Report 2017-2018 - Summary

ITALY IN THE WORLD ECONOMY

ITA

ITALIAN TRADE AGENCY

ICE - Agenzia per la promozione all'estero e l'internazionalizzazione delle imprese italiane

Focus

TRADE POLICIES AND FREE-TRADE AGREEMENTS

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ITALY IN THE WORLD ECONOMY

REPORT 2017-2018
SUMMARY

The Report was prepared by a working group of the ITA - Italian Trade Agency's Office for Strategic Planning and Management Control.

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Riccardo Landi

Research Coordinator
Lelio Iapadre

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The text was prepared by:
Simona Angelucci, Alessandro Blankenburg, Simone Capuzzo, Cristina Castelli, Federica Di Giacomo, Alessia Giampietri, Giulio Giangaspero, Elena Mazzeo, Francesca Parente, Stefania Spingola and, for chapter 7, Federica David, Mariaconcetta Giorgi, Fabio Giorgio and Andrea Scano (Ministry for Economic Development), Claudio Barchesi, Paola Chiappetta, Davide Colombo, Giamberto De Vito, Stefano Nicoletti and Alessandra Palumbo (Ministry for Foreign Affairs and International Cooperation), Rita Arcese, Pamela Ciavoni and Giulia Pavese (Conference of Regions and Autonomous Provinces), Domenico Mauriello and Alessandra Procesi (Unioncamere), Alessandro Melini (Cassa Depositi e Prestiti), Fabiola Carosini and Veronica Quinto (Simest), and Ivano Gioia and Stefano Gorissen (Sace)

Executive Summary
Giorgia Giovannetti and Lelio Iapadre

Contributors:
Carlo Altomonte, Giovanni Luca Atena, Silvio Bevilacqua, Emanuele Breda, Tullio Buccellato, Matteo Bugamelli, Fabrizio Camastra, Martino Castellani, Maria Serena Causo, Isabella Cingolani, Rossana Ciraolo, Giancarlo Corò, Giuseppe Credendino, Zeno D'Agostino, Luca De Benedictis, Valerio Della Corte, Raffaele Di Pietro, Giorgia Evangelisti, Francesca Falsi, Giuseppe Federico, Stefano Federico, Federico Ferrari, Matteo Fiorini, Giorgia Giovannetti, Anna Giunta, Bernard Hoekman, Alessandra Lanza, Andrea Linarello, Vittorio Maglia, Marianna Mantuano, Enrico Marvasi, Aaditya Mattoo, Francesca Mauri, Stefano Menghinello, Roberto Monducci, Mirella Morrone, Roberta Mosca, Alen Mulabdic, Marco Mutinelli, Silvia Nenci, Stefano Nigro, Giacomo Oddo, Fabrizio Onida, Gianluca Orefice, Pietro Panzarasa, Leonardo Piani, Chiara Pollio, Carlo Riccini, Lauretta Rubini, Silvia Russo, Michele Ruta, Luca Salvatici, Paolo Sannini, Lorenzo Soriani, Francesca Spigarelli, Davide Suverato, Lucia Tajoli, Enrico Tosti, Adele Vendetti, Gianfranco Viesti, Juliette Vitaloni, Maurizio Zanardi and Davide Zurlo

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Contacts
pianificazione.controllo@ice.it

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Tiburtini – Via delle Case Rosse 23
00131 Rome, Italy
Tel: [+39] 06 4190954
www.tiburtini.it – info@tiburtini.it

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TRADE WAR THUNDER: THE ITALIAN ECONOMY'S RECOVERY AND THE THREATS OF PROTECTIONISM

1. The global economic picture

International trade and investment

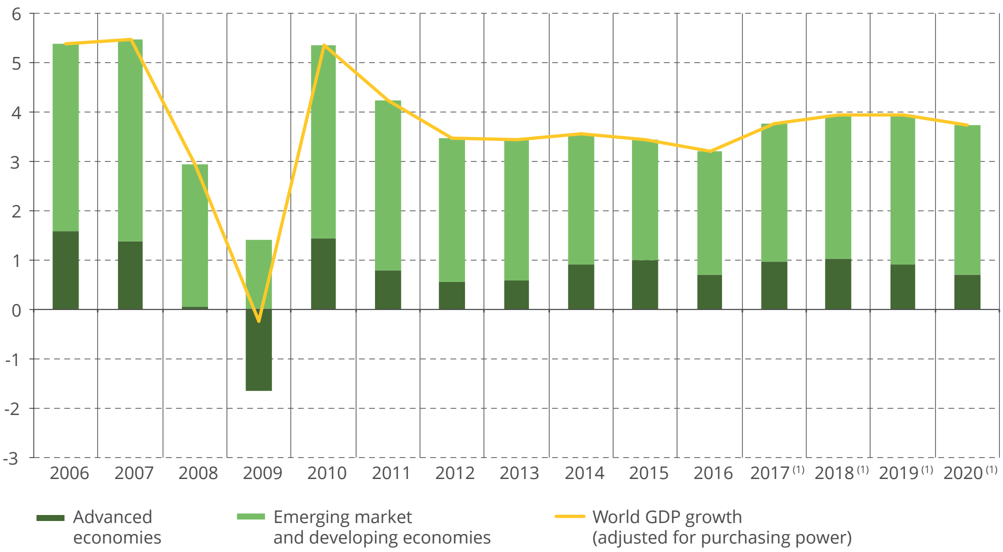
The world economic recovery strengthens, but the danger of a trade war adds to uncertainty

The world economy showed livelier signs of recovery in 2017, growing by 3.8 percent, with further progress forecast for the current year. However, many factors of uncertainty persist, above all in connection with the developments of a possible trade war between the principal economies and the protraction of other geopolitical tensions.

The emerging countries continue to be the chief engine of global growth (Chart 1). In China and India, the recovery found support in a robust expansion of private consumption and net exports, after their negative performance in 2016. The increase in commodity prices spurred an inversion of the negative cycle both in Russia, despite the continuation of sanctions, and in Brazil.

Signs of strengthening recovery were also seen in the advanced countries. In the United States, GDP expanded by 2.3 percent in 2017 and is forecast to accelerate to 2.9 percent growth in 2018. The euro-area economy's growth (2.3 percent last year), buttressed mainly by domestic demand and by the increase in lending to households and firms, is expected to remain about the same in 2018, though with differences from country to country. Among the area's main countries, Germany and especially Spain have recorded strongest expansion, above the euro-area average, while GDP growth in France and Italy is forecast to remain below that standard.

Chart 1 - Contributions to world GDP growth
Percentage points



(1) Estimates and forecasts.
Source: Based on IMF data

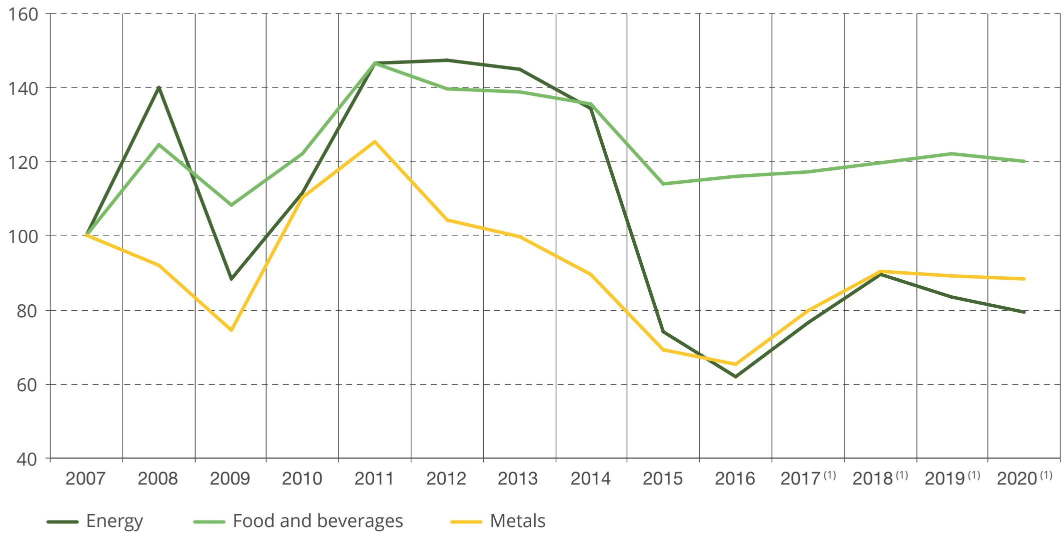
On the basis of the available estimates for the next two years, the growth differential in favor of the emerging economies, which had narrowed during the "great crisis" that began in 2008, are widening again. This suggests the possibility of a new phase of convergent development levels, a possibility that could well be blocked, however, by the rising tide of trade war.

Commodity prices rose, improving the producer countries' external current account balances

With the improvement in economic conditions, commodity prices turned upward after dropping steeply in the previous five years (Chart 2). Oil prices posted a sizable gain, rising to $65 a barrel in January 2018 and then dropping back to about $50 (May 2018).

Chart 2 - Dollar prices of traded commodities

Indices, 2007=100



(1) Estimates and forecasts.

Source: Based on IMF data

The inversion of the commodity cycle had an immediate impact on the external current account balances of the producer countries, all of which improved and are expected to continue to do so this year. Among the more dynamic economies, China's current account surplus has declined while India's deficit has worsened. Among the advanced countries, the United States' deficit is tending to expand again, while the surpluses of the euro area and Japan are forecast to contract slightly in 2018.

International trade is accelerating, but its growth falls short of past levels, especially in the emerging and developing countries

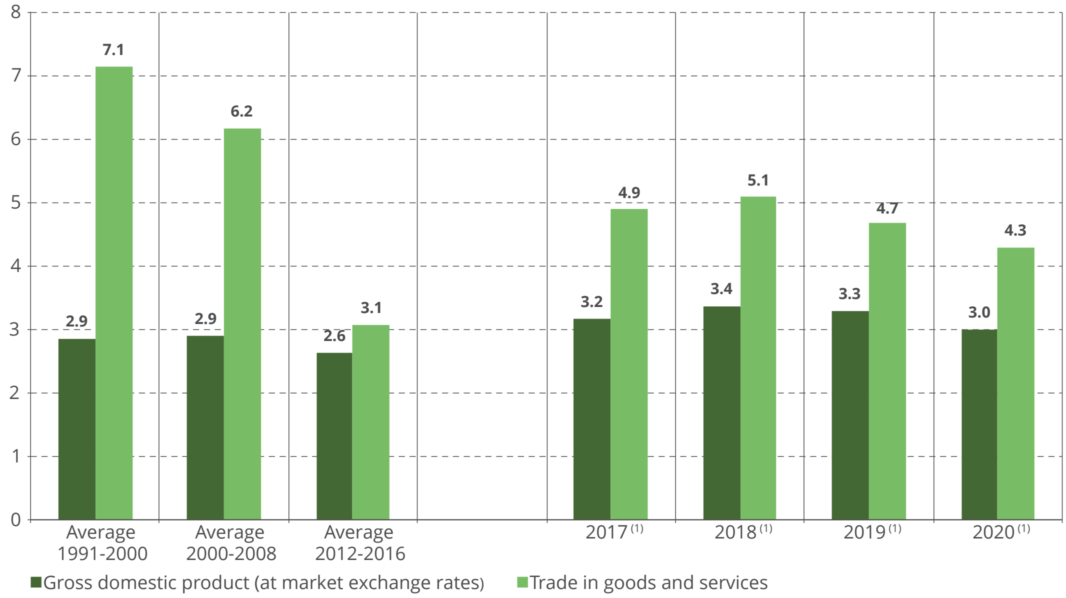
In 2017 the global economic upswing stimulated an acceleration in trade in goods and services, which grew by 4.9 percent in volume. The IMF's estimates point to a similar performance in 2018-19. Still, these growth rates would be appreciably lower than in the twenty years preceding the global crisis, lending support to the hypothesis of a structural lowering of the elasticity of trade to output (Chart 3).

To begin with, the expansion of international production networks, which had supported the growth in trade in intermediate goods and services in the previous years, appears to have come to a halt. The links between the structure of trade and international production networks are highly complex and are interwoven with shifts in the world's economic geography. Some emerging countries in Asia, China in particular, are showing a clear tendency to move upstream in international value chains; they now produce some of the intermediate goods they had previously imported and are going from being simple final assemblers to assume more central roles in the chains.[1]

In addition, a brake on trade has come from the evident signs of a return to forms of protectionism that appeared even before the aggressive trade policy measures taken by the US government in the first months of 2018 and the consequent retaliatory measures.

Chart 3 - World output and trade

Percentage changes in volume



(1) Estimates and forecasts.

Source: Based on IMF data

The slowdown in trade has not, however, been equally intense in all the regions of the world. Comparing the average levels of the income elasticity of trade in the decade preceding the global economic crisis with those of the period 2012-17, one finds that this ratio increased in the advanced European countries. By contrast, in the emerging countries, especially those of Asia, it declined considerably, falling below one. A cause of this decline lies in the structural characteristics of the emerging countries, where the tradable goods sector accounts for a larger share of GDP than in the advanced economies. As a result, the performance of imports more closely tracks that of GDP, which implies an income elasticity that tends to be close to one. Moreover, this elasticity is highly procyclical, so that during economic slowdowns it can easily fall below one.[2]

In 2017, the volume of goods exports and imports increased in all the geo-economic regions except the Middle East, where the rise in oil prices was still unable to counter the negative trend of the region's economies and to stimulate imports, partly owing to the policies undertaken by some of these countries. The largest gains were recorded in Asia (Chart 4).

1 See the contribution by I. Cingolani, P. Panzarasa and L. Tajoli, *La centralità dei paesi nelle catene globali del valore,* in chapter 1 of the Report.

2 See A. Borin, V. Di Nino, M. Mancini and M. Sbracia (2017), "The cyclicality of the income elasticity of trade", MPRA Working Paper, No. 77418.

Chart 4 - Merchandise exports and imports by region in 2017
Percentage changes from previous year - in volume

Source: Based on WTO data

The growth and geographical distribution of international trade do not depend solely on economic cycles and trade policies, but also on the complex set of factors that influence transport and transaction costs. Since over 80 percent of the volume of world trade moves by sea, a crucial role is played by the factors that determine the relative costs of the different sea routes, including the costs of port infrastructure and ships.[3]

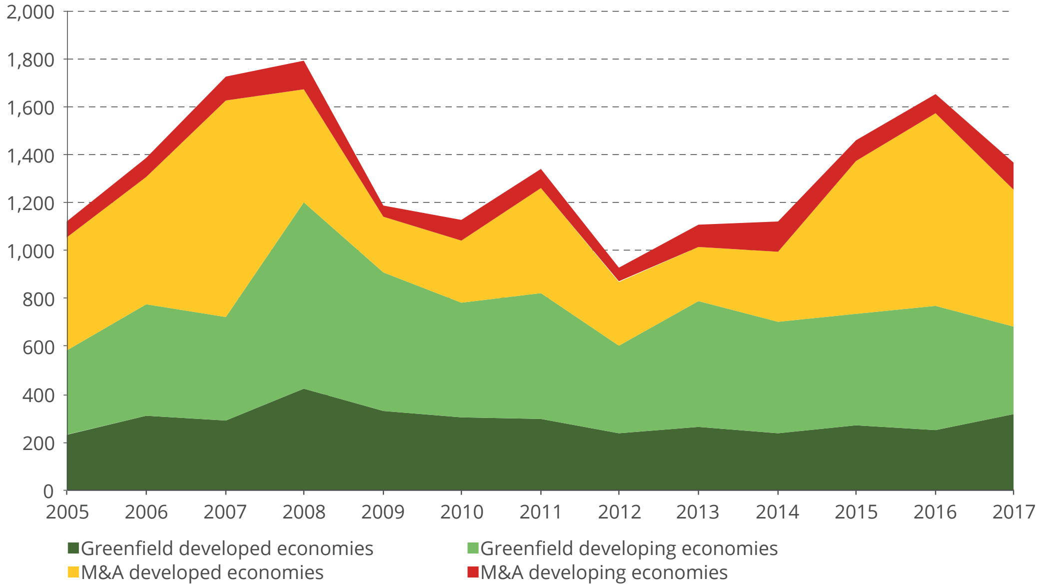
The trend of commodity prices, mainly downward up to 2016, influenced the distribution of world merchandise trade by sector, drastically reducing the relative importance of extractive industries (from 13.5 to 7.1 percent of world trade between 2011 and 2016) and of sectors closely linked to it, such as refined oil products. Signs of a reversal of trend began to appear last year. At any rate, for the period 2011-17 as a whole, among the most dynamic manufacturing sectors were pharmaceuticals, leather and footwear, transport equipment, and electrical equipment and electronics.

A slight fall in services' share of trade interrupts a rising trend

The relative weight of services in world trade fell slightly in 2017, interrupting a rising trend that reflects their ever-greater importance as production inputs in the other sectors. However, other factors being equal, the conversion of economies to services tends to reduce their openness, given the lower tradability of services.

3 See the contribution by L. De Benedictis, *Rotte di trasporto, infrastrutture e mutamenti nella tecnologia del trasporto marittimo,* in chapter 1 of the Report.

Chart 5 - Composition of inward foreign direct investment by type and region
Estimated flows in billions of US dollars



Source: Based on UNCTAD data

Foreign direct investment declines sharply, especially as regards mergers and acquisitions

The prevailing uncertainty about medium-term economic prospects and the geopolitical risks in many regions led to a sharp drop in foreign direct investment (FDI), mainly due to a marked decline in mergers and acquisitions, which had helped instead to moderate the downward trend in the last two years (Chart 5). The contraction in investment affected all the sectors – commodities, manufacturing and services. FDI flows to the emerging and developing countries stabilized, while those to the developed economies fell, with a clear-cut turnaround with respect to 2016.

Market integration policies

The tensions between the United States, China, the European Union and other countries, coupled with the uncertainty spawned by various geopolitical crises, are producing deep concern about the future of international trade relations. For the first time since the creation of the World Trade Organization (WTO), there is fear of a trade war between the main economies, where unilateral actions of "trade defense" risk provoking retaliatory measures by the countries affected. A spiral of this kind could impede the consolidation of recovery from the severest economic crisis since World War II and sanction the definitive collapse of the multilateral regime governed by the WTO.

The events of the past months are a far cry from what was laid out in the final document of the 2017 G20 summit meeting, which had reaffirmed the participants' commitment to promoting an open world economy and containing protectionist pressures, in order to facilitate world trade and foreign investment while also combatting any illicit practices. The G20 countries had also recognized the importance of global value chains for economic growth, emphasizing the need to promote adequate social and environmental standards.

Nevertheless, in early 2018 the US administration, seeking to promote domestic growth and employment, adopted a series of unilateral measures, notably safeguard clauses and tariffs, in the name of "national security," provoking strong international reactions. In March 2018, for example, it announced a tariff of 25 percent on imports of steel and of 10 percent on aluminum, rates which have entered into force against the European Union and even against the United States' partners in the North American Free Trade Agreement (NAFTA). In response, the European Union has introduced compensatory tariffs on a series of US products and appealed to the WTO's disputes settlement system, and Mexico and Canada have taken similar steps. Meanwhile, the US has raised the stakes, threatening to impose tariffs on motor vehicle imports as well.

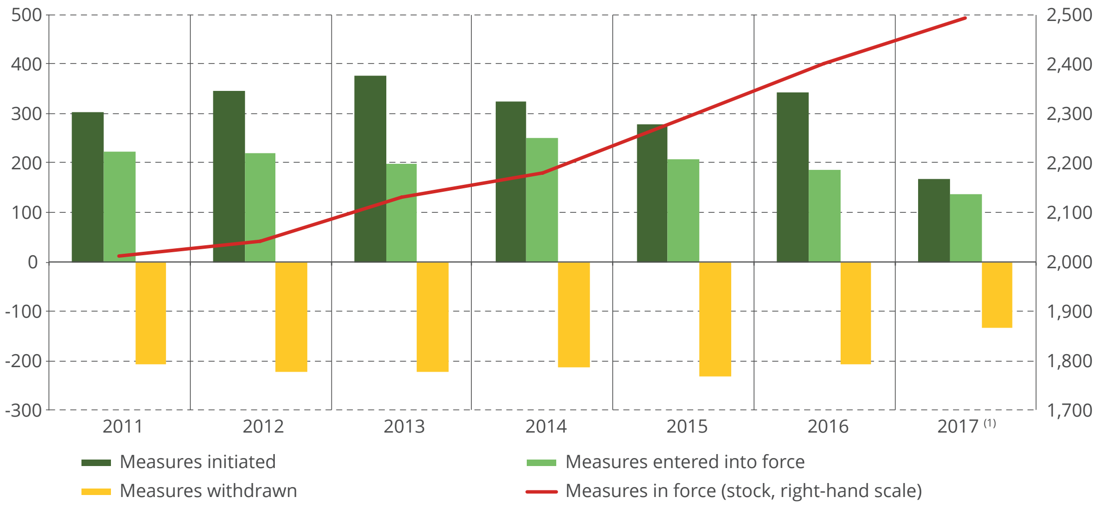
There is growing recourse to various restrictive trade measures focusing on intermediate and capital goods, with a potential disruptive impact on firms in global value chains

The disagreement that reigned at the end of G7 meeting of June 2018, with the United States backing out of the final joint communiqué, has further worsened the international climate, and the retaliatory spiral has begun. The measures adopted by the United States and other measures announced toward China concentrate on intermediate and capital goods. Their impact on the companies that operate in global value chains is potentially disruptive, with the risk of negative repercussions also on US companies, as their trade associations have remarked.

Still, the rifts that are opening in international trade relations only accentuate already existing tendencies toward a revival of protectionism. The years since the onset of the global crisis have seen an increase in trade defense measures (Chart 6) and various types of non-tariff barriers (including local content requirements) and, in the three years 2014-16, the average of effectively applied tariff rates also rose.

Chart 6 - Trade defense measures

Number of measures notified by WTO member countries



(1) Preliminary data, as at May 2018

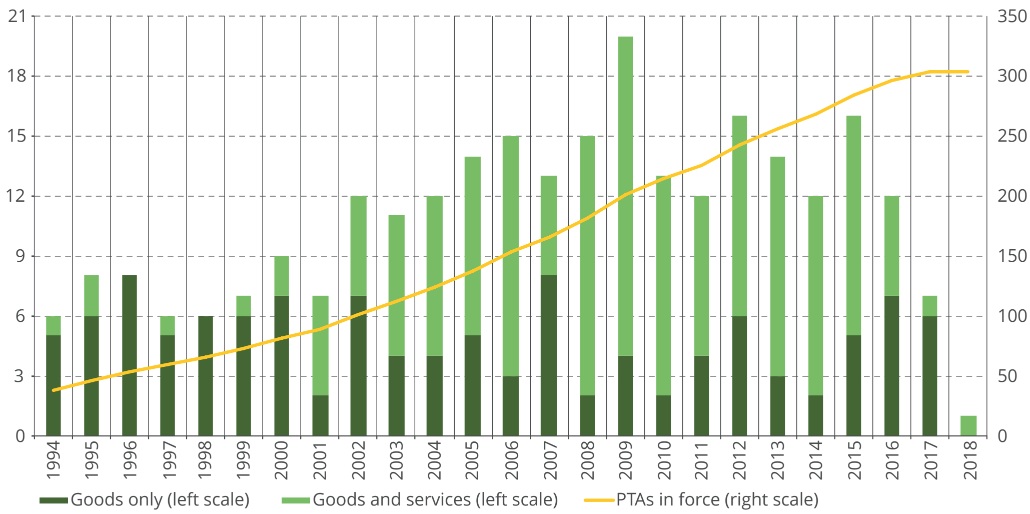
Source: Based on WTO (I-TIP) data)

International, multilateral and preferential trade talks are encountering growing difficulties

The last few years have also brought a generalized increase in barriers to trade in services, while obstacles to foreign investment have diminished, especially in emerging countries, albeit with considerable differences across sectors. Regarding this last point, the degree of openness is decidedly greater in the secondary sector and much higher in the European Union than the OECD average or compared with the main emerging countries; markets such as the Philippines, Myanmar, China and Indonesia, and also Russia and Mexico, have particularly high trade restrictiveness indices.

The multilateral negotiations are still stalled: multipolar geo-economic equilibria and the new course in the United States make it very hard to reach decisions in the WTO, and the 11th Ministerial Conference in Buenos Aires did not make tangible progress. Furthermore, the talks on plurilateral agreements, such as the Trade in Services Agreement (TISA) and the Environmental Goods Agreement (EGA), are also at a standstill.

Chart 7 - Preferential trade agreements (PTAs) notified to the WTO, by year of entry into force and cumulated (1)



(1) As at June 2018, includes accessions.
Source: Based on WTO data

The movement toward bilateral or regional preferential agreements for the liberalization of trade and investment is also losing momentum (Chart 7). In part, this is probably due to the fact that countries have nearly exhausted the possibility of finding significant partners that are still not involved in agreements (a total of 304 preferential trade treaties are currently in force). At the same time, however, this slowdown, together with the problems that have emerged in the ratification and implementation of agreements and with the increase in trade disputes, clearly indicate that the climate of international relations has changed.

Eight new treaties came into force in 2017 and the first few months of 2018; three of these – the agreements of Chile and Egypt with Mercosur and the Canada-Ukraine treaty – were limited to goods only, an approach that has recently prevailed with respect to broader agreements that also cover trade in services.

Among the important accords signed but yet to enter into force is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, or TPP-11), signed in March 2018 by 11 Asian countries, thanks especially to the commitment of Japan, which, alongside other governments, is convinced that less fragmented markets would be beneficial for the operations of firms in international value chains. Another significant development was the signing of the African Continental Free Trade Agreement (AFCFTA), which brings together 55 countries and represents an important step toward economic integration of the continent.[4]

The European Union

The process of European integration is in crisis: the weakness of the economic framework is coupled with the unresolved problems of the European institutions

Internal and external turbulence has threatened the stability and cohesion of the European Union in recent years, at times calling the project of European integration itself into question.

The persistent weakness of the economic framework is coupled with the unresolved problems of the European institutions, with the issues raised by the arrival of migrants in some countries and with the difficult negotiations on Brexit,[5] giving rise to increasing disenchantment with the idea of a United Europe and to a host of political problems. Not even the 60th anniversary of the treaties of Rome served to give new impetus to the Community project, despite the publication in March 2017 of the *White Paper on the Future of Europe* setting out five scenarios for the potential development of the EU. Now, one year on, the climate has changed very noticeably. Meanwhile, the construction of the Single Market still awaits completion: the critical issues concern the scant integration of services, public procurement and the energy market, and the residual barriers to the movement of labor and capital.

The effective degree of trade regionalization within the European Union has grown slightly in recent years. However, since 2014 trade introversion has become more accentuated for the EU as a whole, but it has diminished in the euro area. This divergence may be due to the growth of connections offered by international production networks between euro-area countries and other EU members.

Trade with countries not belonging to the Union also appears to benefit from the conclusion of preferential trade agreements, as is especially evident in the case of South Korea. Despite the deceleration in the growth of trade, the European Union continues to defend the importance of free trade as a factor of growth, prosperity and a means to share common values. In line with this approach, in 2017 it signed new agreements and initiated other negotiations, including some to update agreements already in force, for example the one with Mexico. By contrast, the negotiations with the United States for the Trans-Atlantic Trade and Investment Partnership (TTIP) are at a standstill.

4 See the box by S. Capuzzo, *L'Accordo continentale di libero scambio in Africa,* in chapter 1 of the Report.

5 See the box by S. Angelucci, *Brexit: un aggiornamento,* in chapter 1 of the Report.

Focus: Trade policies and free-trade agreements

A special section of the Report gathers together a series of contributions that supplement the customary analysis of market-integration policies published in chapter 1, probing more deeply into several specific topics concerning both the recent trends of trade policies and the effects of trade and investment liberalization agreements, with special reference to those promoted by the European Union.

Globalization has generated great benefits but also troublesome imbalances

The essay by Fabrizio Onida, "Populisimi e governo della globalizzazione" ["Populisms and governance of globalization"], reviews the principle issues of an increasingly intense debate stimulated by the spread of political positions hostile to globalization in most of the advanced countries. While the greater integration of international markets achieved in recent decades has surely contributed to extraordinary results in terms of the reduction of poverty and income inequality between countries, it has also bred an increase in social and geographical imbalances within countries, notably the economically advanced ones. These problems need to be addressed by domestic development policies that produce a better distribution of globalization's benefits. Related to this issue is the need to intervene so that the growth of integration among markets leads to a convergence of rules toward higher standards of social progress and not to a downward competition in the protection of fundamental rights. The negotiations conducted by a number of countries to conclude preferential trade liberalization agreements are a factor. The quality of the rules deriving from them depends in part on the ability of governments to resist the pressure of lobbies that seek to bend in their own favor rules which instead ought to increase competition in the markets.

The reappearance of protectionism, which has mainly taken the form of more frequent recourse to non-tariff barriers to market access, has contributed to the slowdown in international trade in recent years. The contribution by Gianluca Orefice and Davide Suverato, "Misure non-tariffarie: quali sono e quanto costano alle imprese italiane?" ["Non-tariff measures: what are they and how much do they cost Italian firms?"] observes that the number of markets and products hit by such measures had already increased considerably in the first decade of this century, creating differences between countries' regulatory regimes. Most of the interventions in question are classified as "technical barriers to trade" or "sanitary and phytosanitary measures," whose restrictive effects on trade are highly complex but appear to be stronger than those of the tariffs in force. For Italian exports, while technical barriers raise both the fixed and the variable costs of market access, sanitary measures essentially generate an increase in fixed costs.

The return of protectionism is seen in stepped-up use of technical barriers to trade, sanitary and phytosanitary rules, anti-dumping measures and local content requirements

The contribution by Maurizio Zanardi, "Protezione *anti-dumping* e liberalizzazione del commercio internazionale" ["Anti-dumping protection and liberalization of international trade"] focuses on a specific type of trade defense measure that the multilateral trade regime allows when exporting firms' strategies of price discrimination result in significant harm to the importing countries' industries. Recourse to anti-dumping measures began to increase again in the past decade, primarily for steel and chemicals, and those imposing them included countries like China that generally are on the receiving end of their restrictive effects. Empirical evidence shows that such recourse tends to go beyond the specific cases envisaged by regulations, and that the direct and indirect effects are both insidious and significant. Furthermore, the possibility of using anti-dumping measures has not sufficed to discourage recourse to other forms of discriminatory protection, such as the tariffs recently introduced by the United States on generic grounds of national security.

Another type of trade barrier that has been applied more and more often in recent years consists in local content requirements, analyzed by Cristina Castelli in the box "I requisiti di contenuto locale: definizione, finalità ed effetti" ["Local content requirements: definition, purposes and effects"]. Here, again, it is a question of complex measures, their aim being to support production and employment by imposing or incentivizing the use of locally produced goods and services; they are often applied specifically in public procurement regulations. These measures give rise to additional constraints and costs in the organization of production processes, which can distort the geographical distribution of international trade and investment as well as raise the cost of procurement contracts. The damage they can do is not limited to the products they cover directly but extends to related sectors. Use of local content requirements has increased both in the advanced and in the emerging and developing countries, sometimes as part of explicit import substitution strategies. In addition, these measures are gaining importance in the digital economy, where security and confidentiality protection arguments can be used to justify data localization requirements.

On the other hand, preferential agreements are still being concluded, and their benefits grow with their degree of deepening

A second group of contributions investigates trade liberalization agreements. The essay by Aaditya Mattoo, Alen Mulabdic and Michele Ruta, "Gli effetti degli accordi commerciali approfonditi sul commercio" ["The effects of deep trade agreements on trade"] is based on a simple classification of the preferential agreements in force, defining their degree of "deepening" in terms of the number of policy spheres they cover. It turns out that preferential agreements have tended to become ever deeper, expanding their scope to cover matters initially excluded, like services, investment, competition, protection of intellectual property rights, and environmental and labor regulations. In addition, the econometric analysis shows that the deeper the agreement, the more positive are its effects on trade and on the participation of firms in global value chains (Chart 8). The benefits deriving from them are not captured exclusively by the signatory countries but tend to spread, to some extent, to third countries inasmuch as many deep liberalization measures are intrinsically non-discriminatory.

The functioning of trade agreements relies partly on a set of "rules of origin" that are vulnerable to protectionist manipulation. Cristina Castelli examines this in the box "Le regole di origine delle merci: definizione e implicazioni per le reti produttive internazionali" ["Rules of origin of goods: definition and implications for international production networks"]. Such rules establish standards serving to identify the origin of products so as to determine the applicable trade regime. Their importance is especially evident in the case of preferential trade agreements: the possibility of applying the more favorable treatment these agreements envisage holds only for goods effectively originating in the countries that are parties to the agreement. Where production processes are distributed across several countries, the quality of rules of origin can have a powerful impact on the international activities of firms. A significant number of preferential trade agreements provide for cumulative rules of origin that can go so far as to treat inputs from third countries as equivalent to those produced in the agreement's member countries.

Chart 8 - Effects of depth on trade and global value chains (GVCs) (1)

(1) *Depth* is defined as the number of legally enforceable provisions. In the chart, we define *Shallow* as an agreement that includes 5 provisions, *Deep* as an agreement that includes 15 provisions, and *Very deep* as an agreement that includes 25 provisions. Results are based on a Poisson pseudo maximum-likelihood estimator of a gravity model. 90% confidence intervals are constructed using robust standard errors, clustered by country pairs.

Source: A. Mattoo, A. Mulabdic and M. Ruta, *Gli effetti degli accordi commerciali approfonditi sul commercio,* in the Focus section of the Report

The functioning of free-trade agreements is influenced by the quality of their "rules of origin"

The new-generation trade agreements concluded by the European Union can produce important benefits for Italian industry

The accords that the European Union is negotiating or has recently concluded with several important partners certainly qualify as deep preferential agreements. "Gli accordi di nuova generazione dell'UE" ["The EU's new-generation agreements"] by Enrico Marvasi, Silvia Nenci and Luca Salvatici analyzes the agreements with Canada, South Korea, Japan and Vietnam. Even when the risk of trade diversion associated with them is factored in, the expected benefits of these agreements are very substantial both for consumers, who will be able to obtain goods and services at lower prices, and for firms, which will enjoy similar advantages for their imports of intermediate inputs and lower costs for accessing foreign markets. Still, the risk that some provisions of the agreements might erode legitimate distinctions in national regulatory systems and have undesirable distributive effects should not be underestimated.

The box by Anna Giunta and Marianna Mantuano, "Place your bets! Le imprese esportatrici e gli accordi di libero scambio" ["Place your bets! Exporting firms and free-trade agreements"] focuses on the EU's accords with Canada and Japan, analyzing them from the standpoint of the changes they could induce in Italy's industrial system. The removal of trade barriers is expected to increase both the number of exporters, lowering the fixed costs of market access, and the value of their sales. In addition, being present in foreign markets can activate learning processes that augment firms' productivity. In the past few years, one already sees an increase in the number of Italian firms capable of exporting to Canada, with smaller companies standing out in the growth in the value of sales. In Japan, by contrast, where access barriers are still highly restrictive, the free-trade agreement could be an important driving force.

The Market Access Strategy promoted by the European Union is still not widely known

Another dimension of the European Union's trade policies is the subject of the box by Matteo Fiorini, Giorgia Giovannetti and Bernard Hoekman, "La strategia di accesso al mercato della UE raggiunge i suoi obiettivi?" ["Is the EU's market access strategy reaching its goals?"]. What this strategy involves is not so much the application of existing trade agreements as a set of initiatives to disseminate detailed information on access barriers to foreign markets, with a view to shaping the measures to be taken for their removal. The survey presented in the box shows that firms, smaller ones especially, are still unfamiliar with this strategy. What is more, those that are familiar with it express some skepticism about its efficacy, citing poor coordination among the EU member countries and political considerations that influence decisions on the trade regime.

2. Italy: an overview

The Italian economy is recovering but activity is still well below pre-crisis levels and its rate of growth is still below the euro-area average

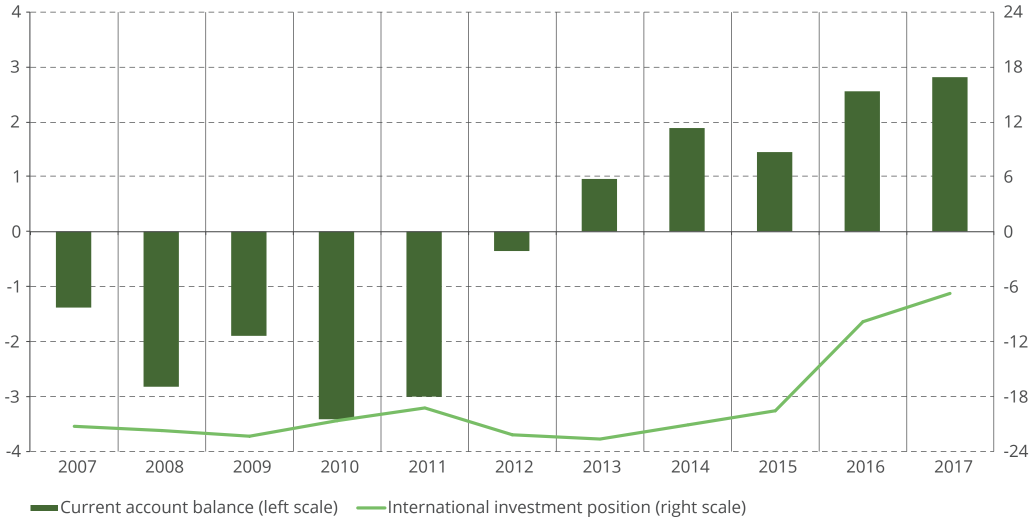
The Italian economy's recovery gained pace in the course of 2017 and the year ended with GDP growth of 1.5 percent, higher than forecast. Domestic demand was the chief contributor for the third consecutive year, with investment up strongly thanks to industrial policy incentives. In addition, Italy, like other countries, felt the positive effects of the strengthening of recovery in Europe and the rest of the world. Nevertheless, Italy's GDP growth rate remains below the euro-area average and the economy still has to make up considerable ground to return to levels of activity comparable with those before the crisis.

The recovery of world trade in 2017 led to a further increase in the indicators of international openness in all the main euro-area countries. However, Italy's levels remain comparatively lower, notably as regards inward and outward foreign direct investment.

The external current account surplus has increased in recent years, partly as a consequence of the weakness of growth and the downward trend of commodity prices

The balance-of-payments current account surplus expanded further in 2017, to 2.8 percent of GDP (Chart 9). This result stemmed from the performance of the balance on investment income, which turned positive, benefiting from lower interest payments on Italian debt securities held by foreign investors and from the increase in revenues from foreign shares and investment fund units held by residents.

Chart 9 - Italy's current account balance and international investment position
As a percentage of GDP



Source: Based on Bank of Italy and Istat data

The improvement in the current account balance, under way since 2011, derived in part from the weakness of economic activity and the downward trend of commodity prices, which restrained the growth of imports. Among its important consequences was the sharp improvement in Italy's international investment position, which, though remaining negative, fell from 25 to less than 7 percent of GDP between the start of 2014 and the end of 2017. Along with the current account surpluses, value adjustments to external financial assets and liabilities also contributed to the reduction in net foreign debt, which reinforces the stability of the financial system prospectively as well.[6]

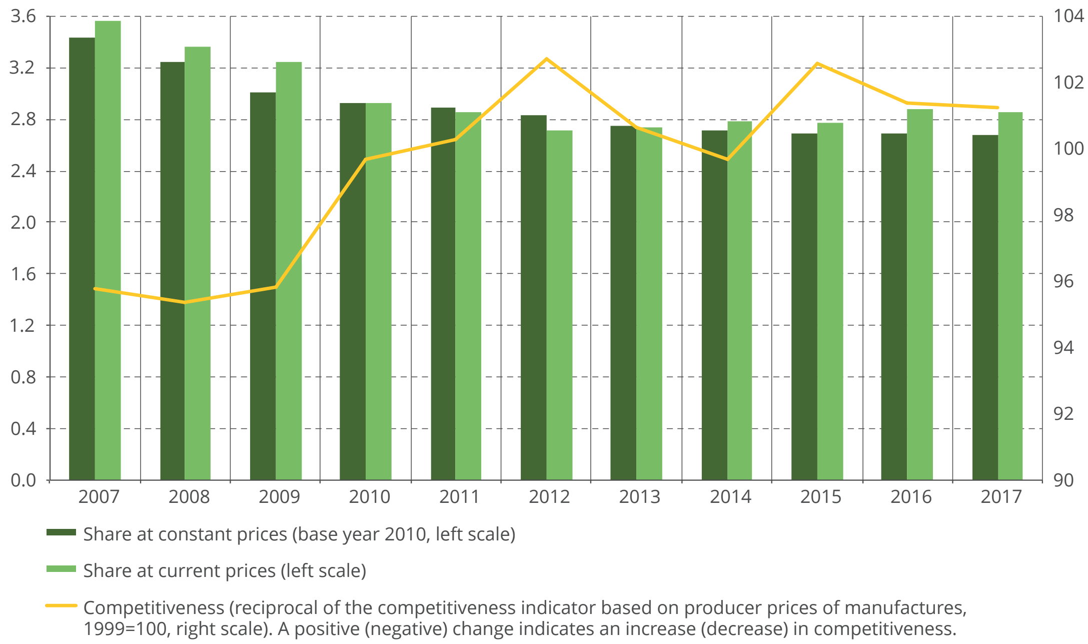
In 2017 the rise in commodity prices caused the merchandise trade surplus to diminish, while the deficit on trade in services widened slightly.

Exports of goods and services in volume grew more than the world and euro-area average

In volume terms, the growth of exports of goods and services in 2017 (5.4 percent) surpassed the world average and, for the first time in six years, the euro-area average too. In particular, exports of goods in volume continued to expand at a faster rate than demand in the related outlet markets. In recent years, Italian products' competitive success in individual outlet markets has been greater than is suggested by the performance of their aggregate market share. This is because of the negative influence exerted on that indicator by the geographical distribution of exports, which are relatively less present in the faster-growing markets.

Chart 10 - Italian merchandise exports' competitiveness and world market shares

Percentage shares and indices, 1999=100



Sources: Based on Bank of Italy and WTO data

In effect, Italian merchandise exports' world market share in both volume and value terms has held more or less steady in the last five years, after trending downward in the two preceding decades (Chart 10). These outcomes do not seem to be closely correlated with the fluctuations in the real exchange of the euro, but reflect structural factors. Italian exports' loss of share from the turn of the 1990s onward is largely a manifestation of the changes brought about in the geography of the world economy by the growth of multinational firms and the extension of their international production networks, epitomized by the ascent of China and other emerging economies to the detriment of the

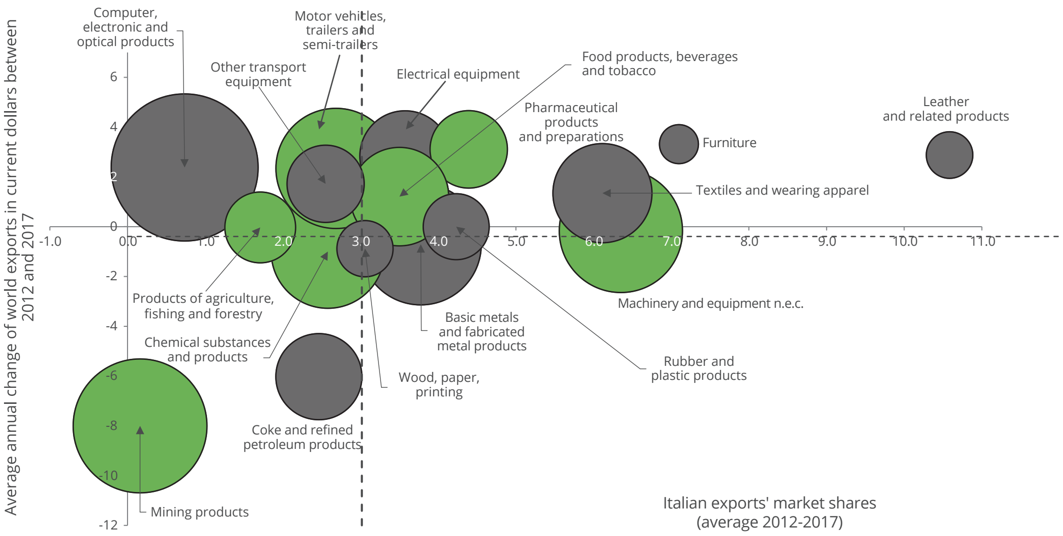
6 See the contribution by V. Della Corte, S. Federico and E. Tosti, *Il recente miglioramento della posizione netta sull'estero dell'Italia,* in chapter 2 of the Report.

more advanced countries as a whole. However, up to the end of the 2010s Italy's world market share was also penalized by a pattern of specialization oriented toward products and markets characterized by relatively slow-growing demand.

By contrast, the greater resilience of Italian exports in recent years reflects, on the one hand, the slowing of the emerging countries' expansion, and, on the other, a more favorable trend of world demand, which has turned in the direction of the products in which Italian industry specializes (Chart 11). It would be a mistake, however, to overestimate the importance of these changes. A significant boost to Italy's market share has come since 2012 from the decline in commodity prices, which has penalized the countries specialized in producing them.

The world market share of Italian goods exports at current prices has ended a long decline, thanks to foreign demand more oriented toward Italian industry's sectors of specialization

Chart 11 - Italian exports' market shares and dynamic of world demand by sector



[(1)] The circles are sized in proportion to the sector's average share of global exports in the period 2012-17. Green (grey) circles identify sectors in which Italy's share increased (decreased) between 2012 and 2017. The broken lines represent the variables shown in the axes for all sectors.

Sources: Based on national statistical institutes data

To screen out these effects, it is advisable to restrict the scope of comparison to the exports to the rest of the world of the 19 countries now members of euro area. Italy's share of that aggregate fell from 12.3 percent in 1999 to a low of 10.6 percent in 2010, and then rose marginally to reach 10.9 percent last year. As is shown by a statistical analysis presented in the Report,[7] this recovery is due only in part to competitive successes in individual product and outlet markets. The most important contribution has come from the above-mentioned changes in the product composition of demand. On one hand, some traditional Italian export products have gained ground in households' consumption patterns, with Made in Italy products also chalking up successes among the middle classes of the emerging countries. On the other, as we shall see later, Italian exports' model of product specialization has been partially transformed, with new comparative advantages emerging

7 See the box by F. Di Giacomo, *Le quote di mercato delle esportazioni italiane: un'analisi constant-market-shares,* in chapter 2 of the Report.

Signs of slowing industrial production and foreign trade emerged in the early months of 2018

in sectors, like pharmaceuticals, characterized by dynamic world demand.

Turning to the first available data on 2018,[8] there are signs of a slowdown in economic activity, notably in manufacturing, and the outlook is clouded by the deterioration in international economic relations. In the first four months of 2018, Italy's merchandise exports and imports both recorded weaker growth compared with a year earlier.

Since January 2018, foreign trade statistics have been affected by the simplifications introduced in the system for recording intra-EU trade (Intrastat) with a view to reducing the number of firms covered by monthly statistical compliance requirements. Istat is adopting a set of methodological innovations to minimize the impact of these changes on data quality.[9]

8 See Istat, *Nota mensile sull'andamento dell'economia italiana,* no. 5, May 2018. https://www.istat.it/it/files//2018/06/notamensile_mag2018_fin.pdf

9 See the contribution by S. Causo and R. Russo, *L'effetto delle semplificazioni Intrastat sulla qualità delle statistiche sugli scambi di merci con i paesi UE,* in chapter 2 of the Report.

3. Regions and main countries

The diminution of Italy's trade surplus in 2017 derived chiefly from trade with the Middle East and North Africa, in which the surge in the value of Italian imports, due to the rise in commodity prices, has yet to be accompanied, as in the past, by a jump in exports. Italy's trade surplus with the European Union also shrank, mainly as a result of larger deficits with Germany, the Netherlands and Slovakia. By contrast, the surplus on trade with North America widened appreciably and the deficit with East Asia narrowed, primarily owing to the contraction of the deficit with China.

Italian exports recorded rapid growth in non-EU markets, notably China (22 percent), Brazil (19 percent), Russia (19 percent), South Africa (16 percent) and the United States (10 percent). Sales of Italian products also made strong gains in some EU countries, such as Ireland (34 percent), Slovenia (13 percent), Portugal (13 percent), Poland (12 percent), the Czech Republic (11 percent) and Spain (10 percent).

In the first quarter of 2018, against the backdrop of a slowdown in trade compared with a year earlier, their geographical distribution also changed. Italy's exports to the European Union outpaced the average, while those to the United States remained stable and those to East Asia (China, Japan, Hong Kong) fell sharply. Among emerging markets, exports to Brazil, India and South Africa continued their robust expansion.

North America and East Asia are the regions where both the "intensive margin" of exports (the average value of sales per exporting firm) and the "extensive margin" (the number of firms doing business in foreign markets) have increased fastest in the last six years, reflecting not only the success of the most dynamic firms but also the diffusion among Italian firms of a greater capacity to export to distant, remunerative and dynamic markets.

Italian exports achieved their most important competitive gains in the United States, Japan, Hong Kong and several European Union countries

As mentioned, in recent years Italian exports' market shares have shown signs of staging a turnaround after a prolonged decline. Considering the years between 2011 and 2017, the main markets can be divided into three groups (Chart 12). In the first group, which includes the United States, Japan, Hong Kong and several European Union countries, Italian exports gained or maintained market shares with respect to both world and euro-area exports. The second group includes critical countries, like Romania, Switzerland and Turkey, where Italian exports' market shares lost ground according to both yardsticks. Finally, the third group, situated near the center of the chart, includes several important markets, such as China and France, Germany and Russia, where Italy's shares registered moderate variations.

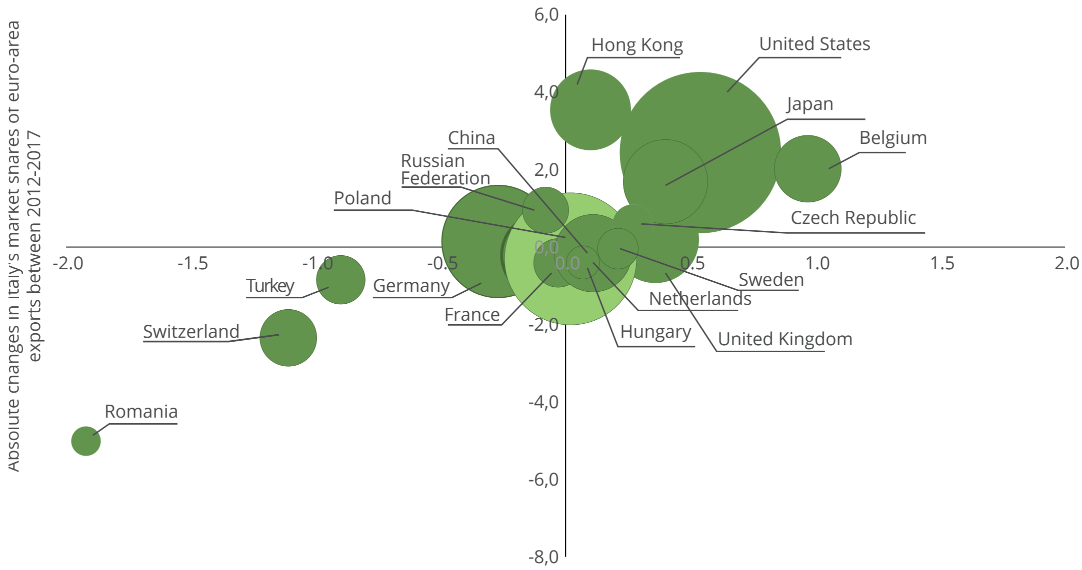
The dissimilarity between the geographical distribution of Italian exports and those of the European Union has tended to grow

Analyzing the geographical distribution of Italian exports over a long time horizon,[10] one finds an increasing dissimilarity with respect to that of the European Union as a whole. Specifically, the incidence of non-EU markets has grown more rapidly for Italy than for its EU partners on average. In 2017, a smaller share of Italian exports went to the European Union than was true for French, German, or Spanish exports. Among the preferred outlet regions (in relative terms) were North Africa, the Balkans, the Middle East and Latin America. The past few years have also seen a jump in the share of Italian

10 See the box by E. Mazzeo, *Com'è cambiata la geografia degli scambi commerciali? Un confronto tra l'Italia e i principali paesi europei,* in chapter 3 of the Report.

exports going to North America, partly in relation to multinationals' intra-group transactions. As for imports, the incidence of the European Union for Italy, though diminishing, remained larger than in the case of exports, partly as a result of the purchases of intermediate goods necessary for the functioning of European production networks.

Chart 12- Dynamic of Italy's market shares of world and euro-area exports (2012-2017)



The circles are sized in proportion to market size in 2017, calculated as the country's share of world imports.
Sources: Based on IMF-DOTS, Eurostat and national statistical institutes data

The Chinese government recently launched the Belt and Road Initiative, an ambitious program of infrastructure investment to develop overland and sea trade between Asia, Europe and Africa along what has been called "the New Silk Road". The resulting opportunities for the Italian economy are not limited to participation in the construction of new infrastructure but extend to all the links between transport networks and local production systems within Italy. However, the possibility of exploiting these opportunities depends on the ability of Italy's firms and institutions to act quickly to introduce the necessary organizational innovations, starting with those regarding the nation's ports, which may prove even more important than new infrastructure projects themselves.[11] These opportunities regard all the main sectors of Italian industry, both those that enjoy positions of comparative advantage in the countries involved, and those that could profit from the reduction in transport costs in order to try to enter new markets.[12]

The geographical distribution of Italy's foreign trade in services is highly concentrated toward the European Union, which accounts for 56 percent

11 See the contribution by Zeno D'Agostino, *La 'Nuova via della seta' e i porti italiani: per un cambio di rotta nel dibattito,* in chapter 3 of the Report.

12 See the contribution by F. Ferrari and A. Lanza, *Nuova via della seta': opportunità e sfide per il manifatturiero italiano,* in chapter 3 of the Report.

of sales and more than 64 percent of purchases, a share that has grown steadily in the last five years. Among the other regions, Asia's role has been expanding.

Turning to the internationalization of production, the geographical distribution of Italian firms' foreign affiliates, whether measured by sales revenues or by number of workers, has not changed markedly in the last five years, displaying trends similar to the distribution of exports. In particular, the share accounted for by European countries diminished, mainly to the benefit of North America (whose share grew from 13 to 18 percent) and East Asia (from 6 to 18 percent), and some emerging countries as well (Brazil's share increased from 5 to 6 percent). In general, the geographical distribution of foreign affiliates shows that Italian firms' chief motive for investment abroad is linked to the protection of their main outlet markets and to strategies of oligopolistic growth rather than to objectives of delocalizing production.

Italian multinationals' decisions to locate production abroad appear to be motivated primarily by the goal of improving their access to outlet markets

Similar trends can be observed with regard to the geographical distribution of multinational firms present in Italy, measured again by their Italian affiliates' workforces and turnover. More precisely, in the last five years the relative importance of European multinational corporations has decreased, to the benefit of Asian and US ones.

4. Sectors

It was remarked earlier that the narrowing of Italy's trade surplus in 2017 stemmed essentially from the rise in the prices of imported commodities, which was reflected in an increase in the deficits on agricultural products (€7.4 billion) and the products of mining and quarrying (€38.5 billion). By contrast, the manufacturing surplus widened further to reach €97 billion; all the main branches of manufacturing contributed except for basic metal products, whose foreign sales suffered from the rise in the costs of imported inputs.

Export growth was especially vigorous for refined petroleum products (34 percent) in both value and volume terms. High rates of expansion were also recorded for pharmaceuticals (16 percent), jewellery (12 percent), basic metal products (10 percent), motor vehicles (10 percent) and chemicals (9 percent). Most of these sectors differ from Italian industry's traditional specializations; among the latter, there was a significant gain in exports of food products (7.5 percent), whereas those of the engineering industry, the fashion sector and furniture underperformed the average.

The data for the first quarter of 2018 show partially similar trends. The most important new development is a sharp drop in exports of motor vehicles. Food products, basic metal products and pharmaceuticals are again among the faster-growing sectors.

The pharmaceutical sector in particular represents a paradigmatic case of the transformations under way in Italian industry's model of specialization. Contributing to the emergence of a comparative advantage in this sector are both the changes taking place in the organization of international production processes and the specific strategies adopted by firms, whether Italian- or foreign-controlled, to introduce innovations and strengthen their competitiveness.[13]

The unit values of exports continue to rise more rapidly than their producer prices, reflecting a qualitative improvement in the products exported

In nearly every sector, and most notably for typical Made in Italy products, the increase in the unit values of exports has been much steeper than that in their producer prices (Chart 13). With all due caution in view of the diversity of the statistical methods used to construct the indices, it can be hypothesized that this gap reflects a qualitative improvement in the mix of exported goods, with a shift toward higher-end products. An additional factor may have been the processes of competitive selection, which drive out the least productive exporting firms, often situated in low-unit-value product segments, or encourage the offshoring of low-value activities.

A pattern of this kind is also found with regard to Italian imports, though generally less pronounced in the last six years. It is most visible in the sectors that produce intermediate goods, where the qualitative upgrading of imports is functional to that of exports of final goods.

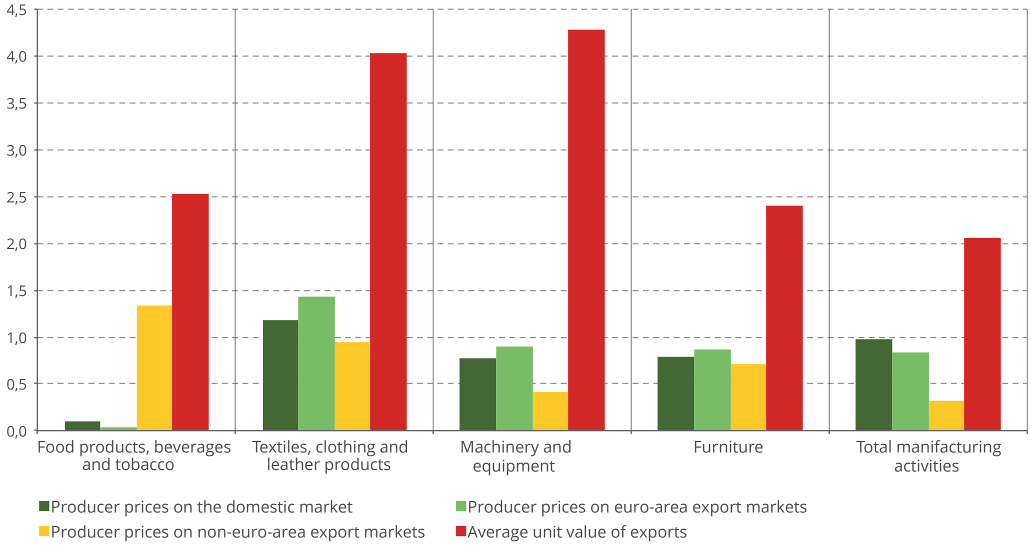
Italian exports' sectoral market shares changed modestly in 2017. Among the sectors where Italy's shares of world exports grew were pharmaceuticals (+0.4 percentage points), motor vehicles (+0.1), and various typical Made in Italy sectors, such as food products, leather products, wearing apparel

13 See the contribution by C. Riccini, S. Menghinello and A. Vendetti, *Esportazioni e internazionalizzione delle imprese farmaceutiche nella trasformazione del settore a livello globale,* in chapter 4 of the Report.

and especially jewellery (+0.5). By contrast, Italy's shares of world exports of machinery and equipment and footwear slipped slightly (by 0.2 and 0.1 percentage points, respectively).

Chart 13 - Producer prices and average unit values of exports for selected Italian product sectors

Avarage annual growth rates, 2012-2017



Source: Based on Istat data

Italian exports' sectors of undoubted success are food products, motor vehicles, chemicals and pharmaceuticals

Extending the analysis to the period between 2011 and 2017, the main sectors can be divided into three groups (Chart 14): cases of undoubted *global competitive success,* where Italy's shares of both world and euro-area exports increased (food products, motor vehicles, chemicals and pharmaceuticals); cases of *success with respect to the euro area,* where Italy's shares diminished with respect to world exports but grew or at least remained unchanged vis-à-vis those of its euro-area competitors (machinery and equipment and wood products); and cases of *competitive failure,* where Italy's shares diminished by both standards (fashion goods, household goods, refined petroleum products, rubber and plastic products, metal products, electrical equipment and ICT products).

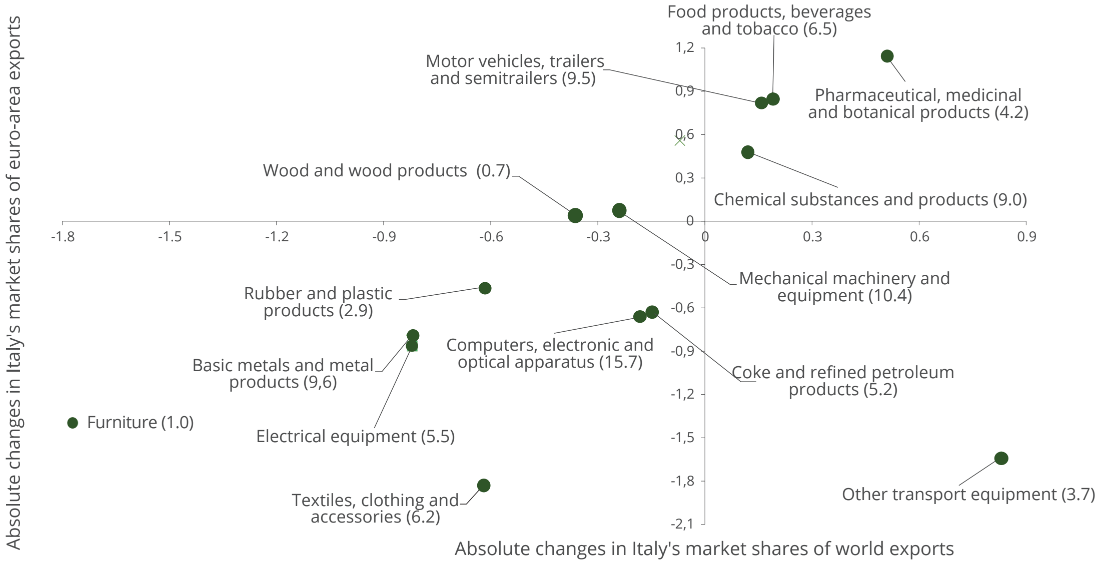
For manufacturing industry as a whole, Italy's share of euro-area exports to the rest of the world declined from 11.9 to 11.6 percent between 2011 and 2017. France, Belgium and Finland suffered sharper losses than Italy. The advantages accrued mainly to the Netherlands, whose share leaped from 12.5 to 13.6 percent, and, to a lesser extent, Spain and Ireland.

Developments in the service sector were less favorable than those for goods in 2017. In a context of strongly accelerating trade, the overall deficit widened from €2.7 billion to €3.7 billion, owing mainly to the negative contribution of transport and ICT services, only partially offset by the increase in the surplus on travel and the reduction in the deficits on charges for the use of intellectual property and on "other business services".

Italian service exports' market shares have trended downward in recent years

Italy's shares of both world and European Union exports of services remained broadly unchanged in 2017. However, they had diminished appreciably in the five preceding years, with widespread losses in nearly every sector; exceptions were construction, maintenance and repair services, and, only with respect to EU exports, personal, cultural and recreational services. In the period from 2011 to 2017, Italy's share of world exports of services fell from 2.5 to 2.1 percent, with steeper than average losses under the headings of travel, ICT services and "other business services" (down by 0.7, 0.6 and 0.5 percentage points, respectively).

Chart 14 - Italy's market shares of world and euro-area exports by manufacturing sector
Absolute changes in percentage shares at current prices, 2012-2017



The value near the label indicates the sector's average share of world exports in the period 2012-2017.
Sources: Based on Eurostat and national statistical institutes data

The competitiveness of Italy's tourism sector is partly influenced by relative prices and by exchange rates, which to a differing extent impact the number of travelers entering Italy and their expenditure per capita. The elasticity to relative prices of tourism demand is greater for the South of Italy and Islands than for the North and Center, which may indicate a lesser capacity to capitalize on the qualitative factors of competitiveness connected with the artistic heritage.[14]

Turning to the internationalization of production, represented by Italian firms' affiliates abroad gauged by their number of workers, one finds that more than half of them are in manufacturing industry, followed by wholesale and retail trade, which also includes branches and joint ventures of manufacturing firms in the field of distribution. In the last five years, manufacturing industry's share of Italian firms' foreign affiliates has remained unchanged. The increases, primarily regarding the motor vehicles and food products sectors (2.1 and 0.8 percentage points, respectively), were counterbalanced by declines in such sectors as basic metals and rubber and plastic products.

14 See the box by E. Breda and G. Oddo, *L'elasticità della domanda turistica internazionale dell'Italia,* in chapter 4 of the Report.

The expansion of the motor vehicles sector is even more evident in terms of foreign affiliates' sales revenues, with its share of the total gaining 6.6 percentage points between 2012 and 2017. The food products industry's share also grew (+0.6 percentage points), while there were sharp contractions in those of non-metallic mineral products (-1.1 percentage points) and especially refined petroleum products (-3.3 points), which, together with mining and quarrying (-1.1 points), showed the effects of the downward trend of commodity prices.

The growth in foreign multinationals' affiliates in Italy, mainly involving acquisitions of firms or expansions of existing plants, did not basically alter their sectoral distribution in terms of the number of workers. Slight gains in share were recorded by machinery and equipment and by several sectors that produce intermediate or final Made in Italy goods, mainly to the detriment of the electrical apparatus and ICT product sectors. The variations in share as measured by sales revenues were larger: the relative importance of refined petroleum products declined, penalized by the negative trend in prices, while the shares of nearly every other sector increased, most notably for transport equipment, rubber and plastic products, machinery and equipment, pharmaceuticals and food products.

The chemical sector is an important example of the positive role foreign multinationals play in the Italian economy. Foreign-controlled firms are especially active in industrial research and patents, show a growing propensity to export, and offer significant opportunities of skilled, well-paid employment. Despite the Italian system's persistent problems, tied chiefly to the instability of the regulatory and tax framework and the delays in the activity of the public administration, the quality of human resources available in the country still represent an important pull factor.[15]

15 See the contribution by Centro Studi Federchimica and M. Mutinelli, *Il ruolo delle imprese chimiche italiane a capitale estero,* in chapter 4 of the Report.

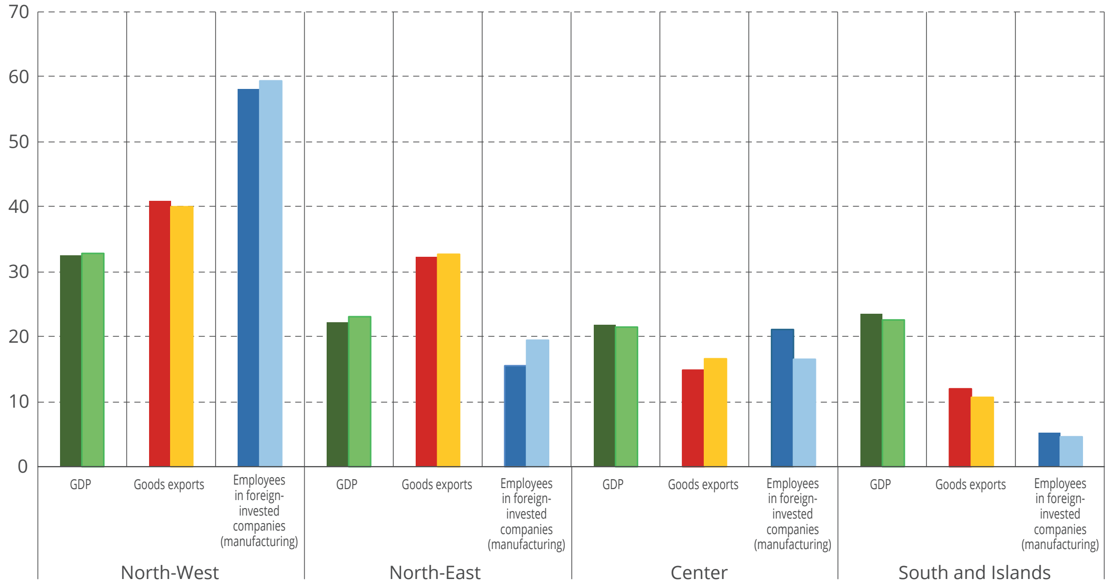
5. The territorial base

There are still large disparities in the Italian regions' degree of international openness

The disparities of international openness between the different parts of Italy remain substantial. With reference to both exports and, still more, the presence of foreign multinationals, the South and Islands' share of the total is a good deal smaller than their share of GDP (Chart 15). All these indicators, already relatively low by comparison with the South and Islands' demographic importance, have fallen further in the last ten years, highlighting the interconnection that exists, also at local level, between international openness and economic growth.

Chart 15 - Gross domestic product, exports and foreign direct investment in Italy by macro-region

Percentage shares of national GDP, exports and inward FDI



Dark color: 2008. Light color: 2017; 2016 for GDP.
Sources: Based on Istat and Reprint data, R&P-ITA-Politecnico di Milano

In reality, regional development gaps have widened in the last ten years in other European countries, not just in Italy, interrupting a long trend toward convergence. These disparities have complex origins, involving not only the different forms of participation in international integration but also country-specific structural factors, phenomena connected with the growing importance of urban agglomerations, changes in the distribution of household income and demographic factors.[16]

Concerning the Italian regions, there is a clear positive correlation between the degree of import penetration and the propensity to export, confirming the importance of international production networks. Regions such as Lombardy, Piedmont, Friuli-Venezia Giulia and Emilia-Romagna, where imports cover the highest shares of internal demand, also rank at the top as regards the ratio of exports to GDP and the value of exports per employed

16 See the contribution by G. Viesti, *Livelli di reddito e crescita economica delle regioni europee nel XXI secolo: una nota,* in chapter 5 of the Report.

worker. This same relationship also holds within the Mezzogiorno (i.e. the South and Islands), where Abruzzo and Basilicata similarly stand out.

The Mezzogiorno's share of the value of Italian exports grew in 2017, lifted by the rise in the prices of refined petroleum products

In 2017 the Mezzogiorno's share of Italian exports grew, but only with a boost from the rise in the prices of refined petroleum products, in which the Islands specialize. Among the regions of the mainland South, Abruzzo and Calabria alone recorded growth rates above the national average. In the rest of Italy, among the main exporting regions, Lazio achieved good results, with 17.2 percent, while Emilia-Romagna, Veneto and Tuscany saw their shares of the national total diminish.

The statistics for the first quarter of 2018 are likewise highly differentiated. Lombardy's exports kept growing rapidly, while those of Piedmont and Lazio slowed sharply. The Mezzogiorno's share of total national exports edged down as a result of widely different performances among its individual regions.

The South and Islands' share of the value of Italian exports is lower than their share of the number of exporting firms, reflecting the smaller average size of exporters based there compared with the rest of Italy. In the last ten years the number of exporters in the South and Islands has increased, testifying to a greater diffusion of the capacity to export among local businesses, in part in reaction to the sluggishness of domestic demand.

The virtuous circle linking international openness, competitiveness and growth is not limited to exporting firms but tends to involve those that initially only sell in the domestic market. The effects of mutual learning often spread in relatively small local contexts where clusters of firms arise. An experimental study presented in the Report[17] suggests that the potential scope of the spillovers between exporting and non-exporting firms is considerable in the North and Center of the country and more limited in the South and Islands. This appears to bear out the hypothesis that geographical proximity can help to increase the productivity of Italian industry both in smaller centers and in major metropolitan areas.

The regional distribution of trade in services and of inward and outward FDI remains highly concentrated

The regional distribution of foreign trade in services is more concentrated than that of trade in goods, partly owing to the prominent role of metropolitan centers, above all Milan and Rome, as headquarters for the leading producers. Nevertheless, in the last ten years Lombardy's share of Italian service exports has contracted substantially, chiefly to the benefit of Lazio and Piedmont. The distribution of service exports by sector differs appreciably among Italy's macro-regions. While receipts from tourism play a dominant role nearly everywhere (most of all in the South and Islands), in the North-West and Center there is also an appreciable specialization in ICT services and "other businesses services".

With regard to outward foreign investment, almost half of Italian firms' affiliates abroad are linked to firms based in North-West Italy, while barely 5 percent are connected to firms based in the South and Islands. The concentration is even greater in terms of employment and turnover, revealing that the foreign affiliates of the Mezzogiorno's few multinational corporations are smaller than the national average.

17 See the box by F. Parente, *Uno sguardo territoriale alle imprese esportatrici italiane,* in chapter 5 of the Report.

The regional distribution of the Italian affiliates of foreign firms is also highly concentrated. Affiliates located in the North-West, especially in Lombardy, accounted for almost 60 percent of their total number of employees and aggregate sales revenues in 2017. Lazio ranked second, with a decidedly higher share of turnover than of employment, although the region lost ground according to both metrics in the last ten years. Affiliates located in the South and Islands account for less than 5 percent of both total employees and sales revenues.

An analysis of the data at provincial level shows that multinationals' decisions as to where to locate production are influenced, other factors being equal, by the degree of complexity of the economic structure of local systems, in the sense that they generally prefer territories (and sectors) characterized by more sophisticated production process and products. This is a cumulative development, since the entry of multinationals tends, in turn, to enrich and render more complex the economic structure of the territories they are established in.[18]

Chinese multinationals have recently displayed a growing interest in locating production in Italian regions, with potentially beneficial effects especially for territorial systems that have found it difficult in the past to attract foreign investment. All else being equal, the quality of human resources and of the research system is paramount in Chinese multinationals' choices of investment location.[19]

18 See the contribution by T. Buccellato, G.Corò and M. Mutinelli, *Complessità economica e investimenti esteri. Un'analisi sulla localizzazione delle multinazionali nelle province italiane,* in chapter 5 of the Report.

19 See the contribution by C. Pollio, L. Rubini and F. Spigarelli, *Competitività delle regioni italiane e fattori di attrazione: quale impatto sulle decisioni di localizzazione delle imprese manifatturiere cinesi?,* in chapter 5 of the Report.

6. Firms

The increase in a country's exports can be driven by a rise both in the number of exporting firms (the extensive margin) and in the average value of exports per firm (the intensive margin). In Italy's case, between 2012 and 2016 the extensive margin grew by 0.7 percent per year while the intensive margin grew at an average annual rate of 1.8 percent. Another sign of the Italian economy's greater international openness has been the growth in the percentage of exporting firms among total active firms, which rose from 4.2 to 4.6 percent between 2008 and 2016.

The export recovery has been supported chiefly by the growth in the value of exports for firms already active in foreign markets, but it has also received a boost from the increase in the number of exporters

According to preliminary estimates, the acceleration in exports in 2017 derived essentially from the intensive margin, which grew by 6 percent, while the extensive margin increased by 0.8 percent (Chart 16).

Chart 16 - Extensive and intensive margin of exports

Number of exporting firms, average value of exports in thousands of euros

(1) Estimates based on preliminary data on the change in the number of exporters between 2016 and 2017.

Sources: Based on Istat data

In reality, when considering the extensive margin of exports, one should bear in mind that there are a considerable number of firms belonging to corporate groups (some 19,000, accounting for 4.8 percent of the number of manufacturing firms but for more than 35 percent of their total number of workers) that, while not selling their products directly in foreign markets, can be defined as "advanced exporters" inasmuch as they do so through their group's sales and marketing companies or foreign affiliates (if the group is multinational). Compared with direct exporters, these firms are distinguished by their potentially greater organizational capacity in landing their products on foreign markets. [20]

The diversification of Italian firms' outlet markets proceeded more slowly in the last two years than in the preceding years. The percentage of companies

20 See the contribution by S. Menghinello, M. Morrone and S. Soriani, *Imprese esportatrici dirette ed evolute: aspetti di misurazione e implicazioni di policy*, in chapter 6 of the Report.

Exporting firms' average number of outlet markets has increased, but so has the percentage of those that operate on just one market

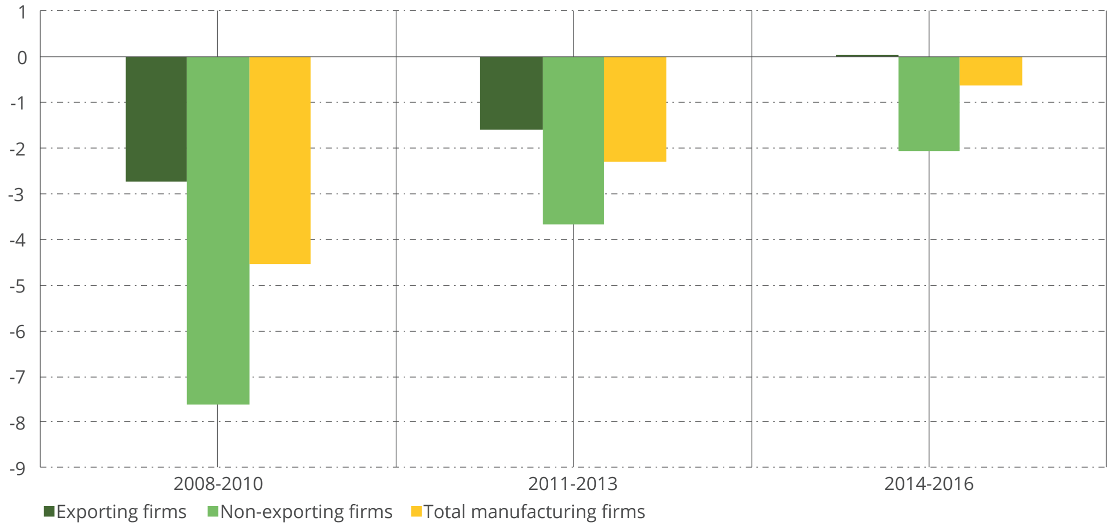
that export to only one market increased, although the average number of outlet markets per exporter continued to grow. Compared with the other major euro-area countries, in 2015 the percentage of firms capable of operating in at least 20 markets was relatively high in Italy, but those firms accounted for a much smaller share of the value of exports than in France or Germany.

Employment trends continue to be better in exporting firms than among those that only sell on the domestic market

Employment dynamics continue to be better in exporting firms than among non-exporters, confirming the positive role played by international integration in supporting employment (Chart 17). This pattern was already visible before the crisis. Beginning in 2008, workforces shrank across the board, but the decline was much sharper in firms that only do business on the domestic market. In the three years 2014-16, the employment contraction ceased in exporting manufacturing firms while it remained considerable in the others.

Chart 17 - Employment changes in manufacturing industry

Number of employees: average annual growth rates



Source: Based on Istat data

Up to 2015, the expansion in the number of exporters had been fueled from below, in the smallest size class, by the appearance of new actors that turned to foreign markets for the first time, spurred by the need to find alternative outlets to a domestic market where demand was weak. However, many of these new exporters were unable to consolidate their presence abroad, and the competitive winnowing of firms proceeded; indeed, in 2016 the number of micro-exporters diminished slightly, while that of larger firms increased significantly (by 2.8 percent for mid-sized exporting firms and by 2.3 percent for large ones).

Large companies account for a smaller share of exports in Italy than in France, Germany or Spain

In a comparison with the other main euro-area countries (based on 2015 data), Italy's anomaly is especially evident in the case of large firms (i.e. with 250 or more workers), whose share is significantly smaller than in France, Germany or Spain in terms of both number of firms and export values. At the opposite pole, exporting micro-firms (with up to 9 workers), though legion, account for a marginal share of exports. On the other hand, SMEs account for nearly half of Italy's exports, as against less than a fifth of Germany's and less than 16 percent of France's.

As already observed in other countries, in Italy the performance of exports is determined chiefly by the growth of the intensive margin, that is to say by the strategies of exporters already well-established in different markets. The shift in the composition of this set of firms toward larger-than-average companies has been a significant factor in the recovery of Italian exports. A greater geographical diversification on the part of medium-sized firms could give Italy's exports an additional lift, especially if it involved expansion in faster-growing non-European and, above all, Asian markets.[21]

Compared with firms that only sell on the domestic market, exporters are generally larger, have higher productivity, are more skilled-labor-intensive and capital-intensive. This gap tends to increase with firm size, but it is also substantial among micro-firms.

Exporting firms are generally larger, have higher productivity, and are more skilled-labor-intensive and capital-intensive than those that only sell on the domestic market

An analysis of a sample of manufacturing firms for the period 2014-17[22] shows that exporters have a much higher propensity to innovate than non-exporters, a finding that holds for all size classes of firms. The joint presence of technological product and process innovations and organizational and market innovations (a characteristic of "strong" innovators) represents, regardless of firm size, a distinctive trait of exporters and one that tends to increase as their exposure on international markets grows. What is more, even firms that only do product innovation display a high capacity to export. Exporters' digital profiles are structurally more highly developed than those of firms that only do business on the domestic market, albeit in a context not notably receptive to e-commerce. However, digitalization does not have a significant impact on firms' growth in size, which appears to be driven, instead, by the quality of human capital, productivity levels and complex innovative strategies.

Despite a slight recovery shown by the initial data for 2017, Italian firms' affiliates abroad have diminished in recent years in terms of both number of workers and sales revenues. But this is more the consequence of the transfer of some Italian multinational corporations to foreign control than a reflection of an actual retreat in the internationalization of production. Looking at the entire span of the crisis, one finds that Italian companies have demonstrated a greater ability to defend, and in some cases expand, their production abroad than in previous recessions.

The capacity to develop production affiliates abroad is highly concentrated among large companies, although it has gradually spread among smaller enterprises. At the end of 2017, large companies' foreign affiliates accounted for 88 percent of foreign affiliates' total revenues and employed 76 percent of their aggregate workforces.

The capacity to produce abroad is concentrated in large companies, although it has gradually spread among smaller enterprises

Geographical distance has an appreciable impact on the internationalization of production: SMEs' foreign affiliates are highly concentrated in European markets, while large companies alone show a more marked orientation toward more distant regions, a sign of their greater ability to develop complex internationalization strategies, motivated not only by cost savings but also by the improvement in market access conditions.

21 See the contribution by M. Bugamelli and A. Linarello, *I margini di aggiustamento delle esportazioni aggregate dell'Italia: mercati, prodotti e imprese,* in chapter 6 of the Report.

22 See the contribution by R. Monducci and D. Zurlo, *Innovazione e digitalizzazione nelle imprese manifatturiere esportatrici: profili, performance economica e impatto occupazionale,* in chapter 6 of the Report.

Corroborating this is the fact that whereas large firms' foreign affiliates are relatively more important in research-intensive and scale-economy sectors, those of smaller firms are found mainly in the traditional Made in Italy product sectors.

Deciding where to locate affiliates is only one of the organizational choices that multinational corporations have to make. Even before deciding in which countries to locate its activities, the group's parent company selects the degree of vertical integration of production, i.e. which functions to retain internally and which ones to assign to affiliates or to outsource to partners outside the group. Further, once this choice has been made, it is necessary to decide the complexity of the production network, that is to say the number of hierarchical levels into which it is organized. Other factors being equal, the decision to operate with own affiliates abroad is positively influenced by the quality of the institutions in the country of establishment, while the number of hierarchical levels is positively correlated with production complexity and negatively correlated with the costs of communication between parent company and affiliates and with the skills premium for recruiting good managers.[23]

The presence of foreign multinationals has increased in Italy, but it is still smaller than in the other main EU countries

The presence of foreign multinationals in Italy has tended to grow in recent years in terms of both the number of investee firms and employment. Although large companies still accounted for about 85 percent of workers and 78 percent of the aggregate sales revenues of the Italian affiliates of foreign firms at the end of 2017, the relative importance of small and medium-sized enterprises has increased in the last five years. The sectors in which foreign multinationals' affiliates in Italy are relatively most important in terms of employment are scale-economy and research-intensive manufacturing industries such as transport equipment and pharmaceuticals, but they also include tourism and ICT services, as well as refined petroleum products and the fashion sector.

Comparative statistical surveys available for 2015 confirm that the process of internationalization of production, both outward and inward, are substantially less developed in Italy than in the other main European Union countries.[24]

23 See the contribution by C. Altomonte, *I gruppi di imprese: determinanti tecniche e prime evidenze empiriche,* in chapter 6 of the Report.

24 See the contribution by A.Blankenburg, *L'internazionalizzazione delle imprese italiane: analisi delle caratteristiche e dell'evoluzione del fenomeno con dati FATS,* in chapter 6 of the Report.

7. Policies for internationalization

2017 closed the first three-year period of the Extraordinary Plan for the Promotion of Made in Italy Products and to Attract Investment (hereafter "Extraordinary Plan"), instituted in 2014 and with a total allocation of €374 million over the last three years. On the occasion of the 2018 Budget Law, the Government reaffirmed its confidence in the important financial effort made to implement the Extraordinary Plan, making €230 million in resources available for the three years 2018-2020, of which €130 million in 2018 alone.

The extraordinary three-year funds are in addition to the allocations already made on an ordinary basis for the plan of promotional activities, averaging €16.5 million a year, and the other funds of the Extraordinary Plan for Made in Italy Products, fully on stream since 2004, with definitive allocations of €8.7 million in 2017 and €11.1 million in 2018.

Public support for the internationalization of firms has grown further within the framework of the strategies of the Guidance Committee for International Italy

The resources made available by the Government are considerable in light of the tight constraints on public expenditure, and they constitute an acknowledgement of the contribution that the internationalization of the economy can make to the growth of output and employment. The objectives are: to increase the number of firms, and SMEs in particular, that operate in the global market; to increase Italy's shares in international commerce; to enhance the value of the Made in Italy brand in the world; and to support initiatives to attract foreign investment to Italy.

The strategies are defined in the meetings of the Guidance Committee for International Italy (Cabina di Regia per l'Internazionalizzazione) and in other fora to coordinate the work of the different public- and private- sectors actors engaged in policies for internationalization. The Guidance Committee selects the reference markets for promotional activity and the priority sectors; in 2017, after two years devoted primarily to consumer goods, these were identified as machinery and equipment together with follow-up to the work already done for food and agricultural products. Specific measures were planned to disseminate among Italian firms the skills required in foreign markets, with training programs and temporary export management (TEM) vouchers, to strengthen their position vis-à-vis large-scale distribution chains and assist their access to e-commerce platforms.

In 2017 the public system of support for internationalization directly assisted some 90,000 Italian entities, most of them enterprises producing goods or services, but also associations, territorial organizations and consulting firms of various kinds, which redistributed the assistance they received to an even large number of users.

Total spending on promotional services rose further in 2017. The bulk of the increase involved the Ministry for Economic Development, reflecting the strengthening of the program for vouchers for the acquisition of TEM services. The Ministry's total disbursements, already up sharply in 2016, more than doubled in 2017, rising from €26 million to €54 million. By contrast, promotional expenditure by the Italian Trade Agency (hereafter ITA), though remaining at high levels, declined from €134 million in 2016 to €123 million, mainly due to the deferment of some organizationally complex initiatives. The value of the promotional activities undertaken by the regions and autonomous provinces was broadly unchanged (€83 million, against €81 million in 2016), while that of the Chambers of Commerce contracted further, from €35 million to €28 million, in concomitance with the reorganization of the Chambers under the 2016 reform.

The changes in the number of direct users of support measures were in line with those in the expenditure: up in the case of the Ministry for Economic Development, down slightly for ITA and more sharply for the Chambers of Commerce. Users' contributions to cover costs increased overall.

ITA strengthened its promotional activities, information and assistance services for firms and training programs, paying special attention to e-commerce and large-scale distribution networks

Alongside its work under the Extraordinary Plan, which in 2017 again constituted the most important part of its promotional activity, ITA continued with the initiatives foreseen by its ordinary programs and the activities of the Export Plan for Southern Italy No.2 refinanced starting in 2017 for another four years and extended to other regions of the South and Islands.

Promotional activities include the enhancement of major Italian trade fairs, agreements with distribution chains in the main markets, information and marketing campaigns to promote the Made in Italy brand abroad and combat Italian-sounding product names, and innovative measures to assist access to e-commerce.[25] At the same time, however, traditional activities to support small and medium-sized firms, for example collective participation in the main international sectoral trade fairs, remain a major commitment.

In addition, the overall provision of both initial and personalized information and assistance services grew, and there was a significant increase in customers for fee-bearing services. Training activity addressed to firms, foreign operators and young university graduates remained important, with special attention to initiatives for the digitalization of firms.[26]

The program "Living Italian Style" of the Ministry for Foreign Affairs and International Cooperation valorizes the economic, technological, scientific and cultural components of the Italian system

As part of the strategy coordinated by the Guidance Committee, the activity of the Ministry for Foreign Affairs and International Cooperation to promote the Italy brand as a whole proceeded, with a view to valorizing the national system's economic, technological, scientific and cultural components in a manner consistent with the country's interests. It is embodied by the program "Living Italian Style", promoted and supported by the entire diplomatic and consular network in collaboration with institutional and private partners. Accordingly, the major operations of integrated promotion launched in 2016 were repeated last year, in particular the "Week of Italian Cuisine in the World" and "Italian Design Day", with the goal of presenting Italy's points of excellence in various fields. Against this background, a host of important initiatives were taken to support the food and agricultural products sector and disseminate the Italian food model abroad, and to support the internationalization of Italy's research and innovation system, in close cooperation with the technical ministries and various responsible agencies and entities.

Coordination has improved between the regional governments and the national agencies supporting internationalization

At territorial level, coordination between the national agencies for internationalization and the regional governments progressed. Rationalization of governance among the different institutional actors

25 See the box by R. Ciraolo, *Il nuovo approccio multicanale della promozione ICE,* in chapter 7 of the Report.

26 See the box, *Attività formative sul digitale,* prepared by ITA's Training Services Office, in chapter 7 of the Report.

enabled them to make a synergic commitment in financial terms as well to implementing the strategies crafted at national level. An important feature is the involvement of the Conference of Regions in the system-wide missions and integrated promotional activities of the Ministry for Foreign Affairs and International Cooperation. Of the resources used in 2017 by the regions for internationalization activities, the component financed with European Structural and Investment Funds was up considerably compared with 2016, while recourse to regional resources declined. In this context, spending by the regions of the South and Islands (most notably Sardinia, Campania and Sicily) and of the Center (especially Tuscany) expanded, while that by the regions of the North-West and North-East contracted. In the planning of activities, high-innovation sectors remained a focus, in line with the EU programming guidelines, while the chief instrument of intervention continues to be participation in trade fairs.

The Chambers of Commerce focus on their own territories in order to better prepare firms to face international markets

The reorganization of the functions and financing of the Chambers of Commerce begun in 2016 explains the further contraction in the Chambers' spending on internationalization, which fell to €28 million and declined in all the main fields of promotional activity. The reform aims at strengthening the Chambers' local role, focusing it on preparing SMEs to operate in foreign markets through the dissemination of information, training, organizational support and assistance. The operating agreement with ITA, followed by the memorandum of understanding with the Ministry for Economic Development, assigns ITA the role of reference agency for the Chambers' initiatives of promotion abroad, thereby reinforcing their partnership in the field of internationalization.[27]

The CDP group has strengthened its financial support for firms' internationalization

Concerning financial services for internationalization, which are strongly integrated in the activities of the Cassa Depositi e Prestiti group (CDP), last year brought an overall increase in the volume of resources mobilized. The funds invested in 2017 by the Export and Internationalization Pole, through SACE's and SIMEST's facilities, topped €25 billion, up 41 percent on the previous year. By contrast, after the peak recorded in 2016, resources invested by CDP through the operations of Export Banca deceased from €4.9 billion to €3.4 billion; however, the total value of the operations financed grew considerably, thanks to the increase in the banking sector's share.

In 2017 the Pole launched its "Push Strategy" program, offering foreign counterparties medium/long-term credit lines with a view to fostering purchases of Italian goods and services or strengthening existing commercial relations. A new portal launched during the year makes available to Italian firms a single point of access to services. The portal enables them to apply directly for subsidized loans, credit insurance, reliability assessments of Italian and foreign customers, factoring and credit recovery.

The reorganization of the policies to attract foreign investment continues

Improved coordination of the support system for internationalization is also the basis of the general reorganization of the policies to attract foreign investment, one of Extraordinary Plan's priorities.[28] A key element of the

27 See the box by D. Mauriello, *L'accordo di collaborazione ICE-Unioncamere,* in chapter 7 of the Report.

28 See the box by M. Castellani, G. Credendino, S. Nigro and L. Piani, *Gli indici internazionali di attrattività per gli IDE e la posizione dell'Italia,* in chapter 7 of the Report.

new governance is the Interministerial Coordinating Committee for the Attraction of Foreign Investment, which in these years has facilitated synergy of procedures between the different levels of government involved by promoting procedure simplification.

At the Committee's initiative, bilateral accords have been concluded between 15 regions, the Ministry for Economic Development and ITA. The new organizational arrangements, finalized at the beginning of 2018, also define the specific responsibilities of ITA and Invitalia, assigning ITA a priority role in scouting and as the primary interlocutor of foreign investors, through its own network of desks abroad, while charging Invitalia with providing support during the setting-up phase in Italy.

The desks to attract investment are the fruit of close coordination between ITA and the diplomatic and consular network. They carry out local market studies, potential-foreign-investor demand scouting and lead generation, analysis of Italian supply and opportunity matching, and promotion of the national system and Italian supply.

In addition, the Ministry for Economic Development and the Ministry for Foreign Affairs and International Cooperation, collaborating with other central government departments, jointly manage the "Start-up Visa" and "Start-up Hub" programs, aimed at simplifying the work-visa provisions for investors that present plans for innovative new firms. Among the events to promote investment opportunities in Italy, let us recall, finally, the stages of the "Invest in Italy Roadshow", which in the last three years have been held in Istanbul, Ankara, Izmir, Tokyo, New York, San Francisco, London and Dubai and are scheduled for Beijing, Hong Kong and Singapore.

The effectiveness of policies for internationalization is gauged with various forms of evaluation

In connection with a growing part of the activities to support internationalization, the responsible institutions have developed surveys and studies to measure the effectiveness of the steps taken, with a view to obtaining an overall evaluation of the measures planned and of their consonance with the objectives. The evaluations conducted have found that the initiatives carried out have had a generally positive impact, with reference in particular to the measures of the Extraordinary Plan framed by the Ministry for Economic Development, the activity of the Foreign Ministry's consular and diplomatic network in support of firms,[29] the services provided by ITA, and the financial interventions of the CDP group, both for the firms directly involved and for the economic system as a whole.

29 See the box prepared by the Ministry of Foreign Affairs and International Cooperation, *Indagine Doxa sull'internazionalizzazione e l'interazione con la Farnesina e la sua rete diplomatico-consolare,* in chapter 7 of the Report.

Concluding remarks

International economic relations are going through a phase of great tension triggered by the aggressive trade policies announced, and in part already adopted, by the United States. The countries hit by these measures are preparing to retaliate in kind. For the first time in decades, the world is on the brink of a trade war; this would mark the end of the long period of collaboration that the international community has built since the mid-twentieth century, the political foundation of the globalization process. The risk is aggravated by the fact that the United States, interrupting its long tradition of support for the multilateral trade system, has explicitly called into question one of its most delicate and valuable functions, that is to say the dispute settlement system managed by the WTO.

The return of protectionism is among the gravest signs left by the long and deep recession that the world economy plunged into on the heels of the 2008 financial crisis, at the height of an expansion characterized by radical changes in the geography of the world economy, with the relative decline of the Western economic powers and the emergence of a group of large developing countries especially in Asia. The increased international mobility of people, capital, goods and services, made possible by globalization, has been one of the drivers of these changes, which have led to an unprecedent fall in the number of people living below the poverty line. But this extraordinary result has been accompanied by an accentuation of the imbalances in the distribution of wealth, income and opportunities for employment and social advancement within countries.

The demand for protection voiced by increasing numbers of citizens, including via the ballot box, stems from these inequalities. Governments have lacked the will or the ability to offer adequate responses in terms of redistributive fiscal measures and structural reforms, leaving room for political forces that blame the “external enemy” (immigrants, low-cost Chinese products, foreign multinationals, constraints imposed by European integration, and so on) for problems largely of domestic origin, tied to the mechanisms of accumulation of wealth and to the limits of social safety networks.

We have thus returned to an international political climate in which some countries try to deal with their problems by passing them on to others and risk triggering a spiral of retaliatory measures, which would leave all in a worse situation than the one they avowedly want to rectify. Any gains in welfare achieved at the expense of other countries would be transient, destined to vanish under the impact of reprisals, but the global outcome would not be neutral: the world economy, now recovering as a whole, could slide again toward recession, burdened also by the additional distortions created by protectionist measures.

These dangers are particularly strong in smaller economies, which are structurally more dependent on international integration, but they are present everywhere. Exporting firms perceive them clearly, seeing their prospects of sales growth diminish without finding adequate compensation in domestic demand. But the risks are rippling throughout the international production networks that constitute international value chains, also involving local suppliers of goods and services.

The threats for the Italian economy are evident. Starting in 2015, after a crisis judged to be the worst in its history, the recovery of production and employment has gradually gathered strength in Italy as elsewhere. Domestic consumption and, especially, investment, have expanded. Exports, supported by a model of product specialization that is evolving toward more research-intensive sectors where world demand is growing at a faster than average pace, have begun to recover the large losses of market shares that they had accumulated in the preceding decades. Within the productive economy, the processes of competitive selection, stimulated by exposure to international competition and by the crisis, have led to a deep-going restructuring from which a set of dynamic and innovative firms have emerged that are scoring successes in foreign markets as well as at home. On the other hand, the structural problems and distributive, social and geographical imbalances that have held back Italy's development remain acute, and in some cases they have worsened. The economic recovery now under way therefore appears to be highly vulnerable to the danger that the international political tensions might trigger a new global recession.

Although the picture is somber, it is important to stress that the match is not yet irretrievably lost. The social and political forces that argue for the benefits of international integration can count on the strength of the multilateral trade system and on the ties of interdependence woven in decades of development. Firms appear, for now, to be able to withstand the damage wrought by protectionism, and international trade, though not growing at its pre-crisis pace, appears to be accelerating. The advent of the new production paradigms of the digital economy puts opportunities for innovation within reach of a growing number of firms, reducing market access costs and the importance of national borders. The quality of policies itself can be greatly enhanced by the new forms of participation and evaluation made possible by the greater availability of data and data-processing tools.

In the field of trade policies, the return of protectionism finds opposition in the determination with which the European Union and other countries continue to negotiate and conclude trade liberalization and investment agreements, which extend to an increasing number of policy spheres as more and more policymakers become aware of the limitations of national and local policies when it comes to facing problems whose scale is global. The outcome of these negotiations is no sure thing, and the contents of the agreements are not necessarily optimal, but the very fact of keeping open the dialogue among governments can help to avert the dangers of retreat into national egoisms.

Policies to support firms' international activities can make an important contribution to maintaining a favorable climate for economic growth and social progress. The promotion of exports helps to spread the benefits of international integration in the productive economy, and exporting firms are inherently interested in reducing barriers to entry in foreign markets. The competitiveness of firms – those that only operate in the domestic market, those that export and, especially, those that are part of international production networks – depends to a crucial extent on their possibility of importing high-quality intermediate goods and services at moderate costs, also by availing themselves of specific public support services. The policies to support the inward and outward internationalization of production help to activate channels for the dissemination of knowledge, with potentially beneficial effects in terms of innovation, growth and social progress, in a context of convergence between advanced and developing countries.

STATISTICAL TABLES

WORLD AND EUROPEAN UNION

Table 1.1 - World trade and foreign direct investment [1]

Billions of dollars, percentage changes

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	Trade in goods									
Value [2]	16,165	12,561	15,301	18,338	18,496	18,953	18,968	16,519	16,029	17,730
Percentage change	-	-22.3	21.8	19.8	0.9	2.5	0.1	-12.9	-3.0	10.6
	Percentage changes in the indices									
Volume index	2.1	-12.4	14.0	5.5	2.0	2.6	2.4	2.3	1.6	4.5
Average unit value index	13.1	-11.6	6.8	13.8	-1.8	-0.5	-1.9	-15.2	-4.6	6.1
	Trade in commercial services									
Value	4,016	3,589	3,928	4,412	4,532	4,824	5,182	4,924	4,950	5,319
Percentage change	-	-10.6	9.4	12.3	2.7	6.4	7.4	-5.0	0.5	7.5
	Foreign direct investment									
Value	1,485	1,179	1,372	1,568	1,575	1,425	1,339	1,921	1,868	1,430
Percentage change	-	-20.6	16.4	14.3	0.4	-9.5	-6.1	43.5	-2.8	-23.4
As a percentage of world trade in goods and services	7.4	7.3	7.2	6.9	6.9	6.0	5.6	9.0	8.9	6.2

[1] Exports for trade in goods and services, inflows for FDI.

[2] Including Hong Kong re-exports.

Sources: Based on WTO data for trade in goods and services and UNCTAD data for FDI

Table 1.2 - Regional shares of world merchandise exports

Percentage shares at current prices

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
European Union	37.4	37.6	34.6	33.9	32.1	32.8	33.1	33.2	34.3	34.1
Euro area	29.3	29.6	27.0	26.2	24.9	25.2	25.6	25.5	26.6	26.3
Other EU countries	8.1	8.0	7.6	7.6	7.2	7.6	7.5	7.7	7.8	7.8
Other European countries	6.8	6.2	6.1	6.5	7.1	7.1	6.6	6.0	5.8	5.9
Africa	3.3	3.0	3.3	3.3	3.3	3.1	2.9	2.4	2.2	2.3
North America	10.9	11.1	11.0	10.7	10.9	10.9	11.2	11.7	11.6	11.2
South and Central America	5.5	5.6	5.8	6.0	5.9	5.9	5.7	5.6	5.6	5.6
Middle East	6.8	5.3	5.9	6.9	7.4	6.9	6.6	4.9	4.4	4.6
Central Asia	2.1	2.1	2.3	2.6	2.6	2.6	2.6	2.4	2.4	2.5
East Asia	25.9	27.7	29.4	28.4	29.0	29.1	29.8	32.5	32.1	32.2
Oceania and other territories	1.4	1.5	1.6	1.7	1.6	1.6	1.5	1.4	1.5	1.6
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Based on IMF-DOTS data; for Taiwan, Taiwan Directorate General of Customs data

Table 1.3 - Regional shares of world merchandise imports
Percentage shares at current prices

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
European Union	**38.6**	**37.8**	**35.1**	**34.6**	**32.2**	**32.1**	**32.5**	**32.2**	**33.1**	**33.0**
Euro area	29.1	28.6	26.4	26.0	23.9	24.0	24.1	23.6	24.2	24.3
Other EU countries	9.6	9.3	8.7	8.6	8.3	8.1	8.4	8.6	9.0	8.7
Other European countries	**5.8**	**5.2**	**5.3**	**5.7**	**6.2**	**6.3**	**5.7**	**5.2**	**5.4**	**5.5**
Africa	**2.9**	**3.3**	**3.1**	**3.1**	**3.2**	**3.3**	**3.3**	**3.3**	**3.0**	**2.8**
North America	**15.9**	**15.4**	**15.6**	**14.7**	**15.0**	**14.8**	**15.1**	**16.3**	**16.3**	**15.8**
South and Central America	**5.6**	**5.4**	**5.8**	**6.0**	**6.2**	**6.2**	**6.2**	**6.3**	**5.9**	**5.8**
Middle East	**3.8**	**4.2**	**4.0**	**3.8**	**4.2**	**4.4**	**4.6**	**4.9**	**4.7**	**4.4**
Central Asia	**2.9**	**3.0**	**3.2**	**3.5**	**3.7**	**3.6**	**3.5**	**3.4**	**3.3**	**3.6**
East Asia	**23.0**	**23.9**	**26.2**	**26.8**	**27.5**	**27.5**	**27.4**	**26.7**	**26.8**	**27.4**
Oceania and other territories	**1.5**	**1.6**	**1.6**	**1.7**	**1.8**	**1.6**	**1.6**	**1.6**	**1.6**	**1.7**
World	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Sources: Based on IMF-DOTS data; for Taiwan, Taiwan Directorate General of Customs data

Table 1.4 - Top ten world merchandise exporters

Billions of dollars at current prices and percentage changes on previous year

Rank			Country	Value		Percentage change		Percentage share		
2011	2016	2017		2016	2017	2012-17[1]	2017	2011	2016	2017
1	1	1	China	2,098	2,263	3.0	7.9	10.4	13.1	12.8
2	2	2	United States	1,451	1,547	0.7	6.6	8.1	9.1	8.7
3	3	3	Germany	1,334	1,448	-0.3	8.5	8.0	8.3	8.2
4	4	4	Japan	645	698	-2.7	8.3	4.5	4.0	3.9
5	5	5	Netherlands	571	652	-0.4	14.1	3.6	3.6	3.7
7	8	6	South Korea	495	574	0.5	15.8	3.0	3.1	3.2
10	6	7	Hong Kong	517	550	3.2	6.5	2.5	3.2	3.1
6	7	8	France	502	535	-1.8	6.7	3.3	3.1	3.0
8	**9**	**9**	**Italy**	**462**	**506**	**-0.6**	**9.6**	**2.9**	**2.9**	**2.9**
9	10	10	United Kingdom	410	445	-2.1	8.6	2.8	2.6	2.5
			Sum of top 10 countries	**8,485**	**9,219**	**0.4**	**8.7**	**49.0**	**52.9**	**52.0**
			World	**16,029**	**17,730**	**-0.6**	**10.6**	**100.0**	**100.0**	**100.0**

[1] Average annual growth rate.

Source: Based on WTO data

Table 1.5 - Top ten world merchandise importers

Billions of dollars at current prices and percentage changes on previous year

Ranking			Country	Value		Percentage change		Percentage share		
2011	2016	2017		2016	2017	2012-17[1]	2017	2011	2016	2017
1	1	1	United States	2,250	2,409	1.0	7.1	12.2	13.8	13.4
2	2	2	China	1,588	1,842	0.9	16.0	9.4	9.7	10.2
3	3	3	Germany	1,056	1,167	-1.2	10.5	6.8	6.5	6.5
4	5	4	Japan	608	672	-3.9	10.6	4.6	3.7	3.7
6	4	5	United Kingdom	636	644	-0.8	1.2	3.7	3.9	3.6
5	6	6	France	572	625	-2.3	9.2	3.9	3.5	3.5
10	7	7	Hong Kong	547	590	2.4	7.8	2.8	3.4	3.3
7	8	8	Netherlands	505	574	-0.6	13.7	3.2	3.1	3.2
9	11	9	South Korea	406	478	-1.5	17.8	2.8	2.5	2.7
8	**10**	**10**	**Italy**	**407**	**453**	**-3.5**	**11.2**	**3.0**	**2.5**	**2.5**
			Sum of top 10 countries	**8,576**	**9,454**	**-0.4**	**10.2**	**52.5**	**52.7**	**52.5**
			World	**16,287**	**18,024**	**-0.4**	**10.7**	**100.0**	**100.0**	**100.0**

[1] Average annual growth rate.

Source: Based on WTO data

Table 1.6 - Inward foreign direct investment: main recipient countries [1]
Billions of dollars at current prices

Rank[2]	Country	Flows						Stocks					
		Value			% composition			Value			% composition		
		2012	2016	2017	2012	2016	2017	1990	2000	2017	1990	2000	2017
1	United States	199	457	275	12.6	24.5	19.3	540	2,783	7,807	24.6	37.7	24.8
2	China	121	134	136	7.7	7.2	9.5	21	193	1,491	0.9	2.6	4.7
3	Hong Kong	70	117	104	4.5	6.3	7.3	202	435	1,969	9.2	5.9	6.2
4	Brazil	76	58	63	4.8	3.1	4.4	37	-	778	1.7	-	2.5
5	Singapore	60	77	62	3.8	4.1	4.3	30	111	1,285	1.4	1.5	4.1
6	Netherlands	25	86	58	1.6	4.6	4.1	72	244	975	3.3	3.3	3.1
7	France	16	35	50	1.0	1.9	3.5	104	184	875	4.7	2.5	2.8
8	Australia	60	48	46	3.8	2.6	3.2	80	122	662	3.7	1.6	2.1
9	Switzerland	29	48	41	1.9	2.6	2.9	34	102	1,060	1.6	1.4	3.4
10	India	24	44	40	1.5	2.4	2.8	2	16	378	0.1	0.2	1.2
11	Germany	28	17	35	1.8	0.9	2.4	227	471	931	10.3	6.4	3.0
12	Mexico	22	30	30	1.4	1.6	2.1	22	122	489	1.0	1.6	1.6
13	Ireland	47	15	29	3.0	0.8	2.0	38	127	880	1.7	1.7	2.8
14	Russia	30	37	25	1.9	2.0	1.8	-	30	447	-	0.4	1.4
15	Canada	43	37	24	2.7	2.0	1.7	113	325	1,084	5.1	4.4	3.4
16	Indonesia	19	4	23	1.2	0.2	1.6	9	25	249	0.4	0.3	0.8
17	Spain	26	20	19	1.6	1.1	1.3	66	156	644	3.0	2.1	2.0
18	Israel	9	12	19	0.6	0.6	1.3	4	20	129	0.2	0.3	0.4
19	**Italy**	**0**	**22**	**17**	**0.0**	**1.2**	**1.2**	**60**	**123**	**413**	**2.7**	**1.7**	**1.3**
20	South Korea	9	12	17	0.6	0.6	1.2	5	44	231	0.2	0.6	0.7
	World	**1,575**	**1,868**	**1,430**	**100.0**	**100.0**	**100.0**	**2.196**	**7,380**	**31,524**	**100.0**	**100.0**	**100.0**

[1] Excluding Caribbean financial centers.
[2] Sorted by 2017 flows.
Source: Based on UNCTAD data

Table 1.7 - Outward foreign direct investment: main investor countries [1]
Billions of dollars at current prices

Rank[2]	Country	Flows						Stocks					
		Value			% composition			Value			% composition		
		2012	2016	2017	2012	2016	2017	1990	2000	2017	1990	2000	2017
1	United States	318	281	342	23.2	19.1	23.9	732	2,694	7,799	32.5	36.4	25.3
2	Japan	123	145	160	8.9	9.9	11.2	201	278	1,520	8.9	3.8	4.9
3	China	88	196	125	6.4	13.3	8.7	4	28	1,482	0.2	0.4	4.8
4	United Kingdom	21	-23	100	1.5	-1.5	7.0	229	940	1,532	10.2	12.7	5.0
5	Hong Kong	83	60	83	6.1	4.1	5.8	12	379	1,804	0.5	5.1	5.9
6	Germany	62	51	82	4.5	3.5	5.8	309	484	1,607	13.7	6.5	5.2
7	Canada	56	74	77	4.1	5.0	5.4	85	443	1,487	3.8	6.0	4.8
8	France	35	63	58	2.6	4.3	4.1	120	366	1,452	5.3	4.9	4.7
9	Luxembourg	90	44	41	6.6	3.0	2.9	0	0	241	0.0	0.0	0.8
10	Spain	-4	38	41	-0.3	2.6	2.9	16	129	597	0.7	1.7	1.9
11	Russia	28	27	36	2.1	1.8	2.5	0	19	382	-	0.3	1.2
12	South Korea	31	30	32	2.2	2.0	2.2	2	21	356	0.1	0.3	1.2
13	Singapore	20	28	25	1.5	1.9	1.7	8	57	841	0.3	0.8	2.7
14	Sweden	29	6	24	2.1	0.4	1.7	51	124	401	2.2	1.7	1.3
15	Netherlands	18	172	23	1.3	11.7	1.6	110	305	1,605	4.9	4.1	5.2
16	Belgium	34	22	21	2.5	1.5	1.5	0	0	691	0.0	0.0	2.2
17	Thailand	10	12	19	0.8	0.8	1.3	0	3	107	0.0	0.0	0.3
18	Ireland	23	29	19	1.6	2.0	1.3	15	28	899	0.7	0.4	2.9
19	United Arab Emirates	3	13	14	0.2	0.9	1.0	0	2	124	0.0	0.0	0.4
20	Taiwan	13	18	11	1.0	1.2	0.8	30	67	321	1.3	0.9	1.0
	World	**1,370**	**1,473**	**1,430**	**100.0**	**100.0**	**100.0**	**2,255**	**7,410**	**30,838**	**100.0**	**100.0**	**100.0**

[1] Excluding Caribbean financial centers.
[2] Sorted by 2017 flows.
Source: Based on UNCTAD data

ITALY

Table 2.1 - Italy's balance of payments
Millions of euros

	2013	2014	2015	2016	2017
Current account	**16,037**	**31,102**	**25,009**	**43,493**	**47,850**
Capital account	**-744**	**2,682**	**3,901**	**-3,111**	**-869**
Financial account	**21,864**	**51,514**	**35,209**	**65,387**	**47,190**
Direct investment	650	2,331	2,419	-4,095	-11,235
Abroad	15,288	15,259	14,394	13,679	6,523
In Italy	14,638	12,928	11,976	17,774	17,758
Portfolio investment	-4,079	4,144	97,505	159,540	98,417
Assets	31,141	101,848	120,870	84,362	127,079
Liabilities	35,220	97,704	23,366	-75,178	28,662
Other investment	20,731	49,573	-67,563	-85,914	-36,922
Assets	-25,038	17,508	-21,255	6,426	19,968
Liabilities	-45,769	-32,065	46,309	92,340	56,889
Financial derivatives	3,035	-3,581	2,315	-2,968	-5,721
Change in reserve assets	1,528	-953	535	-1,175	2,650
Errors and omissions	**6,571**	**17,730**	**6,299**	**25,006**	**209**

Current account

	2013	2014	2015	2016	2017
Goods (FOB-FOB)	**36,099**	**47,407**	**51,106**	**57,657**	**56,016**
Services	**443**	**-1,017**	**-2,618**	**-2,672**	**-3,713**
Transport	7,934	-8,286	-8,363	7,991	-9,318
Foreign travel	12,755	12,528	13,544	13,813	14,597
Other services	-4,378	-5,259	-7,799	-8,494	-8,992
Primary income	**-2,433**	**618**	**-8,184**	**5,227**	**10,267**
Labor income	3,035	3,579	4,284	4,341	4,416
Investment income	-8,776	-6,858	-14,849	-1,811	4,317
Other	3,308	3,897	2,381	2,697	1,534
Secondary income	**-18,072**	**-15,905**	**-15,295**	**-16,719**	**-14,720**
General government	-15,458	-13,742	-12,064	-13,954	-11,186
Other sectors	2,362	2,560	1,294	1,675	829
of which: workers' remittances	-4,976	-4,723	-4,526	-4,441	-4,364
Current account	**16,037**	**31,102**	**25,009**	**43,493**	**47,850**

Source: Based on Bank of Italy data

Table 2.2 - Italy's foreign trade in goods and services [1]

Goods	2014	2015	2016	2017
Exports				
Millions of euros	389,510	405,981	410,008	439.447
Percentage changes	2.8	4.2	1.0	7.2
Prices[2]	-0.3	-0.4	-1.1	1.9
Volume	3.0	4.6	2.2	5.2
Imports				
Millions of euros	342,108	354,876	352,356	383,494
Percentage changes	-0.3	3.7	-0.7	8.8
Prices[2]	-3.7	-4.3	-4.2	3.6
Volume	3.5	8.4	3.6	5.1
Balance				
Millions of euros	47,402	51,106	57,652	55,952
Absolute changes	-	3,704	6,546	-1,699
Normalized trade balance[3]	6.5	6.7	7.6	6.8
Foreign trade, customs values (millions of euros)				
Exports FOB	398,870	412,291	417,077	448,107
Imports CIF	356,939	370,484	367,626	400,659
Trade balance	41,932	41,807	49,451	47,448
Services				
Exports				
Millions of euros	85,791	88,583	90,941	97,894
Percentage changes	2.1	3.3	2.7	7.6
Prices[2]	0.7	-0.3	-0.8	1.1
Volume	1.4	3.6	3.5	6.5
Imports				
Millions of euros	86,918	91,267	93,927	100,992
Percentage changes	3.6	5.0	2.9	7.5
Prices[2]	1.6	4.8	-0.3	1.2
Volume	2.0	0.2	3.2	6.3
Balance				
Millions of euros	-1,127	-2,685	-2,987	-3,097
Absolute changes	-	-1.557	-302	-110
Normalized trade balance[3]	-0.7	-1.5	-1.6	-1.6

[1] National accounts data.
[2] Implicit deflators.
[3] Trade balance as a percentage of the sum of exports and imports.

Source: Based on Istat data

Table 2.3 A - Constant-market-shares analysis of Italy's share of world goods imports

	1999	2010	1999-2010	2011	2012	2013	2014	2015	2016	2017	2010-2017
Market share	**3.84**	**2.81**		**2.78**	**2.70**	**2.70**	**2.78**	**2.82**	**2.92**	**2.91**	
change			-1.03	-0.03	-0.08	0.00	0.07	0.04	0.11	-0.02	0.10
Competitiveness effect			**-0.55**	**0.00**	**0.01**	**-0.04**	**0.00**	**-0.06**	**0.02**	**0.03**	**-0.04**
Structure effect			**-0.53**	**-0.02**	**-0.10**	**0.05**	**0.08**	**0.11**	**0.10**	**-0.06**	**0.16**
sectoral			-0.55	-0.05	-0.05	0.04	0.08	0.16	0.07	-0.09	0.16
geographic			-0.09	-0.01	-0.03	0.02	-0.01	0.00	0.04	-0.02	-0.01
interaction			0.12	0.04	-0.02	0.00	0.01	-0.04	-0.01	0.04	0.02
Adaptation effect			**0.05**	**-0.01**	**0.01**	**-0.01**	**-0.01**	**-0.02**	**-0.02**	**0.02**	**-0.03**

Tavola 2.3 B - Constant-market-shares analysis of Italy's share of world manufacturing imports

	1999	2010	1999-2010	2011	2012	2013	2014	2015	2016	2017	2010-2017
Market share	**4.21**	**3.36**		**3.43**	**3.36**	**3.38**	**3.43**	**3.25**	**3.31**	**3.35**	
change			-0.85	0.07	-0.07	0.02	0.06	-0.18	0.05	0.04	-0.01
Competitiveness effect			**-0.55**	**0.01**	**0.01**	**-0.01**	**0.02**	**-0.10**	**0.02**	**0.03**	**-0.03**
Structure effect			**-0.16**	**0.07**	**-0.10**	**0.05**	**0.05**	**-0.08**	**0.06**	**-0.01**	**0.04**
sectoral			-0.20	0.03	-0.03	0.01	0.05	-0.02	0.01	-0.04	0.02
geographic			0.00	0.01	-0.04	0.02	0.00	-0.06	0.05	-0.01	-0.03
interaction			0.03	0.03	-0.03	0.02	0.00	0.00	-0.01	0.04	0.05
Adaptation effect			**-0.14**	**-0.01**	**0.02**	**-0.02**	**-0.01**	**0.00**	**-0.02**	**0.02**	**-0.02**

Table 2.3 C - Constant-market-shares analysis of Italy's share of world goods imports from the euro area[(1)(2)]

	1999	2010	1999-2010	2011	2012	2013	2014	2015	2016	2017	2010-2017
Market share	12.29	10.56		10.58	10.68	10.63	10.74	10.75	10.84	10.91	
change			-1.74	0.02	0.09	-0.05	0.11	0.02	0.09	0.07	0.35
Competitiveness effect			**-0.82**	**-0.05**	**0.13**	**-0.08**	**0.04**	**-0.02**	**0.06**	**0.12**	**0.20**
Structure effect			**-1.07**	**0.08**	**0.05**	**0.05**	**0.14**	**0.10**	**0.09**	**-0.06**	**0.45**
sectoral			-1.09	0.02	-0.04	0.09	0.07	0.10	0.11	-0.04	0.31
geographic			0.27	0.04	0.07	-0.01	-0.02	0.01	-0.02	-0.02	0.05
interaction			-0.25	0.02	0.02	-0.04	0.09	-0.01	0.00	0.00	0.08
Adaptation effect			**0.15**	**-0.01**	**-0.09**	**-0.01**	**-0.07**	**-0.07**	**-0.06**	**0.01**	**-0.30**

(1) An aggregate consisting of the imports for 48 countries is used as the world in the analysis: the 28 Member States of the European Union plus Argentina, Australia, Brazil, Canada, China, Hong Kong, India, Indonesia, Japan, Malaysia, Mexico, Philippines, Russia, Singapore, South Korea, Switzerland, Taiwan, Thailand, Turkey and USA. In 2016, these countries accounted for about 94 percent of world imports.

(2) The competitiveness effect is the weighted average of the changes in the elementary shares: it can be considered to reflect the changes in relative prices and in the other determinants of competitive success. The structure effect depends on the degree of conformity between the geographical and sectoral specialization of the country whose share is analyzed and the changes in the composition of demand in the market in question, while the adaptation effect measures flexibility with respect to such changes.

Sources: Based on Eurostat and national statistical institutes data

Table 2.4 - Italy's international trade by region and main country

Millions of euros and percentage changes on previous year

Region/Country	Exports				Imports				Balance	
	2017	% change 2017	Jan.-Mar. 2018	% change Jan.-Mar. 2018	2017	% change 2017	Jan.-Mar. 2018	% change Jan.-Mar. 2018	2017	Jan.-Mar. 2018
European Union	**249,129**	**6.7**	**65,113**	**5.5**	**240,851**	**7.8**	**62,857**	**4.6**	**8,278**	**2,256**
Germany	55,877	6.0	14,787	4.2	65,347	9.0	17,776	10.2	-9,470	-2,989
France	46,164	4.9	12,043	4.7	35,210	7.5	9,427	7.0	10,954	2,616
Spain	23,194	10.2	6,009	3.4	21,175	6.8	5,042	-10.3	2,019	967
United Kingdom	23,130	3.2	5,591	-0.8	11,404	1.3	2,871	0.2	11,726	2,720
Belgium	13,553	0.2	3,360	-1.9	17,968	1.2	4,862	2.4	-4,415	-1,501
Poland	12,592	12.0	3,525	12.9	9,852	12.1	2,363	-3.1	2,740	1,162
Netherlands	10,455	7.7	2,865	13.5	22,504	11.5	5,535	1.3	-12,049	-2,670
Austria	9,453	6.4	2,497	8.7	9,225	9.5	2,428	5.7	227	69
Romania	7,246	8.5	1,796	3.8	6,555	3.8	1,745	8.4	691	51
Czech Republic	5,928	10.7	1,583	9.9	6,599	4.1	1,708	2.7	-671	-124
Hungary	4,701	8.4	1,212	6.6	5,260	14.3	1,317	-1.9	-559	-105
Sweden	4,559	8.4	1,294	13.3	3,769	4.7	1,016	9.3	790	278
Slovenia	4,173	13.2	1,177	8.9	2,977	12.1	816	12.4	1,195	362
Greece	4,045	4.0	1,069	10.5	2,674	3.1	756	14.9	1,371	314
Portugal	3,982	12.7	1,017	4.6	1,759	9.2	421	-8.5	2,223	596
Slovakia	2,856	3.2	741	3.4	4,527	37.5	1,310	37.2	-1,671	-569
Ireland	2,327	34.2	644	5.7	3,727	8.1	927	8.6	-1,400	-283
Non EU countries	**47,835**	**10.4**	**11,524**	**4.6**	**39,272**	**11.3**	**10,298**	**-1.9**	**8,563**	**1,226**
Switzerland	20,611	8.7	5,233	8.5	11,178	5.3	2,573	-16.5	9,433	2,660
Turkey	10,094	5.2	2,371	3.6	8,301	11.1	2,320	4.4	1,793	52
Russia	7,985	19.3	1,736	-1.1	12,309	15.7	3,413	3.7	-4,324	-1,677
Northern Africa	**12,310**	**-1.1**	**2,814**	**-7.5**	**12,789**	**19.5**	**4,041**	**13.7**	**-478**	**-1,227**
Tunisia	3,194	9.3	909	3.6	2,215	-1.3	609	9.2	980	300
Algeria	3,178	-14.4	620	0.3	4,958	15.9	1,573	2.0	-1,780	-953
Other African countries	**5,155**	**5.5**	**1,238**	**3.3**	**5,758**	**-5.0**	**1,571**	**-1.0**	**-603**	**-333**
South Africa	1,846	15.8	486	21.0	1,276	-4.1	313	-16.2	570	173
North America	**44,444**	**9.5**	**11,000**	**0.5**	**16,562**	**7.6**	**4,131**	**-9.3**	**27,882**	**6,870**
United States of America	40,496	9.8	10,053	0.2	15,013	7.9	3,708	-10.0	25,483	6,345
Canada	3,936	6.5	947	3.0	1,549	4.6	422	-2.7	2,387	525
South and Central America	**14,262**	**10.4**	**3,319**	**5.1**	**9,252**	**5.3**	**2,181**	**-2.5**	**5,009**	**1,138**
Brazil	3,805	18.9	987	18.0	3,317	2.7	859	3.7	488	128
Middle East	**20,148**	**0.6**	**4,410**	**-8.5**	**18,811**	**39.1**	**4,881**	**3.8**	**1,337**	**-471**
United Arab Emirates	5,349	-1.4	1.064	-17.4	1,029	8.6	345	55.8	4,321	718
Saudi Arabia	3,943	-5.8	754	-26.3	3,409	33.2	991	6.8	534	-236
Central Asia	**6,300**	**5.5**	**1,564**	**17.1**	**9,103**	**7.8**	**2,448**	**-4.0**	**-2,803**	**-884**
India	3,577	9.3	938	19.5	5,147	21.4	1,490	6.8	-1,571	-552
East Asia	**40,117**	**12.6**	**9,324**	**-3.7**	**46,318**	**4.4**	**12,050**	**0.9**	**-6,201**	**-2,726**
China	13,514	22.2	3,010	-1.6	28,430	4.0	7,608	4.4	-14,917	-4,598
Japan	6,564	9.0	1,516	-5.6	4,184	4.1	940	-7.8	2,381	576
Hong Kong	6,011	4.2	1,407	-8.3	272	13.9	75	9.1	5,738	1,332
South Korea	4,316	8.2	1,090	2.9	3,388	14.2	987	21.0	928	103
Oceania	**4,498**	**-1.5**	**1,097**	**9.0**	**970**	**15.0**	**198**	**-25.8**	**3,528**	**900**
Australia	3,825	7.1	953	8.7	599	23.3	113	-30.9	3,226	840
Other territories	**3,908**	**11.4**	**1,055**	**16.2**	**973**	**7.7**	**266**	**14.7**	**2,935**	**789**
World	**448,107**	**7.4**	**112, 467**	**3.3**	**400,659**	**9.0**	**104,936**	**2.6**	**47,448**	**7,532**

[1] Countries are sorted by the 2017 value of trade with Italy.

Source: Based on Istat data

Table 2.5 - Italian goods exports' market shares by region and country
Percentages at current prices

Region/Country	Import market's share of world imports [1]			Italy's market share of world exports [2]			Italy's market share of euro-area exports [3]		
	2011	2016	2017	2011	2016	2017	2011	2016	2017
European Union	**34.6**	**33.1**	**33.0**	**4.8**	**4.9**	**4.9**	**9.7**	**9.7**	**9.7**
Germany	7.0	6.6	6.6	5.8	5.6	5.6	12.0	12.2	12.1
France	4.0	3.6	3.6	8.3	8.4	8.2	14.1	14.0	13.9
Spain	2.1	2.0	2.0	7.8	7.7	7.8	15.4	14.5	14.9
United Kingdom	3.8	4.0	3.7	3.7	3.9	4.0	8.2	8.1	8.4
Belgium	2.6	2.4	2.3	3.1	4.2	4.0	5.3	7.8	7.3
Netherlands	3.4	3.2	3.3	2.0	2.1	2.1	5.7	5.7	5.5
Poland	1.2	1.2	1.3	5.9	5.8	5.8	10.2	9.7	9.8
Austria	1.1	1.0	1.0	7.1	6.5	6.4	9.8	9.6	9.5
Romania	0.4	0.5	0.5	11.8	10.1	9.8	22.6	18.0	17.6
Czech Republic	0.8	0.9	0.9	4.0	4.4	4.4	6.4	6.9	7.0
Hungary	0.6	0.6	0.6	4.9	5.2	5.1	9.1	8.8	8.7
Sweden	1.0	0.9	0.9	3.3	3.5	3.5	6.3	6.2	6.3
Greece	0.4	0.3	0.3	12.1	8.8	8.3	23.7	21.0	20.5
Slovenia	0.2	0.2	0.2	18.0	13.1	13.0	28.9	24.6	24.8
Slovakia	0.4	0.5	0.5	4.3	4.3	4.1	10.7	9.3	8.9
Portugal	0.5	0.4	0.4	6.0	5.8	5.8	8.6	8.5	8.7
Ireland	0.4	0.5	0.5	1.9	2.7	3.4	6.7	8.6	10.5
Other European countries	**5.7**	**5.3**	**5.5**	**6.2**	**5.9**	**5.9**	**15.2**	**14.7**	**14.8**
Switzerland	1.2	1.7	1.5	9.7	8.1	8.6	18.7	16.0	16.4
Russia	1.6	1.1	1.3	4.3	4.2	4.2	10.9	11.9	11.9
Turkey	1.3	1.2	1.3	6.3	6.0	5.4	16.8	15.9	16.0
Northern Africa	**1.0**	**1.1**	**1.0**	**8.2**	**7.5**	**7.4**	**20.4**	**19.0**	**18.6**
Algeria	0.3	0.3	0.3	9.4	8.6	7.9	19.2	20.3	18.8
Tunisia	0.1	0.1	0.1	21.3	17.6	18.8	30.0	30.3	31.1
Other African countries	**2.1**	**1.9**	**1.8**	**1.8**	**1.7**	**1.7**	**8.9**	**8.7**	**8.5**
South Africa	0.6	0.5	0.5	2.0	2.2	2.4	9.2	8.7	9.5
North America	**14.7**	**16.3**	**15.8**	**1.4**	**1.8**	**1.9**	**11.5**	**13.2**	**13.8**
United States of America	12.1	13.6	13.2	1.5	2.0	2.1	11.3	13.1	13.8
Canada	2.6	2.7	2.6	0.9	1.0	1.1	12.9	14.1	13.9
South and Central America	**6.0**	**5.9**	**5.7**	**1.8**	**1.6**	**1.6**	**15.5**	**13.4**	**13.8**
Brazil	1.3	0.9	0.9	2.9	2.5	2.6	15.9	12.1	13.7
Middle East	**3.8**	**4.6**	**4.4**	**3.7**	**3.3**	**3.2**	**19.7**	**17.5**	**17.5**
Saudi Arabia	0.7	0.9	0.7	4.3	3.6	3.7	18.0	16.5	15.5
United Arab Emirates	1.2	1.7	1.6	3.0	2.6	2.6	19.5	15.8	17.2
Central Asia	**3.5**	**3.3**	**3.6**	**1.4**	**1.3**	**1.1**	**13.8**	**13.3**	**12.8**
India	2.6	2.2	2.5	1.2	1.0	1.0	12.0	10.6	10.7
East Asia	**26.8**	**26.8**	**27.4**	**0.9**	**1.0**	**1.0**	**10.7**	**10.9**	**11.0**
China	9.0	9.2	9.6	1.0	0.9	1.0	8.7	8.0	8.4
Japan	4.6	3.7	3.7	0.9	1.2	1.3	12.0	13.0	13.7
South Korea	2.7	2.5	2.6	0.8	1.1	1.1	10.8	11.3	10.9
Hong Kong	2.7	3.2	3.1	1.0	1.1	1.2	19.1	23.0	22.6
Oceania	**1.7**	**1.6**	**1.7**	**1.9**	**2.2**	**1.9**	**13.1**	**15.1**	**14.0**
Australia	1.4	1.3	1.3	2.0	2.2	2.1	13.2	14.8	14.9
Other territories	**0.1**	**0.1**	**0.1**	-	-		-	-	
World	**100.0**	**100.0**	**100.0**	**2.9**	**3.0**	**2.9**	**11.0**	**11.1**	**11.1**

(1) Imports from each market as a percentage of world imports.
(2) Exports from Italy as a percentage of world exports to each market.
(3) Exports from Italy as a percentage of the euro-area's exports to each market.

Sources: Based on IMF-DOTS and Eurostat data; for Taiwan, Taiwan Directorate General of Customs data

Table 2.6 - Top ten destination countries of Italian exports

Millions of euros and percentage changes on previous year

	Country	2017	Percentage change 2017	Percentage share	
				2012	2017
1	Germany (1)	55,877	6.0	12.5	12.5
2	France (2)	46,164	4.9	11.1	9.0
3	United States of America (3)	40,496	9.8	6.8	5.2
4	Spain (5)	23,194	10.2	4.7	5.2
5	United Kingdom (4)	23,130	3.2	4.9	4.6
6	Switzerland (6)	20,611	8.7	5.9	3.0
7	Belgium (7)	13,553	0.2	2.7	3.0
8	China (9)	13,514	22.2	2.3	2.8
9	Poland (8)	12,592	12.0	2.4	2.8
10	Netherlands (10)	10,455	7.7	2.4	2.3
	Sum of 10 countries	259,586	7.5	55.5	57.9
	World	448,107	7.4	100.0	100.0

The number in parentheses refers to the country's position in the 2016 ranking.

Source: Based on Istat data

Table 2.7 - Top ten countries of origin of Italian imports

Millions of euros and percentage changes on previous year

	Country	2017	Percentage change 2017	Percentage share	
				2012	2017
1	Germany (1)	65,347	9.0	14.5	16.3
2	France (2)	35,210	7.5	8.3	8.8
3	China (3)	28,430	4.0	6.6	7.1
4	Netherlands (4)	22,504	11.5	5.4	5.6
5	Spain (5)	21,175	6.8	4.5	5.3
6	Belgium (6)	17,968	1.2	3.8	4.5
7	United States of America (7)	15,013	7.9	3.3	3.7
8	Russia (9)	12,309	15.7	4.8	3.1
9	United Kingdom (8)	11,404	1.3	2.6	2.8
10	Switzerland (10)	11,178	5.3	2.9	2.8
	Sum of 10 countries	240,539	7.3	56.7	60.0
	World	400,659	9.0	100.0	100.0

The number in parentheses refers to the country's position in the 2016 ranking.

Source: Based on Istat data

Table 2.8 - Merchandise exports and imports by sector: values
Millions of euros and percentage changes on previous year

	Exports					Imports					Balance		
	2017	Share of total 2017	% change 2017	AAGR [1] 2012-17	% change Jan-Mar 2018	2017	Share of total 2017	% change 2017	AAGR [1] 2012-17	% change Jan-Mar 2018	2016	2017	Jan-Mar 2018 % change
Products of agriculture, fishing and forestry	**7,084**	**1.6**	**3.4**	**3.4**	**-5.8**	**14,460**	**3.6**	**4.5**	**1.8**	**-0.5**	**-6,984**	**-7,376**	**-1,801**
Mining products	**1,239**	**0.3**	**21.7**	**-0.5**	**6.2**	**39,740**	**9.9**	**27.5**	**-8.8**	**4.0**	**-30,161**	**-38,501**	**-10,373**
Crude oil and natural gas	365	0.1	51.0	-4.5	10.5	35,865	9.0	28.3	-8.9	6.5	-27,702	-35,500	-4,824
Manufacturing products	**429,748**	**95.9**	**7.4**	**3.0**	**3.5**	**333,026**	**83.1**	**7.0**	**1.5**	**3.6**	**89,024**	**96,722**	**20,264**
Food products, beverages and tobacco	33,942	7.6	7.5	5.6	5.6	30,538	7.6	4.5	1.8	-0.2	2,341	3,403	733
Textiles, apparel, leather products and accessories	50,953	11.4	4.6	3.3	2.1	31,146	7.8	1.9	1.3	1.4	18,154	19,807	4,802
Textile articles	10,037	2.2	1.7	0.4	1.3	6,992	1.7	2.0	0.2	-1.9	3,012	3,046	604
Wearing apparel	20,491	4.6	4.7	3.5	2.5	13,861	3.5	1.2	1.0	1.7	5,870	6,630	1,618
Leather and leather products (excluding apparel)	20,424	4.6	5.9	4.6	2.0	10,293	2.6	2.7	2.5	3.2	9,273	10,131	2,581
Footwear	9,503	2.1	3.4	3.3	-0.1	5,356	1.3	-0.5	2.3	4.8	3,809	4,147	989
Wood and wood products (excluding furniture)	1,838	0.4	6.5	4.1	3.4	3,325	0.8	2.4	-0.4	9.4	-1,520	-1,487	-440
Paper and paper products; printing	6,725	1.5	2.3	1.8	2.2	6,945	1.7	6.8	0.5	11.6	74	-219	-184
Coke and refined petroleum products	13,471	3.0	34.2	-3.7	3.6	8,158	2.0	22.7	-3.5	0.3	3,393	5,314	1,238
Chemical substances and products	30,042	6.7	9.0	3.2	4.2	37,153	9.3	7.0	0.3	6.8	-7,174	-7,111	-2,560
Pharmaceutical, medicinal and botanical products	24,774	5.5	16.0	8.3	9.9	24,003	6.0	4.6	3.8	-3.6	-1,581	771	73
Rubber and plastic products	16,102	3.6	6.5	2.6	4.7	10,349	2.6	5.6	2.6	2.3	5,319	5,753	1,564
Non-metallic mineral products	10,343	2.3	1.4	2.9	1.1	3,898	1.0	5.0	1.7	8.2	6,491	6,445	1,486
Basic metal products and fabricated metal products	47,209	10.5	8.7	-0.4	6.6	41,665	10.4	16.4	-0.3	7.0	7,626	5,543	1,018
Iron and steel products	27,135	6.1	9.9	-2.1	8.1	33,225	8.3	18.8	-0.9	6.5	-3,270	-6,090	-1,774
Fabricated metal products	20,073	4.5	7.1	2.3	4.6	8,440	2.1	7.5	2.4	8.9	10,897	11,633	2,791
Computers, electronic and optical apparatus	14,430	3.2	5.8	1.8	5.5	26,974	6.7	5.1	-2.2	2.7	-12,031	-12,544	-2,984
Electrical apparatus	23,100	5.2	4.7	2.2	2.8	16,892	4.2	7.9	3.4	6.9	6,411	6,208	1,506
Machinery and equipment n.e.c.	80,061	17.9	5.4	2.6	1.4	29,394	7.3	5.0	3.3	7.8	47,976	50,667	11,341
Transport equipment	50,796	11.3	6.6	5.7	1.6	48,890	12.2	7.6	4.1	3.0	2,181	1,907	-223
Motor vehicles and trailers	37,559	8.4	9.6	6.9	-4.2	42,568	10.6	9.0	5.0	2.8	-4,778	-5,009	-3,488
Other transport equipment	13,237	3.0	-0.9	2.6	6.7	6,322	1.6	-1.2	-0.8	3.6	6,959	6,916	3,266
Furniture	9,577	2.1	3.5	2.9	1.2	2,098	0.5	3.1	2.7	5.5	7,224	7,480	1,751
Other manufatured products	16,354	3.6	7.1	5.4	1.6	11,551	2.9	3.8	3.8	-1.2	4,147	4,803	2,894
Jewellery	7,007	1.6	12.0	5.6	3.7	2,925	0.7	9.1	5.8	-2.1	3,574	4,083	976
Other products	**10,036**	**2.2**	**9.0**	**2.4**	**12.6**	**13,433**	**3.4**	**17.4**	**-0.5**	**-49.4**	**-2,235**	**-3,397**	**976**
Total	**448,107**	**100.0**	**7.4**	**3.0**	**3.3**	**400,659**	**100.0**	**9.0**	**0.0**	**2.6**	**49,643**	**47,448**	**7,538**

[1] Average annual growth rate, starting from 2011.
Source: Based on Istat data

Table 2.9 - Merchandise exports and imports by sector: volumes and prices
Percentage changes on previous year; indices, 2015=100

	Exports						Imports					
	Volumes		Average unit values		Prices[2]		Volumes		Average unit values		Prices[3]	
	% change 2017[a]	AAGR [1] 2012-17	% change 2017[a]	AAGR [1] 2012-17	% change 2017[a]	AAGR [1] 2012-17	% change 2017[a]	AAGR [1] 2012-17	Var. % 2017[a]	AAGR [1] 2012-17	% change 2017[a]	AAGR [1] 2012-17
Products of agriculture, fishing and forestry	**0.6**	**0.8**	**2.7**	**2.6**	**-**	**-**	**2.3**	**0.6**	**2.2**	**1.2**	**-**	**-**
Mining products	**9.8**	**0.6**	**10.9**	**-1.0**	**0.0**	**0.7**	**7.9**	**-0.9**	**18.1**	**-8.0**	**18.6**	**-5.7**
Manufacturing products	**3.2**	**0.9**	**4.1**	**2.1**	**1.6**	**0.2**	**2.7**	**0.4**	**4.2**	**1.1**	**1.8**	**-0.4**
Food products, beverages and tobacco	5.7	3.1	1.7	2.5	0.9	1.4	0.6	0.3	3.8	1.5	1.9	1.0
Textiles, apparel, leather products and accessories	1.6	-0.7	2.9	4.0	0.0	0.9	-0.1	-1.7	2.0	3.0	0.2	0.8
Textile articles	-0.3	-1.8	2.1	2.3	0.2	0.8	-0.3	-1.1	2.3	1.3	0.8	0.1
Wearing apparel	0.9	-0.4	3.8	4.0	0.9	1.0	-0.3	-1.2	1.5	2.3	0.6	0.6
Leather and leather products (excluding apparel)	3.6	-0.2	2.2	4.8	-0.8	0.9	0.1	-2.6	2.6	5.1	-0.6	1.5
Footwear	-0.4	-2.0	3.9	5.5	-0.4	1.0	-3.7	-2.3	3.3	4.6	-1.1	1.5
Wood and wood products (excluding furniture)	2.7	1.7	0.2	0.3	1.3	0.7	2.9	0.2	2.3	0.1	-0.1	0.7
Paper and paper products; printing	2.3	2.0	-	-0.1	0.4	0.0	4.0	0.9	2.7	-0.3	1.4	-0.5
Coke and refined petroleum products	10.1	0.0	21.9	-3.7	19.3	-3.5	-3.3	2.3	26.9	-5.5	14.8	-2.3
Chemical substances and products	5.6	2.2	3.3	0.9	1.4	-0.2	1.3	0.3	5.6	0.9	4.4	-0.8
Pharmaceutical, medicinal and botanical products	5.4	7.6	10.1	0.8	-0.2	0.5	6.5	1.4	-1.8	0.0	-0.1	-0.9
Rubber and plastic products	3.9	0.5	2.5	2.2	0.7	0.7	2.6	0.9	2.9	2.4	1.0	-0.2
Non-metallic mineral products	-1.4	0.6	2.8	2.3	0.0	0.4	3.0	-1.0	2.0	2.7	1.4	0.7
Basic metal products and fabricated metal products	4.0	0.1	4.5	-0.5	5.0	-0.7	9.3	1.6	6.5	-1.8	6.9	-2.0
Iron and steel products	3.8	0.5	5.9	-2.6	9.1	-1.8	10.4	2.0	7.6	-2.9	8.6	-2.5
Fabricated metal products	4.1	-0.6	2.9	3.0	1.6	0.4	4.0	-1.0	3.4	3.4	1.0	0.1
Computers, electronic and optical apparatus	1.2	-1.0	4.5	2.9	1.5	1.3	-0.1	-3.9	5.1	1.8	-0.7	-0.3
Electrical apparatus	2.3	0.9	2.3	1.2	1.5	0.5	4.9	0.7	2.9	2.6	-0.9	0.4
Mechanical machinery and equipment	1.9	-1.6	3.4	4.3	-0.1	0.7	3.9	0.7	1.1	2.6	-0.1	0.4
Transport equipment	3.7	3.4	2.9	2.1	-0.2	-0.6	2.8	0.7	4.6	3.4	0.1	-0.8
Motor vehicles and trailers	8.9	5.0	0.6	1.8	-0.1	-0.7	4.8	2.4	4.1	2.5	0.0	-0.9
Other transport equipment	-8.5	-0.6	8.3	3.1	-0.5	-0.2	-8.2	-8.4	7.6	8.5	2.7	1.5
Furniture	0.8	0.5	2.6	2.4	0.5	0.8	0.8	1.2	2.3	1.4	1.3	1.3
Other manufatured products	2.7	1.0	4.2	3.3	-0.1	1.0	2.6	1.0	1.2	2.6	-0.8	1.1
Total	**3.1**	**0.9**	**4.2**	**2.0**	**1.6**	**0.2**	**2.6**	**0.4**	**6.3**	**-0.5**	**3.5**	**-1.3**

[a] Preliminary data.
[1] Average annual growth rate, starting from 2011.
[2] Producer prices of industrial products on foreign markets.
[3] Import prices in industry.

Source: Based on Istat data

Table 2.10 - Italy's market shares of merchandise exports by sector

Percentages at current prices

	Incidence on world demand				Share of world exports [1]				Share of euro-area exports			
	2011	2015	2016	2017	2011	2015	2016	2017	2011	2015	2016	2017
Products of agriculture, fishing and forestry	**3.0**	**3.2**	**3.2**	**3.1**	**1.8**	**1.7**	**1.8**	**1.8**	**7.2**	**7.2**	**7.4**	**7.1**
Mining products	**13.8**	**8.7**	**7.3**	**8.7**	**0.2**	**0.2**	**0.2**	**0.2**	**2.5**	**2.7**	**2.8**	**2.6**
Manufacturing products	**83.0**	**88.0**	**89.3**	**88.0**	**3.7**	**3.4**	**3.4**	**3.5**	**11.9**	**11.2**	**11.3**	**11.6**
Food products, beverages and tobacco	5.3	5.7	5.9	5.8	3.8	3.9	3.9	4.0	10.0	10.7	10.8	10.8
Textiles, apparel, leather products and accessories	4.9	5.7	5.8	5.4	6.7	5.7	5.9	6.1	27.6	27.2	26.5	25.8
Textile articles	1.5	1.7	1.7	1.6	5.0	4.0	4.1	4.1	23.5	22.5	22.3	21.8
Wearing apparel	2.3	2.7	2.7	2.5	5.6	4.7	5.0	5.2	24.6	24.1	23.7	22.9
Leather and leather products (excluding apparel)	1.1	1.4	1.4	1.3	11.5	9.8	10.2	10.4	36.6	35.4	34.0	33.0
Footwear	0.6	0.8	0.8	0.8	10.2	7.8	8.1	8.0	32.4	29.5	28.4	27.0
Wood and wood products (excluding furniture)	0.6	0.7	0.7	0.7	2.1	1.7	1.7	1.7	5.9	6.1	6.1	5.9
Paper and paper products; printing	1.3	1.2	1.2	1.2	3.8	3.8	3.8	3.7	9.2	9.9	9.9	9.8
Coke and refined petroleum products	5.1	3.6	3.1	3.5	2.7	2.5	2.38	2.55	10.4	9.6	9.0	9.8
Chemical substances and products	7.9	7.7	7.6	7.7	2.6	2.5	2.7	2.7	6.9	7.2	7.3	7.4
Pharmaceutical, medicinal and botanical products	3.2	3.8	4.0	4.0	4.0	4.3	4.1	4.5	7.8	7.8	8.2	8.9
Rubber and plastic products	2.3	2.6	2.7	2.6	4.8	4.1	4.2	4.2	13.4	13.0	13.0	12.9
Non-metallic mineral products	1.1	1.3	1.2	1.2	6.6	5.7	6.1	6.1	19.4	20.0	19.8	19.2
Basic metal products and fabricated metal products	8.3	8.4	8.4	8.4	4.4	3.4	3.5	3.5	15.4	15.0	15.2	14.6
Iron and steel products	2.1	2.4	2.4	2.3	3.8	2.8	2.9	2.9	14.5	13.8	14.3	13.6
Fabricated metal products	6.2	6.0	6.0	6.1	5.9	4.9	5.0	5.1	17.2	16.8	16.5	16.3
Computers, electronic and optical apparatus	12.4	14.4	14.5	14.5	0.9	0.7	0.7	0.7	5.0	4.6	4.5	4.4
Electrical apparatus	4.4	4.9	5.1	5.0	4.2	3.4	3.4	3.4	13.0	12.9	12.6	12.1
Mechanical machinery and equipment	9.0	9.0	9.1	9.0	6.5	6.2	6.4	6.2	18.3	18.9	19.0	18.4
Transport equipment	10.2	12.0	12.7	12.1	2.8	2.6	2.7	2.8	7.4	7.3	7.4	7.7
Motor vehicles and trailers	7.4	8.6	9.1	8.8	2.7	2.7	2.8	2.9	6.8	7.2	7.3	7.6
Other transport equipment	2.8	3.3	3.6	3.3	3.4	3.0	4.1	4.2	9.5	7.5	7.9	7.9
Furniture	0.8	1.0	1.0	0.9	8.6	6.8	6.8	6.8	28.9	28.9	28.1	27.5
Other manufatured products	2.6	3.2	3.3	3.1	3.3	2.5	2.5	2.5	14.3	13.9	13.5	13.6
Jewellery	0.9	1.1	1.1	1.0	4.2	3.9	3.7	4.2	36.2	30.3	30.2	29.4
Other products	**3.3**	**2.9**	**3.0**	**2.9**	**1.4**	**1.7**	**1.8**	**1.7**	**4.6**	**4.7**	**4.8**	**5.6**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**3.2**	**3.0**	**3.1**	**3.1**	**11.1**	**11.0**	**11.1**	**11.1**

[1] The market shares do not coincide with those of Table 2.3, where they are calculated on the exports of a set of countries.

Sources: Based on Eurostat and national statical institutes data

Table 2.11 - Merchandise exports of the Italian regions
Millions of euros, percentage changes on previous year and percentage shares

	2017		Jan-Mar 2018		Percentage shares of Italian exports						
	Value	% change	Value	% change	2000	2005	2008	2016	2017	Jan-Mar 2017	Jan-Mar 2018
North-West	**176,877**	**7.6**	**45,126**	**5.3**	**41.3**	**41.5**	**40.9**	**39.9**	**40.0**	**40.0**	**40.5**
Piedmont	47,906	7.7	11,903	1.2	11.5	10.9	10.5	10.8	10.8	11.0	10.7
Valle d'Aosta	681	20.4	190	19.2	0.2	0.2	0.2	0.1	0.2	0.1	0.2
Lombardy	120,334	7.5	31,383	7.9	28.3	29.0	28.7	27.2	27.2	27.1	28.2
Liguria	7,955	8.1	1,650	-10.3	1.3	1.4	1.4	1.8	1.8	1.7	1.5
North-East	**144,527**	**6.6**	**36,622**	**4.0**	**31.0**	**31.6**	**32.3**	**32.9**	**32.7**	**32.8**	**32.9**
Trentino Alto Adige	8,469	8.3	2,164	5.0	1.7	1.8	1.7	1.9	1.9	1.9	1.9
Veneto	61,320	5.1	15,455	4.1	14.4	13.8	13.8	14.2	13.9	13.8	13.9
Friuli-Venezia Giulia	14,857	12.1	3,743	1.2	3.4	3.3	3.7	3.2	3.4	3.4	3.4
Emilia-Romagna	59,881	6.7	15,260	4.6	11.5	12.7	13.1	13.6	13.5	13.6	13.7
Center	**73,423**	**7.0**	**17,855**	**0.5**	**16.7**	**15.4**	**14.9**	**16.7**	**16.6**	**16.6**	**16.0**
Tuscany	34,761	4.2	8,514	1.6	8.3	7.4	7.0	8.1	7.9	7.8	7.6
Umbria	3,886	6.4	1,026	4.5	0.9	1.0	0.9	0.9	0.9	0.9	0.9
Marche	11,781	-2.0	2,880	-1.6	2.9	3.2	2.9	2.9	2.7	2.7	2.6
Lazio	22,995	17.2	5,434	-0.7	4.6	3.8	4.0	4.8	5.2	5.1	4.9
South and Islands	**47,178**	**9.8**	**11,856**	**3.7**	**11.0**	**11.5**	**12.0**	**10.4**	**10.7**	**10.7**	**10.6**
Abruzzo	9,003	10.2	2,201	7.0	2.0	2.1	2.1	2.0	2.0	1.9	2.0
Molise	400	-23.9	101	4.0	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Campania	10,488	4.0	2,646	8.3	3.0	2.6	2.6	2.5	2.4	2.3	2.4
Apulia	8,262	4.1	1,889	-7.3	2.3	2.3	2.1	1.9	1.9	1.9	1.7
Basilicata	3,918	-13.3	1,080	6.5	0.4	0.4	0.5	1.1	0.9	0.9	1.0
Calabria	469	12.9	139	34.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Sicily	9,258	30.4	2,526	9.5	2.1	2.5	2.8	1.7	2.1	2.2	2.3
Sardinia	5,380	27.8	1,275	-7.0	0.9	1.3	1.6	1.0	1.2	1.3	1.1
Total regions	**442,005**	**7.4**	**111,460**	**3.9**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Unallocable data	**6,102**	**6.1**	**1,008**	**-36.6**							
Total	**448,107**	**7.4**	**112,467**	**3.3**							

Source: Based on Istat data

Table 2.12 - Internationalization of Italian firms
Millions of euros

	2012	2013	2014	2015	2016	2017 [1]
No. of exporting firms	**209,090**	**211,249**	**213,010**	**215,170**	**216,607**	**217,431**
% change	0.8	1.0	0.8	1.0	0.7	0.4
Exports [2]	**381,442**	**380,876**	**389,335**	**402,357**	**406,714**	**435,141**
% change	3.5	-0.1	2.2	3.3	1.1	7.0
No. of foreign affiliates	**34,319**	**35,032**	**35,694**	**35,894**	**35,478**	**35,748**
% change	-	2.1	1.9	0.6	-1.2	0.8
No. of employees in foreign affiliates	**1,780,451**	**1,733,603**	**1,727,771**	**1,658,891**	**1,626,540**	**1,627,530**
% change	-	-2.6	-0.3	-4.0	-2.0	0.1
Turnover of foreign affiliates	**595,387**	**568,566**	**552,824**	**520,738**	**510,335**	**524,205**
% change	-	-4.5	-2.8	-5.8	-2.0	2.7

[1] Istat data are provisional; Reprint data, R&P - ITA - Politecnico di Milano, are preliminary estimates.
[2] Exports in this table differ from those in other tables because this table only takes account of the exports of identified exporting firms.

Sources: Based on Istat data and Reprint data, R&P - ITA - Politecnico di Milano

Table 2.13 - Percentage distribution of employees and turnover of Italian firms' foreign affiliates by geographical area of investment and size class (number of employees) of investor
Percentages, data at 31 December 2017 [1]

	Employees					Turnover				
	1-49	50 - 249	≥ 250	Total	Area's % incidence	1-49	50 - 249	≥ 250	Total	Area's % incidence
European Union	13.4	15.0	71.6	100.0	42.1	5.2	9.3	85.4	100.0	47.2
Other European countries	20.9	20.6	58.5	100.0	24.1	10.2	12.3	77.4	100.0	11.1
North Africa	17.6	16.2	66.3	100.0	2.6	4.6	3.0	92.4	100.0	1.9
Other African countries	15.8	12.9	71.4	100.0	2.2	2.5	2.9	94.6	100.0	3.5
North America	3.4	5.9	90.6	100.0	12.4	1.5	2.9	95.6	100.0	18.1
South and Central America	9.0	10.8	80.2	100.0	15.6	2.7	5.7	91.6	100.0	11.2
Middle East	8.4	13.5	78.1	100.0	0.8	3.1	3.0	93.9	100.0	1.0
Central Asia	3.1	15.6	81.3	100.0	2.3	5.8	5.1	89.2	100.0	1.7
East Asia	9.3	11.0	79.7	100.0	11.5	4.0	9.8	86.2	100.0	8.1
Oceania	2.7	7.5	89.8	100.0	0.9	0.6	4.0	95.4	100.0	1.4
Total	**10.7**	**13.1**	**76.2**	**100.0**	**100.0**	**4.2**	**7.4**	**88.4**	**100.0**	**100.0**

[1] Preliminary estimates.

Sources: Based on Istat data and Reprint data, R&P - ITA - Politecnico di Milano

Table 2.14 - Public support for internationalization, overview of promotional and financial services
Millions of euros

	2015	2016	2017	2015	2016	2017	2015	2016	2017
	Promotional services								
	Users			Funds spent [1]			Users' contribution		
Ministry for Economic Development [2]	130	1,912	2,497	6	26	54	5	15	23
Regions [3]	-	-	-	106	81	83	-	-	-
ITA [4]	37,880	38,948	38,068	110	134	124	14	13	15
Chambers of Commerce [5]	43,033	36,180	34,679	40	35	28	-	-	-
	Financial services								
	Customer firms [6]			Deployed resources			Revenues		
SACE - SIMEST	24,663	24,364	-	-	17,900	25,298	584	672	949
	Customer firms [6]			Own funds invested			Amount of assisted transactions [7]		
Cassa Depositi e Prestiti [8]	27	21	16	1,389	4,949	3,372	3,075	7,752	19,975

(1) For ITA and the Ministry for Economic Development, include users' contribution to the costs; for the Chambers of Commerce, includes contributions and incentives disbursed by third parties.

(2) Support programs directly managed in favor of associations, for the Chambers of Commerce abroad, consortia, organizations and institutions, and vouchers provided for by Decree Law 133/2014. Users' contribution to costs is estimated.

(3) Fund spent equivalent to the sum of the funds reported in the regions' budgets, European funds and private contributions (where applicable).

(4) Funds and users for promotion and training. Includes foreign users.

(5) Firms participating in promotional activites and participants in training activities. In 2017, the figure for users refers to 89 and that for funds spent to 68 out of 90 Chambers of Commerce.

(6) Not available for 2017, as the criteria for recording customer firms are currently under revision.

(7) The amount of assisted transactions refers to the total amount financed.

(8) Number of transactions financed. Customer firms may have concluded more than one agreement. CDP's operations, in terms of customer firms and assisted transactions, are also accounted for in those of SACE.

Sources: Ministry for Economic Development, regional governments, ITA, Unioncamere, Cassa Depositi e Prestiti, SACE S.p.A. and SIMEST S.p.A.

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