Private Equity and Venture Capital firms are **major sources of investment** supporting companies and start-ups' development

They channel foreign and national **funds for investment in companies**, and they play a **key role in strengthening the start-ups ecosystem** and in driving the rapid rise in the number of start-ups and unicorns

Private Equity and Venture Capital Assets Under Management are experiencing sustained growth in ASEAN

ASEAN-based Private Equity Assets Under Management (US\$ billion), 2017–2021



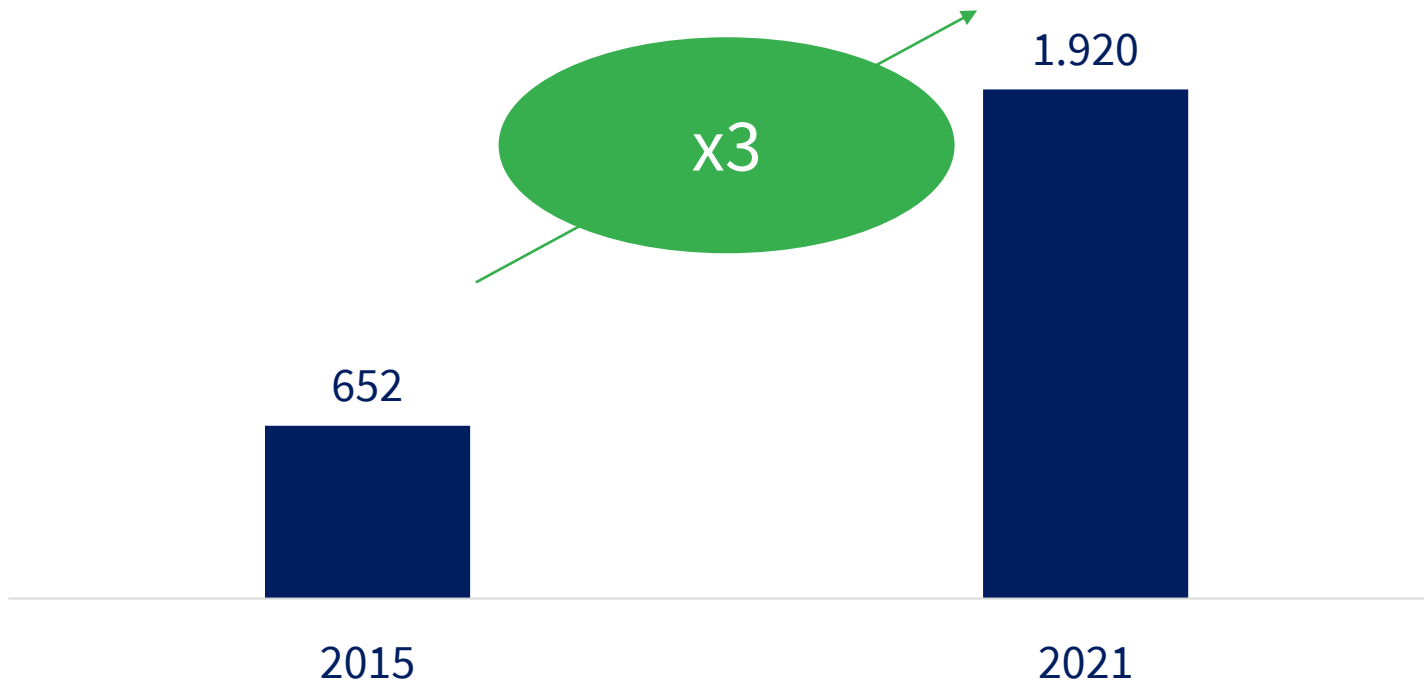
ASEAN-based Venture Capital Assets Under Management (US\$ billion), 2017–2021



The region is also attracting a **growing number of global investors**: in 2021 more than **470** institutional investors targeted ASEAN-focused Venture Capital funds, **more than twice the 2019 value of 230**

ASEAN is an important hub for startups, which are a relevant factor for the dynamism of the region

Number of startups that have raised >1 million US\$
(absolute values), 2015–2021

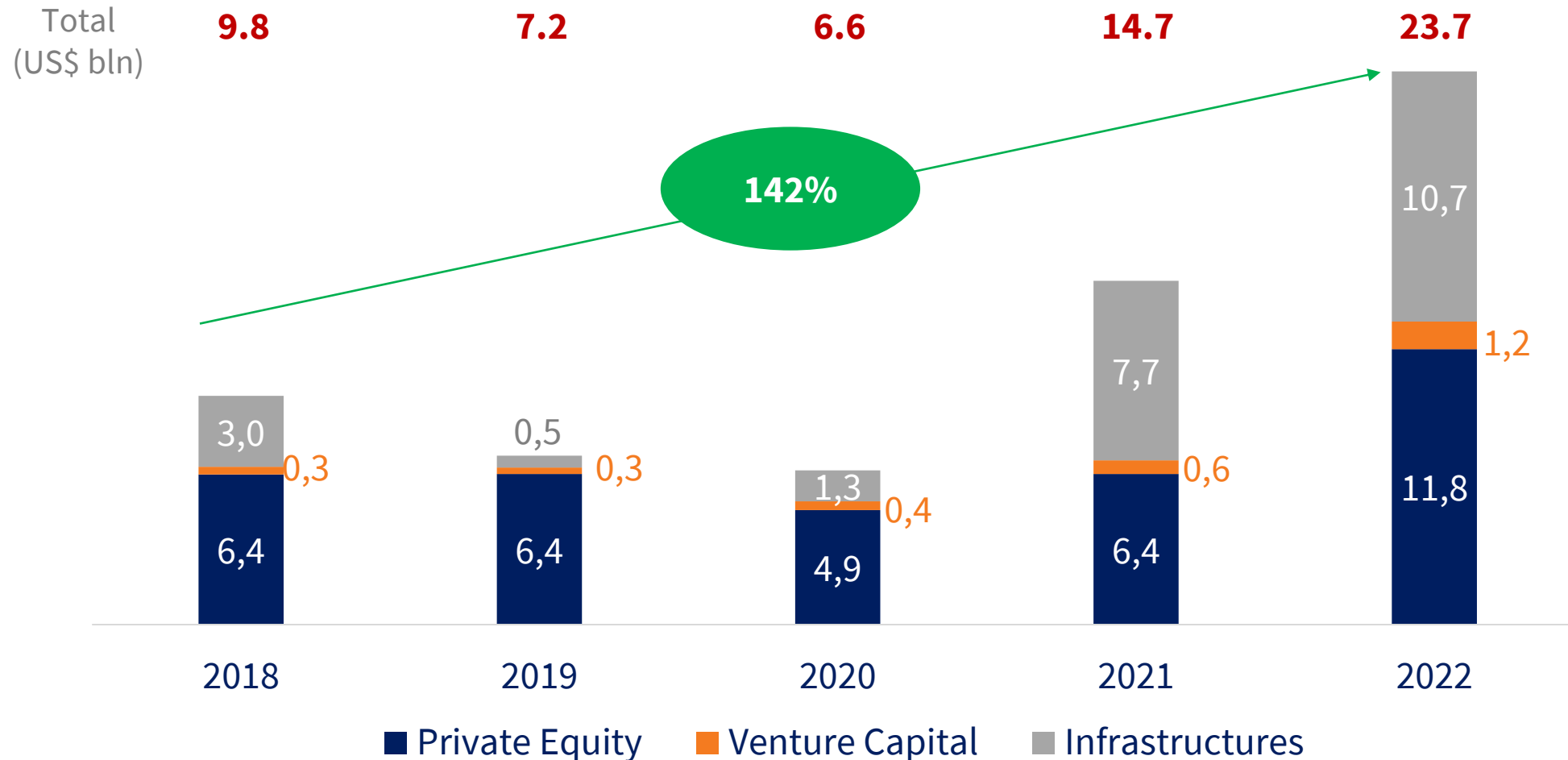


From 2015 up to now, the **number of startups that raised >1 million Dollars** grew by:

- **+194% in ASEAN**
- **+110%** in India
- **+85%** in Europe
- **+65%** in the US

In Italy the Private Capital market is growing in triple-digit, from about 10 billion Euros in 2018 to 24 billion Euros in 2022

Investments by type of activity in Italy (€ billion), 2018-2022



The first 3 sectors in which the Italian Private Capital sector invest account for **almost half of total** Private Capital investments and are:

- **ICT** (26.5%)
- **Industrial goods and services** (11.3%)
- **Medical goods** (9.9%)

In recent years, several investments have been made from ASEAN to Italy and vice versa

FROM ASEAN TO ITALY

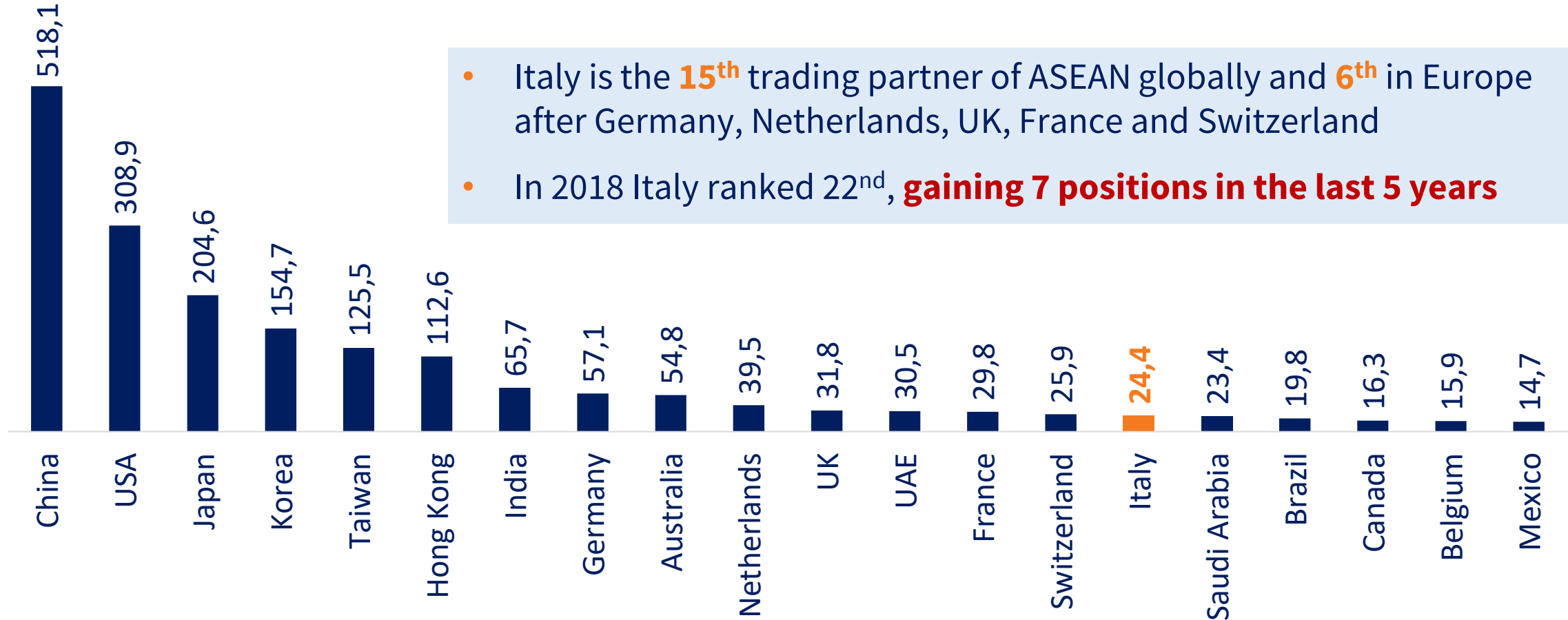
- In 2011, the Thai conglomerate **Central Group** (leader company in the distribution sector and department stores in Southeast Asia) acquired **Rinascente** – one of the most relevant Italian department stores
- **GIC Private Limited** (sovereign fund owned by the Singapore Government) in 2001 started implementing several investments on the Italian market in various sectors, (e.g., real estate, fashion, motorway network, etc.) and among the most recent investments, in 2020, GIC acquired a minority stake in **Intercos** – an Italian firm producing cosmetics – while, in 2022, acquired the majority share of **The Student Hotel** (now The Social Hub) – an Italian hotel chain
- In 2021, the global investment company **Temasek**, headquartered in Singapore, invested in the **Ruffini Partecipazioni S.r.l.** – the first shareholder of Moncler with 22.5% – acquiring 12.8% of shares of the Italian subholding

FROM ITALY TO ASEAN

- Since 2007, **Danieli** (metal industry) has different production units, design centers and service centers in Vietnam, Thailand and Indonesia
- Since 2010, the Italian motorcycle manufacturer **Ducati** is present in Thailand with a production plant, and in Indonesia, with its biggest showroom
- In 2008, **Bonfiglioli** (industrial automation, mobile machinery and wind energy sectors) established a production facility in Vietnam
- In 2021, **Alfagomma** (manufacturer of fluid handling systems for the industrial sector) established a new subsidiary in Thailand
- In 2022, **Piaggio** (scooter and motorcycle manufacturer) settled a new production plant in Jakarta; **MP Filtri** (company operating in the hydraulic industry) invested in Singapore with a new plant
- As for 2023, **Marcolin Group** (leader company in the eyewear sector) opened a new branch in Singapore; **Tonino Lamborghini** (luxury firm operating also in the real estate sector) entered in Southeast Asia with two new hotels in Thailand and Vietnam; **EDA Industries** (engineering company operating in the semiconductor industry) opened a new subsidiary in Malaysia

BUT there is space for further improvement: in 2022, Italy ranked only 15th among ASEAN trading partners (6th among European countries)

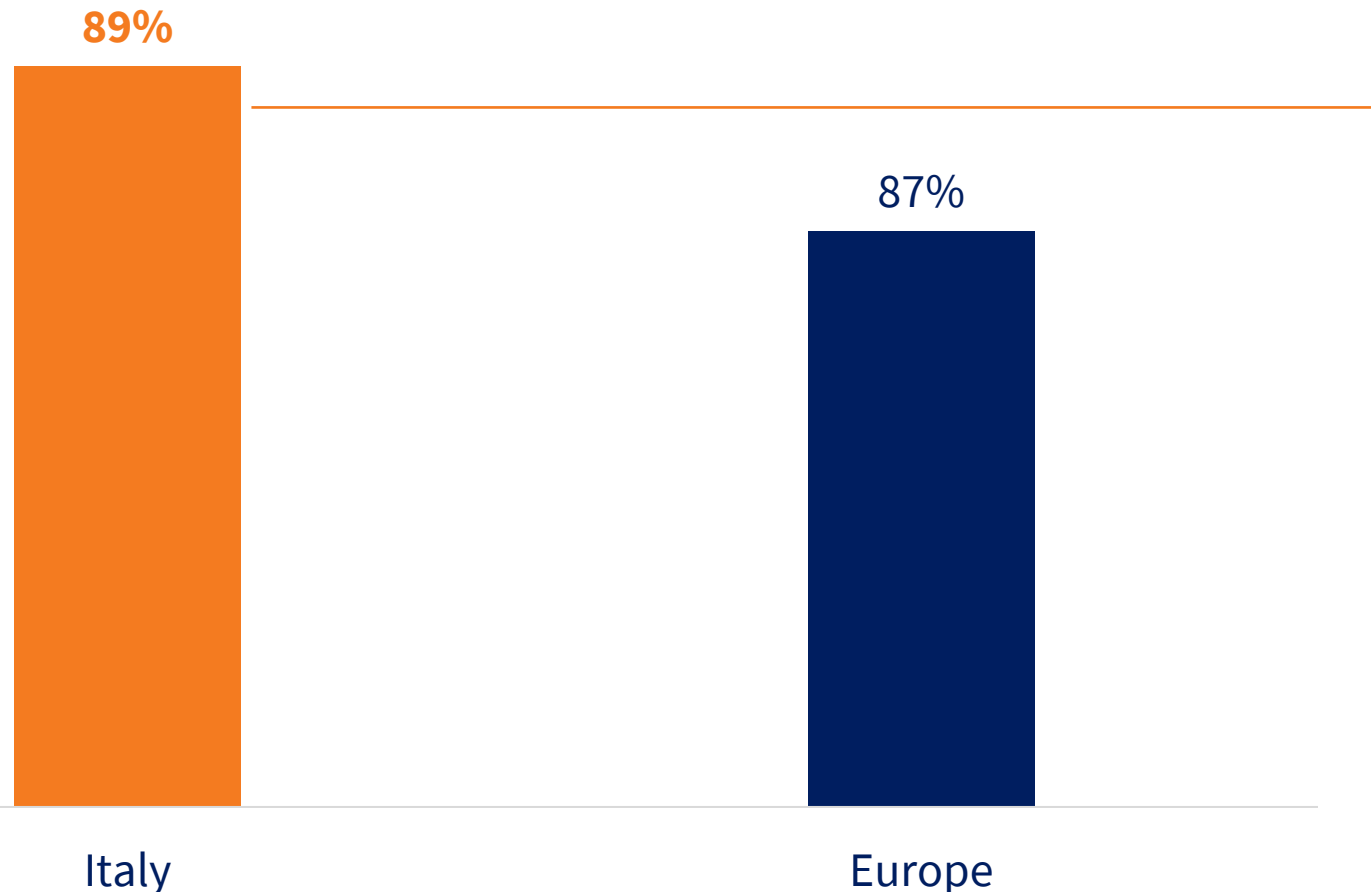
First 20 trading partners of the ASEAN region (export+import, € billion), 2022



- Italy is the 15th trading partner of ASEAN globally and 6th in Europe after Germany, Netherlands, UK, France and Switzerland
- In 2018 Italy ranked 22nd, **gaining 7 positions in the last 5 years**

SMEs represent the pillar of ASEAN socio-economic system and could be a perfect target for Italian investments (89% vs. 87% in Europe)

Number of investments targeting SMEs in Italy and Europe (% on total), 2022



- SMEs are **extremely relevant** in the ASEAN economic and social system
- In fact, they represent:
 - **97%** of enterprises
 - **45%** of GDP
 - **67%** of employment
 - **28%** of value added
 - **20%** of export

The The European House - Ambrosetti/CdP Position Paper identifies guidelines for promoting ASEAN-Italy cooperation in the Private Capital

- Facilitating **mutual cooperation and information sharing** between key investors of Italy and ASEAN countries, by focusing on the support to Italian and ASEAN enterprises investing or willing to invest in both regions:
 - One possible tool to support the partnership development could be through **matchmaking events** and **provision of related information** (e.g., joint-venture partners)
- Establishing a **Joint Working Group comprising representatives of key investors from Italy and the ASEAN countries**, with a view to considering co-investment opportunities between the Parties
 - This could also leverage on the establishment of joint programs to support **internationalization of start-ups** to be realized ad hoc from both Parties. In this sense, public-private partnership (e.g., with commercial and export-import banks and/or DFI) should also be promoted to help provide funding for internationalization of SMEs and start-ups.
- Identifying **blending financing instruments to catalyze private and public funds** for narrowing the climate-related investment financing gap in the ASEAN region

Thank you for the attention

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Since 2013, The European House – Ambrosetti has been named – in the category Best Private Think Tanks – the no. 1 think tank in Italy, the no. 4 think tank in the European Union and among the most respected independents in the world out of 11,175 on a global level (source: “Global Go To Think Tanks Report” of the University of Pennsylvania)

