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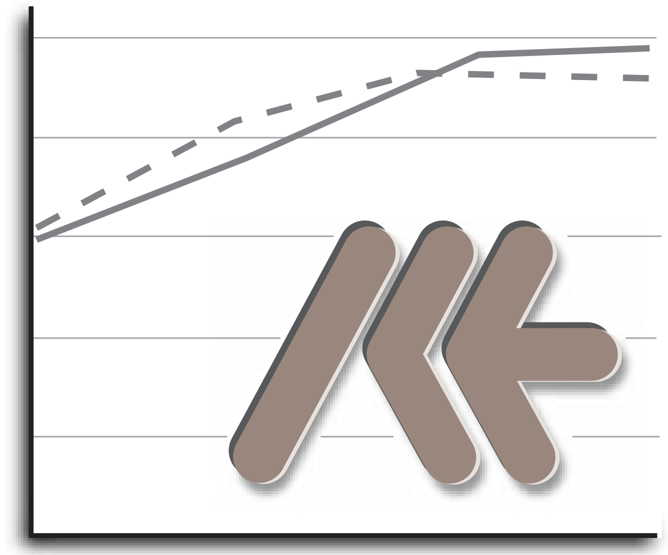

Italy and the World Market

ICE Report 1999-2000
Summary

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Summary

FRONTESPIZIO

ICE Report was written by a task force of ICE's Research Department.

Coordination: Paolo Ferrucci

Editorial Staff: Maurizio Battini, Costanza Drigo, Elena Mazzeo, Stefania Paladini, Claudia Rutigliano, Simona Sacchi, Marco Saladini, Piero Valabrega, Marco Ventura.

General Overview: Lelio Iapadre.

Assistance and data processing : Paolo Gozzoli and ICE Informazioni Telematiche.

ICE Report was drawn up under the supervision of a Scientific Committe led by Giorgio Basevi and made up of Giuliano Conti, Sergio De Nardis, Enzo Grilli, Lelio Iapadre, Gianni Lorenzoni, Sergio Mariotti, Pier Carlo Padoan, Beniamino Quintieri, Salvatore Rossi, Pia Saraceno, Domenico Siniscalco, Luigi Troiani e Gianfranco Viesti.

Additional writings by: Gianfranco Caprioli, Fulvia Cerroni, Sabrina Ciaralli, Fedele De Novellis, Ruggero Donzelli, Anna Maria Ferragina, Stefano Menghinello, Pierluigi Montalbano, Enrica Morganti, Simona Perone, Annalisa Piazza, Umberto Triulzi, Larissa Venturi, Alessandro Zeli.

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International Trade Rebound And The Italian Enterprise

Overview

From the Asian crisis to the recovery of the world economy: the role of emerging areas.

In mid-1999 world economic activities experienced a recovery phase, which is becoming increasingly intense and widespread. This happened after two years of strong economic upheavals, when the financial crisis, erupted in various parts of the world, conveyed strong recessive impulses throughout production and trade. The growth rate of global production was estimated close to 4 percent, while that of world trade approached 10 percent. International investments also increased their rate of expansion.

Particularly striking was the speed of recovery in those countries which had been more severely struck by the crisis, Eastern Asia, Russia and Brazil. On the other hand, the strength of the United States' economic activity, driven by profound transformations of production modes, which are also affecting the rest of the world, continued to be surprising. In Latin America, the Middle East and Africa, the average growth rate was not less than 4 percent, while in Southeastern Asia it was higher than 6 percent. Europe was not able to keep up with the most dynamic areas, though its growth rate is now speeding up. However, there are still uncertainties and shadow areas, above all, Japan's persistent slow growth.

Concerns still remain around financial and currency markets outlook, monetary policies' reactions to inflationary impulses stemming from rising oil price, as well as progress of structural reforms implemented in crisis-hit countries. In fact, despite little attention from mass media economic disturbances of various degrees are continuing to strike individual countries, especially in Africa and Latin America, intertwining with long-standing problems of backwardness, political instability and war.

Nonetheless, by the middle of 2000, the so called Asian crisis was finally over. At the outset, while rapidly spreading to other emerging areas, the crisis seemed to point out that the upward trend, characterizing the economic activity of developing and transition countries in the last part of the Twentieth Century, was fading. It also seemed to confirm the leading role of main industrial countries, namely United States (in positive) or Japan (in negative), in determining world economic destiny. We can probably state that we experienced the first crisis of global importance caused by a recession in the emerging areas. The crisis also highlighted the importance achieved by certain areas in the world economy. Therefore it is not surprising that these areas are driving current recovery.

In reality, two main players of the Asian recovery, China and India, were only marginally affected by the crisis of their neighboring countries. Their capacity to avoid contagion presumably lies in their relative low degree of internationalization, at least in financial terms. Also China and India are now taking advantage of their links with the rest of the world contributing to its recovery. In particular, exports from modern industrial sectors, spurred by massive foreign investments which have been flowing into China over the last few years, supported the dynamism of the Chinese economy.

On the other hand, the same international interdependence, which formerly favored crisis' spreading, is now operating in the opposite direction through expansive impulses. As far as trade is concerned, its growth is no longer exclusively supported by imports from the United States, but all areas involved in the recovery are generating virtuous cycles of multiplying effects. This is far more important than substitution effects generated by real exchange rates' fluctuations (though the strong currency depreciation by countries in crisis was later partially corrected). Furthermore, international direct investments, unlike pure financial flows, appear less vulnerable to speculative shocks, therefore representing reliable channels of foreign financing for emerging areas. Finally, raw material prices affect terms of trade and development prospects. Rising oil price, while generating problems of monetary stability in import countries, has also been feeding growth and import propensity of oil producing countries.

Main economic forecast centers remain relatively cautious for the short run, in order to avoid another surprise, possibly generated by uncontrolled drops of share prices in the United States. Nevertheless an even stronger growth is being projected, bolstered by a rapid spread of technological and organizational changes which are deeply renewing production systems and everyday life of many people.

Should this prospect become real, important problems which affect the development of the world economy, beyond cyclical evolutions, will become even more evident, such as the distribution of benefits from growth to those countries and social groups which are being excluded and the sustainability of production expansion for the environmental balance of our planet.

International trade and investment

As in the past, growth in production and trade has been accompanied by a transformation in their structure, essentially characterized by the increasing importance of the services sector. International trade in services, as a matter of fact, grew less than merchandise trade in 1999. Although the value of the latter was also inflated by the rise in oil price, the growing importance of services in production as well as in trade remains fundamental. However, the degree of internationalization of services is still relatively low and its growth has been more in the form of investments rather than trade across-the-border.

Sector composition of merchandise world trade is also changing. Given the increasing importance of manufactures, the entire second half of the 1990's has been chiefly marked by the dynamism of two large sectors: transport equipment and, even more, information technology and telecommunications (computers, semiconductors, cellular telephones).

Changes in geographical and sector distribution of demand contribute to explain fluctuations in main exporters' market shares. Shares on world merchandise exports at current prices, which allow to take into account the capacity of enterprises to impose higher prices and/or to move into more remunerative market segments than their competitors, recorded significant changes in 1999:

a) China's share improvement (from 3.3 percent to 4.5 percent in a single year, while it was at 2.1 percent in 1991) was not affected by competitive gains of other Asian countries, and a compensating Yuan's devaluation was not required, as many experts warned. According to the International Monetary Fund data, in 1999 China overcame Canada and Italy, becoming the sixth world merchandise exporter (according to other statistical sources, this growth was lower, though relevant);
b) Japan's share recovery (from 7 to 7.4 percent) halted a uninterupted declining trend since 1993 (when it was 9.8 percent): this is an effect of the nominal impact of Yen's strengthening (along with delayed real effects of its previous depreciation), but also of the intense inter-regional trade in Asia, where the recovery of demand was particularly sustained;

c) Canada’s share surge (from 3.8 percent to 4.2 percent, being 3.6 percent at the beginning of the 1990’s) obviously reflects the advantages of neighboring the United States;
d) The European Union’s share drastic slump (from 39.2 percent to 38.2 percent) has resumed, after previous year’s pause, its decreasing trend which began in 1995, when it was 40 percent. In particular, Germany and Italy played an important part, but also France and the United Kingdom shares fell; only the Netherlands (in 1995 probably benefiting from oil prices) and Ireland (whose share increased from 0,8 percent to 1,2 per cent in five years) improved their positions.

Looking at the whole last decade, it is quite evident the enormous change taken place in the international division of labor. Merchandise production and exports have increasingly shifted toward developing and transition countries. The importance of emerging areas will probably grow even further. In fact, in 1999, India, accounting for 16.6 percent of world’s population and 4.6 percent of its production, hardly reached a share of 0.7 percent, less than Finland and slightly more than Veneto Region of Italy. During all the 1990’s, India recorded an average 10 percent growth rate of merchandise exports, much higher than the world average (6.2 per cent).

The greater importance of emerging countries is also mirrored by international current account balances. For these countries, the crisis brought about a drastic drop in their foreign trade deficits, previously used to fill the gap between domestic savings and investments. All main industrial countries contributed to this adjustment, by allowing a deterioration of their own current account surplus, though at different degrees: in the case of the United States, deficit was expanded by the extraordinary dynamism of economic growth; in the case of Japan, surplus only marginally decreased, given slow production recovery; the European Union stood midway. Current account adjustment was particularly evident in Asian developing countries, whose strong deficit turned into a surplus, but its dimension is being eroded by rapid economic recovery. Oil price rise is contributing to worsen importing countries’ foreign accounts.

In 1999, the strong acceleration of international investments was especially driven by a wave of mergers and acquisitions, which has been reshaping the distribution of property and control in the world economy. Foreign direct investments (FDIs) inflows has also been decisive in financing the United States’ current account deficit. Without them, contrary to a general opinion, domestic investments would have been lower than national savings, which have been supported by public sector financial surplus. In emerging areas, FDIs increased even during the crisis, displaying a lower volatility than that of portfolio investments, also thanks to local governments’ current policies to attract investments. In 1999, FDIs growth was concentrated in Latin America, which has taken over Asia as preferred destination area. Overall FDIs expansion in emerging areas has been so strong that a downward adjustment is expected for the year 2000.

In 1999, foreign debt and debt service of developing and transition countries increased further, even though this year an improvement is foreseen, at least in proportion to exports of goods and services. For poorest countries, debt burden can seriously hinder their prospects for economic and social progress. Several proposals are currently being discussed on how to deal with this problem.

Failure of the Seattle conference and trends in trade policies

Delay in acknowledging emerging countries’ greater importance on the world economic scene by public opinion and by governments of main industrial countries can probably be considered the main reason of the failure of the attempt to give life to a new global round of international trade negotiations, the so-called Millennium Round, at Seattle at the beginning of December, 1999. Various factors contributed to the failure of the third Ministerial Conference of the World Trade Organization (WTO). These factors range from tensions associated to the replacement of top executives of the organization, to inadequate preparatory works, and to the Conference's overlap with the first phase of the Presidential elections campaign in the United States. Furthermore, Conference's preparation and results highlighted difficulties of the decision making mechanism within the WTO. These difficulties have grown along with the number of member countries (137) and with the importance of the stakes at play. However, institutional problems might have probably been solved, as in previous occasions, if contrast among members were not so strong. On the one hand, large industrial countries' governments aimed at broadening the agenda in order to cover topics traditionally outside the scope of the international trade system, such as protection of the environment and of workers' rights. This position was also influenced by the need to respond to growing concerns of some parts of public opinion about the effects of globalization, amplified by the demonstrations which occurred during and after the Conference. Industrial countries were also reluctant to offer significant concessions for sectors of great interests for emerging countries, namely agriculture, textiles-clothing, services based on international mobility of people. On the other hand, developing countries' governments were irritated by requests they perceived as unwarranted interference with their sovereignity in social and environmental issues, and as a pretext to introduce new protectionist restrictions. Furthermore, they were unhappy about the results achieved by the implementation of the Uruguay Round agreements. There were disagreements even among industrial countries over additional issues, particularly between the United States and the European Union. Nonetheless, the negotiators' inability to overcome these differences through traditional diplomatic instruments mostly depended on the probably underestimated emerging countries' determination to become players on the world scene.

Up to the Seattle Conference, trade policies had not assumed a protectionist orientation, notwithstanding pressures created by the effects of the Asian crisis. The only concrete sign in the opposite direction, which should not be underestimated, was the intensification of demands for countervailing (anti-dumping and anti-subsidy) trade measures, which can easily lead to protectionist distortions, even if admitted and regulated by the rules in force. The growing trust toward the international trade system is also confirmed by the increasing use, by large and small countries, of multilateral dispute settlement mechanisms set up within the WTO. It is not possible however to deny that these disputes reveal the persistence of relevant tensions, especially regarding the relations between the United States and the European Union. On the other hand, the trend toward trade liberalization has also made progress outside multilateral negotiations, either on the basis of autonomous initiatives of individual countries, often associated to reform programs agreed to with international financial institutions, or within the framework of regional integration agreements, which are continuing to proliferate and to develop. With respect to the latter, however, the difficulties Mercosur has been experiencing, triggered by the dire repercussions of Brazilian crisis on the Argentine economy, remind us how arduous it is to reconcile trade integration with autonomous monetary and currency exchange regimes.

After the Seattle Conference, the WTO seems to have returned to its normal day-to-day business. Ordinary activities regularly continued and important multinational negotiations were started up on agriculture, on services and on some aspects of intellectual property safeguards, which had already been on the agenda agreed upon at the end of the Uruguay Round. Nonetheless, the possibility of turning the discussions already under way into a success and the prospects of a new round of global negotiations remain uncertain. Much depends upon the complex diplomatic work about the implementation of existing agreements. What has been observed about the world economy holds also true for WTO negotiations: the importance of the emerging countries has considerably increased. The failure of the Seattle Conference is a clear sign of this change which is also affecting other international institutions. Perhaps public opinion and governments of large industrial countries have not fully grasped the significance of this new development.

Beyond its practical effects, though relevant, the upcoming accession of China to the WTO, which is now taken for granted after the agreements reached with the United States and the European Union, will strongly confirm progress achieved in the globalization of trade rules and it might profoundly modify internal balance of the international trade system.

The European Union between monetary integration and further enlargements

The European Union has entered the final phase of its monetary unification process and has been preparing further enlargements eastward and toward the Mediterranean area. Last year European Union imports strengthened the recovery of world economy. These imports were stimulated by domestic demand (also thanks to gains in terms of trade) and by competitive loss vis-à-vis emerging markets. Euro's progressive weakening did not however prevent, as we have seen, a drop in Europe's share of world exports. Indeed this drop manifested itself even when measured at constant prices. The pace in the growth of economic activity has gained momentum in the year 2000, especially owing to foreign demand. Nonetheless, terms of trade have been worsening.

Peripheral countries, and in particular Ireland (thanks to external investments), appear far more dynamic than the others, which allows us to say that the integration process is generating positive convergence effects. However inter-regional trade would seem to be developing less rapidly than expected, although a worse quality of statistics prevents us from drawing sure conclusions. Trade with new candidates for accession to the Union has, on the other hand, continued to grow rapidly, especially with some countries of Eastern Europe, along with various forms of internationalized production. The Union's model of trade specialization doesn't seem enough oriented toward the most dynamic sectors of information and telecommunications technologies.

Italy's position in the international scenario: growth, external equilibrium and market shares

In the first quarter of the year 2000, it seems that the Italian economy has finally managed to link itself to international recovery. While trend of production and export growth still remains slightly lower, compared to those of major European countries, economic surge has been considerable if compared to the last quarter, and it gives scope for further improvements.

Unfortunately Italy has achieved this result following a long phase in which its growth lagged behind European average. Demand restriction policies imposed by the need to put Italian public finances in order after years of dissipation, and the goal of participating to the European Monetary Union from the very beginning with no doubt contributed to this gap. However, the delay of the Italian recovery is also due to the persistence of structural problems, which risks to threaten the outcome of its integration in the euro area. While an overall analysis of such problems will not be attempted here, key issues will be touched upon through a perusal of the progressive deterioration that the Italian economy's international position has undergone in the latest years of the 1990's.

Current account surplus shrank considerably in 1999, for the third year in a row, slipping back under 12,000 billion Italian Lira. Should current trend continue, especially in the oil markets, surplus might even be eliminated in the year 2000. Italy's net position in foreign trade has nonetheless clearly become a positive one, stemming from the positive balances accumulated over the last few years, which have permitted Italy to easily face the inevitable acceleration of imports which accompanies every economic recovery. Furthermore, the share of domestic demand satisfied by foreign products, while growing further in 1999, remained less than that of other main European countries (except France). It should moreover be pointed out that, at least as regards its mercantile section, trade balance today is negative only for those other Euro area countries, within which trade imbalances have nowadays the same meaning of the ones between regions of a single country.

The erosion of current-account surplus exclusively comes from trends of trade in goods and services, while income balance displays a positive tendency, due to the improvement of foreign net position; unilateral transfers also recorded a favorable trend.

In 1999, the worsening of trade balance, which slumped from 63,000 to 37,000 billion Italian Liras in fob-fob terms, was exclusively due to the trend of quantities, which more than offset the slight gains in terms of trade. Preliminary data for the year 2000, on the other hand, show a reversed picture: quantities exported have been growing more rapidly than those imported, mirroring the different speed of foreign and domestic demand, while terms of trade worsened noticeably, exacerbating a tendency already begun in the second half of last year, which is mostly due to the rise in oil price.

Last year quantities exported by Italy shrank by 1.6 percent, bringing its world market share down to the lowest point in the past decade. An even stronger downswing struck the Italian share of world merchandise exports in value terms which had shown signs of recovery in 1998. Last year it plunged from 4.4 percent to 3.9 percent, also penalized by the nominal impact of Euro's depreciation. Exports' recovery, whose first signs could already be found in the spring of last year, have progressively gained greater momentum. However, exports' tendential growth rate (1st quarter 2000) remains slightly less than that of major European countries and Japan. The entire second half of the 1990's witnessed a shrinking Italian share, after the end of the benefits coming from the depreciation of the Italian Lira which were less important than one could think of. This can be partially regarded as a physiological counterpart of the long term trend growing world trade share held by emerging countries, repeatedly mentioned above. During the last months, this increase was strengthened by the rise in crude oil price, which increased oil exporting countries' export shares. However, Italian exports have also lost ground if compared with European competitors: Italy's contribution to total exports of the European Union, which had risen to 12.1 percent in 1966 (the highest level in the decade) slipped to 10.1 percent last year.

Sectoral composition of world demand contributed in determining the decline of Italy's aggregate share. Its dynamics, as already pointed out, was especially oriented to those products in which Italy has comparative advantages (transport equipment, electronics and telecommunications). But at least in 1999, the negative effect of the geographical distribution of demand was even stronger. Increase in demand was especially concentrated in areas, such as North America and Asia, where the Italian position is relatively weak, whereas imports plummeted in markets where Italy enjoys relatively large shares, such as central-western Europe, the Far East and the Mercosur. Nevertheless these sector composition effects, while important, are not enough to explain the shrinkage of shares which occurred in individual segments of the world market.

Italian products have also been penalized by the loss of competitiveness accumulated between 1996 and 1998, initially owing to the strong recovery of the Lira and later to the persistence of an inflation differential compared to Italy's main competitors. In 1999, the Euro's depreciation has more than offset this differential, even though Italian products are still paying the price of the delayed effects of previous competitive deterioration. Measured in terms of cost of labor per product unit, the loss of competitiveness of Italian manufactured goods has been particularly sharp (24 percent in the 1996-1998 three-year period). Nevertheless the dynamics of the hourly cost of labor was not noticeably higher than the European average (and its level remains much lower). The loss of competitiveness would therefore seem caused by problems linked to firms' productivity, which also comes from structural shortcomings of the system in which they operate. The ability for the Italian products to bear international competition is limited by non price factors (perceived quality, control of distribution network, post-sales assistance, etc.), that are of fundamental importance for enterprises' market power.

Export prices, recording annual variations of scarcely more than 1 percent for the entire 1996-1999 period, are beginning to rise more rapidly: in the first quarter of 2000, they grew by 2.9 percent for exports toward the European Union and by 6.3 percent elsewhere. In a context of growing demand, enterprises can more easily transfer their costs' increases to prices, using part of the margins generated by Euro's depreciation to increase unit profits.

If we shift our attention from exports to FDIs, the Italian economy's international position appears even weaker. Limiting our analysis to aggregate data, one may note that in 1998 Italy occupied the world's eighth ranking position in the stock of outgoing foreign investments while it was only the eleventh if one refers to incoming FDIs, while its shares of net flows slumped down to much lower levels (respectively 1.9 percent and 0.4 percent of the world total). However in 1999 there was also a noticeable recovery of FDIs in both directions, a sign of a positive evolution of firms' international strategies, which are becoming increasingly aware of the importance of directly carrying out part of their productive activities abroad in order to defend their own market power. This is perhaps a sign of the first success of policies enacted to foster more favorable conditions for foreign capital inflow.

Geographical areas and sectors

Looking at the geographical distribution of merchandise trade, it appears that, in 1999, Italy's trade surplus worsened in all main world markets, except North America. The deterioration towards the European Union, the countries in transition, and the Middle East was particularly marked, also owing to rise oil price.

At current prices, Italy's market shares shrank nearly everywhere, however the downswings were particularly steep in main European markets, with the exception of France. The geographical makeup of Italy's exports was essentially focused on advanced economies, worsening its divergence from the European average.

More generally speaking, in the second half of the 1990's, the degree of geographical flexibility of Italian exports, i.e. the ability of Italy's exports to expand more rapidly than those of European competitors in the most dynamic markets and to quickly withdraw from the slowest ones, seems to have diminished. This phenomenon might have contributed to the decline of the global market share held by Italian enterprises, but, on the other hand, it might be interpreted, with all due caution, as a sign of a less fragile international position, of a lower vulnerability to economic swings with beneficial effects over the long term.

Nearly all sectors played a role in the deterioration of Italy's trade balance in 1999, apart from agricultural and food products and some intermediate products (chemicals, and metallurgy). In the first quarter of the year 2000, manufactured goods' surplus began to improve again, inverting a downward drift which had lasted for three years, while the energy deficit widened significantly.

An analysis of world market share held by Italian exports by sector, in the years of 1995-1998 period, reveals that the Italian industry's model of international specialization has continued to slowly evolve along lines similar to those already traced in the first half of the decade:

a) comparative advantages in the traditional Made in Italy sectors are waning
b) specialization in tool machinery and in other investment sectors is becoming stronger
c) Italy's weakness in some research intensive sectors (computer sciences and telecommunications) or in sectors with strong economies of scale (motor vehicles) is deepening.

These latter sectors are indeed the ones in which the world demand has been more dynamic during the same years, negatively conditioning the performance of aggregate Italian exports' market share. Preliminary data, available for 1999, show that this trend is continuing and it leads us to think that this will continue to characterize future scenarios, at least as far as computers and telecommunications are concerned.

However the recovery underway throughout the world might boost sectors in which the Italian exports enjoy relevant comparative advantages. The development of emerging areas, indeed, could not only fuel demand of machinery for investments, but it could also raise per capita income of the new middle class getting formed in those countries, allowing it to purchase high quality consumer goods both for personal and domestic use.

As regards the flows of direct investments, in the second half of the 1990's, a burgeoning inflow of foreign capital has been recorded in almost all main industrial sectors, including the service sector. The dynamism of Italian industrial investments abroad, especially by mechanical industry, has been even more rapid.

Territory and enterprises

Against the backdrop of flagging exports which was common to nearly all the Italian Regions - and relatively more evident in the Central-Adriatic ones (the Marches and Abruzzo) - 1999 was characterized by a new and strong rise in the importance of North-eastern Italy (except Friuli). This especially occurred to the detriment of northwestern regions, in which the development of services and trade sectors has continued, and of Mezzogiorno (Southern Italy), where the growth of the last few years came to a halt. In the first quarter of the year 2000, these trends seem reversed: exports' recovery has been especially concentrated in Northwestern Italy and in the islands, in this latter case sparked by the rise of petrochemical products' prices.

The importance of local factors in export competitiveness and specialization cannot be adequately understood solely through analyses carried out at regional or at provincial level. The appropriate unit of analysis should be the local productive sector, that is to say a territorial entity which is not defined by administrative borders, but by social and economic forces underpinning the agglomeration of enterprises. In certain conditions, this is even more appropriate than an analysis concentrated on individual enterprises or industrial sectors. This year ICE's Annual Report on Italy's Foreign Trade presents the results of a new survey undertaken by ISTAT for the purpose of better evaluating the role of local systems for the international positioning of the Italian economy.

Although overlooked for long time, industrial districts represent a particular form of local productive systems, which have assumed a crucial importance in the development of the Italian economy and in the evolution of its model of specialization in the second half of the Twentieth Century. Industrial districts are concentration of small and medium-sized enterprises, tightly linked to the history and the institutions of local communities from which they draw competitive advantages to face international markets. They are the main reason for the very high share of Italian exports, precisely in those specialization sectors which most characterize Italian exports compared to other industrial countries.

It is therefore natural that the recent declining tendency of Italian exports has also been viewed as an evidence of crisis of the industrial district model. But the reality is more complex. Along with areas which are effectively going through a phase of grave difficulty, especially where greater international resources' mobility ended up weakening the bonds between business enterprises and local communities, there are other industrial districts which are seeking new ways of taking advantage of their specific comparative advantages. The international integration of markets, which has enlarged both the dimensions and the number of players, has paradoxically ended up enhancing the role of local factors of competitiveness, which have proven difficult to erode or to acquire from outside.

The results of this districts' selection process change from zone to zone and it is not easy to identify a single common denominator. In Mezzogiorno (Southern Italy) too, signs of exports vitality, which have emerged during the last few years, are the outcome of a rather heterogeneous constellations of local productive systems which are not exclusively specialized in "traditional" sectors.

New data at enterprise level provide an unusual, though interesting, interpretation of export trends. These data allow us to attribute exports' changes to changes in the number of operators and/or in average values of their sales abroad. Using this criterion, we conclude that the crisis of Italian exports in the last years has been almost exclusively given by a reduction in the number of exporters, while the average value of their sales abroad has increased. This is an indicator of enterprises size growth and of consolidation of their competitive strengths.

The development of the Italian industrial structure can also be witnessed by the increase in the degree of stability of firms on foreign markets: according to an Istat's survey, the share of operators, that have continuously exported over the previous five years period, rose from 39 percent in 1996 to 48 percent in 1999. Furthermore, the average number of markets in which every firm has some sort of presence has also grown.

Export activities have obvious effects on companies' performance: wider possibilities of exploiting economies of scale and international competition boost their productivity. Somehow it's a circular relationship, since the most productive firms are also those which manage to export most easily. Another factor positively affecting firms' productivity and profitability is their belonging to business groups, and in particular to those controlled by American and Japanese multinationals, which further highlights the importance of attracting more foreign investments inflows.

On the other hand, as it has already been stressed out several times, overseas investment activities by Italian enterprises, even smaller companies, are picking up. There are several reasons for this, however special importance must be given to the goal of increasing control on foreign markets. On the contrary, localization of traditional productions abroad, based on pure cost considerations, seems to be relatively marginal.

Over the last few years, however, the interest of Italian firms for intermediate forms of internationalization, such as technical and trade cooperation agreements, seems waning.

Policies for the promotion of international business activities

The system of public tools in support of the internationalization of Italian enterprises has been undergoing an intense reform process in recent times. This process aims at better coordinating competent bodies and at devolving national promotion functions to the Regions, without losing its overarching objective of making individual instruments more effective and of strengthening their financial capacity.

A new impetus for these reforms also arises from the declining trend of Italian exports; however their outcome can only be assessed in the future, when their implementation will be completed. So far, a noticeable drop in the use of public support instruments by Italian companies was recorded in 1999, due to depressed demand from emerging areas, where these instruments are more useful, and to decreased facilities' spreads, owing to lower market interest rates. The number of assistance services offered by ICE (Italian Institute for Foreign Trade) has also decreased, though their average value has risen, a sign of concentration of demand and supply toward services with higher quality content .

Conclusions

At the end of this overview, one could think that something is still missing in order to have a complete explanation for the downward slide experienced by the Italian exports over the last few years, as well as for their delay in finally catching international recovery. Several factors have been listed. The composition of world demand and the unfavorable correlation between its sector as well as market distribution trends. The characteristics of Italy's model of specialization, which has been slow to adapt, as it is the case for any large industrial country. Real exchange rates, which measure price competitiveness of national products and which, in turn, depend on firms' productivity, have also been cited. Other factors of competitiveness have also been mentioned. These factors, also linked to enterprises' capacity, come particularly into play in the final phases of the production process, such as distribution and assistance to clients. They are probably creating problems for smaller firms, which have not managed to upgrade their quality to settle in overseas markets in a more stable way. Other specific factors of comparative advantage have also been recalled, not the ones created within individual enterprises, large or small as they may be, but those associated to the relationships which the companies maintain with local systems. These factors, which have made the succes of many industrial districts, are now undergoing a difficult process of assessment and adaptation to new market conditions. Instruments for public intervention to support international activities of business enterprises have finally been mentioned.

Nonetheless, political responsibilities go beyond the task, though important, of rapid implementing the reforms introduced over the last years which aim at innovating and coordinating financial facilities and services for the internationalization of enterprises. What the system needs – going back to the topics previously touched upon – it's an open trade policy which, in addition to exposing Italy's enterprises to external competition, contributes to widening the process of market integration, allowing all countries to exploit growth opportunities. Structural reforms are required - it is often said - in order to improve how markets work, to simplify rules and procedures, to reduce tax burden, to improve services and infrastructures. All these conditions are important to better unleash country's entrepreneurial energies and to better attract investments from abroad. Besides that, Italy needs a wide collective commitment to enrich its deep knowledge base. This is the real critical resource for the phase the world economy is now experiencing.

Naturally the objective is not that of inverting the decreasing slide of market shares, particularly if it reflects adjustment in the international division of labor in favor of emerging areas. Sometimes competitiveness rhetoric turns out to be overstated. A large collective commitment in the areas of research and training is indeed much needed for the promotion of economic and civil progress of society (with benefits also for the rest of the world) and not for the sake of tearing away shares of wealth from other countries.

1. WORLD TRADE

The 1999 macroeconomic context was characterized by a relatively unexpected growth

Overcoming the fears stemming from previous crises in Eastern Asia, Russia and Brazil, in 1999 the macroeconomic context was characterized by a relatively unexpected growth.

Positive results of financial adjustments carried out in these countries were further spurred by the strength of the U.S. domestic demand.

In Europe, the economies of the national states were cyclically out of phase during the introduction of the single currency but forecasts for the years 2000 and 2001 are generally positive.

In Europe, the economies of the national states were cyclically out of phase during the introduction of the single currency

The economic situation in Japan remained uncertain while massive public investments tried to bolster a persistent stagnation of private consumption.

Overall, Latin America experienced negligible growth. Thanks to Mexico and Brazil the result was not altogether negative. Brazil succeeded in stabilizing its exchange rate, putting in place a sound monetary policy after reaping the benefits of devaluation.

Eastern Europe registered varying performances as well. Countries having closer commercial and economic relationships with Russia felt the effects of its previous crisis, in the process of being overcome, also thanks to rising oil prices.

All oil producing countries, particularly those in the Middle-East and North Africa, took advantage of price hike which brought about a recovery in their purchasing power after a period of slumping prices.

World trade slightly gained momentum

World trade, confirming its high income-elasticity, slightly gained momentum: according to most recent estimates, its growth in real terms in 1999 stood at 5.7%, against 5.4% in 1998 (both rates have been continuously upgraded).

The United States' strong demand, combined with a blooming deficit in its current accounts, was exploited not only by Asian NIEs, already benefiting from competitive gains through their previous devaluations, but also by US's NAFTA partners and China. The good Mexican performance contrasted the less positive one experienced by other countries in Latin America, due to the effects of their low export share to the United Sates and a lack of specialization in manufactures.

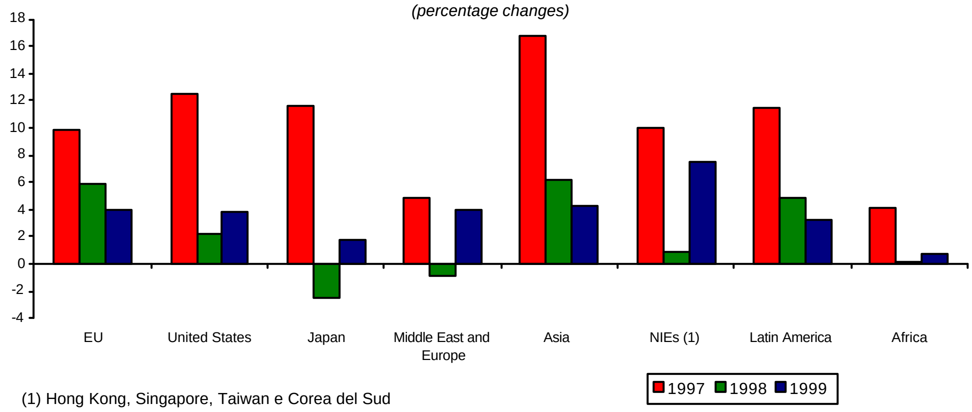
In Africa, the falloff in the demand for foreign products by South Africa was offset by a slight increase shown on average by the rest of the continent.

The economies in transition recorded a 10% decrease in imports stemming from the steep drop in imports from Russia and the Ukraine which were only partially offset by an increase in other countries, particularly Hungary.

The European Union recorded a slowdown in exports as well as imports, with considerable differences among countries.

The European Union overall recorded a slowdown in exports as well as imports, with considerable differences among countries. Ireland and the Iberian peninsula's quite dynamic trade flows were counterbalanced by worsening performances of Italy and other important countries exhibiting a slight decline in exports. The euro area lost shares in international markets; intra-EU trade, predicted to increase in the medium-term as an effect of the single currency, did not show signs of improvement.

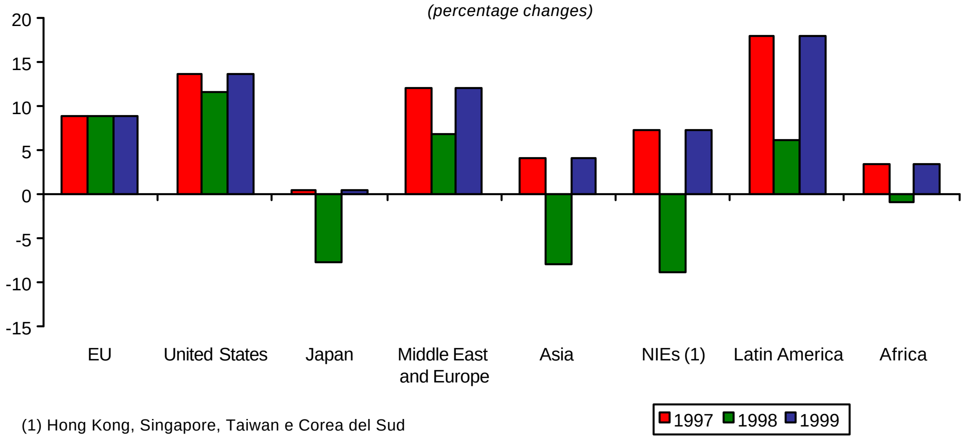
EXPORT VOLUMES
(percentage changes)



(1) Hong Kong, Singapore, Taiwan e Corea del Sud

Source: ICE on IMF data

IMPORT VOLUMES
(percentage changes)



(1) Hong Kong, Singapore, Taiwan e Corea del Sud

Source: ICE on IMF data

Foreign debt and related interest payments appeared slightly less critical both for developing countries and the economies in transition.

The world's flow of foreign direct investments reached record levels, with an upsurge of 25% …

In 1999 the world's flow of foreign direct investments reached the record value of 827 billion dollars, experiencing an upsurge of 25% compared to 1998 which, in turn, occurred despite several economic crises (these crises actually spurred the adoption of policies to attract investments in the countries involved).

The increasing role played by FDIs can be seen by their rapid expansion not only in absolute terms but also in relation to the value of world trade in merchandise and services: as a matter of fact, this ratio rose from 4% in 1991 to 12% in 1999, with an upsurge in the last two years.

The United States relinquished its leadership among investors to the United Kingdom; among the developing countries, for the first times since 1986, FDIs inflows to Latin America were larger than those to Asia, with Brazil taking the largest benefits.

The United States relinquished its leadership among foreign investors to the United Kingdom …

A scenario of world wide sustained growth is forecasted for the year 2000, which should lead to a world trade growth rate of nearly 10%. Exports from Japan and Western Europe as well as those from less industrialized countries which are producers of manufactures should be able to take advantage from the reduced competitive pressure by the Newly Industrialized Economies, whose currencies returned to be linked to the dollar. Exports' growth will in turn bring about an increase in imports, fuelling a virtuous circle, in other areas spurred by rising prices for raw materials.

A scenario of world-wide sustained growth is forecasted for the year 2000 along with better prospects for developing as well as transition countries to repay their foreign debt

Within this scenario, developing and transition countries will improve their foreign debt position.

2. TRADE POLICIES

1999 was undoubtedly the most difficult year in the World Trade Organization's short life. Following months of tensions for the appointment of the new Director General, the third Ministerial Conference, held in Seattle at the beginning of December, which should have launched a new round of international trade negotiations, drew to an end in unmistakable failure, leaving bitter arguments both among the members of the Organization, as well as among social forces. Nevertheless, even if the prospect of a return to global talks appears far off at the moment, it does not seem that the failure of Seattle has led to a halt in the trade liberalization process which, in various forms, has characterized the entire second half of the Twentieth Century. The World Trade Organization (WTO) has continued to carry on its activities as usual while the intense diplomatic work underway, which is striving to recreate conditions for restarting global negotiations, confirms the fact that most governments remain committed to further strengthen the international trade system.

Despite the failure in Seattle, the pace of WTO's activities continued to be quite intense

This system has displayed a remarkable vitality over the last few years, weathering protectionist pressures inevitably caused by the Asian crisis. The system has also revealed itself to be a precious instrument in halting the spread of the crisis internationally as well as forestalling an overly strong slowdown of world trade. The growing openness shown by many markets toward trade and international investments has once again proved a determining factor in accelerating recovery, allowing those countries which had been hammered hardest by the crisis to easily find new outlets of demand for their own products.

In general, most of the countries not only refrained from introducing restrictions on imports, which would have given, although only in the short term, an illusion of protection from the effects of the crisis, but they also continued to follow policies of greater trade and international investments liberalization, respecting the commitments made in the Uruguay Round and accepting new ones, for example in the information technologies and services. It is particularly significant that, at the height of the Asian crisis, an agreement was reached in the WTO concerning trade in financial services liberalization which was also ratified by the countries directly affected by the crisis.

Many countries enacted additional open international policies, for example in information-technology products and services

The only important sign of the system's vulnerability may be discerned in the greater use of commercial countervailing instruments, especially by industrial countries, such as anti-dumping and anti-subsidy measures, which lead to distortions for protectionist purposes. While it is true that important trade disputes have continued to perturb relationships between countries and in particular those between the United States and Europe, the propension to face these problems by employing unilateral measures clearly appears to be on the wane: the greater use of dispute settlement mechanisms within the WTO by countries at varying levels of development is indeed a further evidence of the solidity achieved by the international trade system.

The year 2000 might be the year in which the application process for China's membership in the WTO will be completed, following bilateral agreements struck with the United States and the European Union. Other membership application procedures have been completed in recent months (Jordan and Georgia) or they are at a very advanced stage. The larger the Organization becomes, consolidating its global reach, the greater the value of the rule-based system it administers. This holds true even though increasing the number of members might entail greater problems, – such as those we have already observed in Seattle – in the delicate process of forging a consensus upon which all the decisions depend.

Multilateral negotiations covering agriculture, services and intellectual property recently begun as planned

Negotiations on agriculture and services, as well as on other activities already envisioned in the agenda agreed upon in the Uruguay Round (in particular in the areas of safeguarding intellectual property) were started up in the first months of the year 2000. The success of these negotiations and the possibility of creating the conditions for a new global cycle, which would reverse the failure of Seattle, hinges to a considerable degree upon the results that will be achieved in the upcoming months on issues of market access for products of the least advanced counties, on the enactment of the Uruguay Round agreements as well as on the improvement and transparency of WTO institutional procedures.

Trade within economically integrated areas continued to strengthen

The trade liberalization process develops not only by means of multilateral trade negations, but also as a result of unilateral initiatives undertaken by individual countries, sometimes within the framework of structural adjustment programs agreed upon with international financial institutions, and especially within the framework of regional integration agreements. Regionalism, which enjoyed a season of great development during the 1990's, seemed to be intensifying last year as well, with the start up of new preferential integration processes and with the fleshing out of those which are already in existence.

3. EUROPEAN UNION’S FOREIGN TRADE

The fundamentals of the world economy strongly improved throughout 1999. The United States’ production expansion continued to be vibrant, the European economy began to grow once more, while eastern Asia, with the exception of Japan, showed signs of recovery. On the monetary front, the rise in prices of energy raw materials, in particular oil, has been substantial, while the euro has grown progressively weaker despite the improvement of economic prospects in the European area. World trade picked up again following the slowdown of 1998, international merchandise flows grew and those of the European Union proved no exception.

In 1999, for the European Union countries foreign trade proved to be the source of significant developments which conditioned the area’s general macroeconomic performance. At the beginning of the year, the EU experienced a stagnant international demand and a substantial weakening of its competitive position compared to that of the emerging markets. The phase of weakness in export volumes started in the second quarter of 1998, and persisted throughout the whole first quarter of 1999, while the impact of net exports to EU member countries’ growth proved to be negative. What led to such a performance was the sustained imports’ penetration into the European market, especially as regards merchandise coming from emerging countries. Trade flows were furthermore characterized by a prolonged downswing phase in import prices, with marked contractions occurring in raw material sectors. Gains in terms of trade contributed to slow down inflation in the European countries which further benefited of an accommodating monetary policy and of a strong domestic demand. The European area consequently assumed the role of locomotive of world trade flows, although to a less marked degree than the United States.

Starting from the second quarter of 1999, the European Union's trade with the rest of the world was favored by the economic recovery in emerging countries and by Euro's depreciation

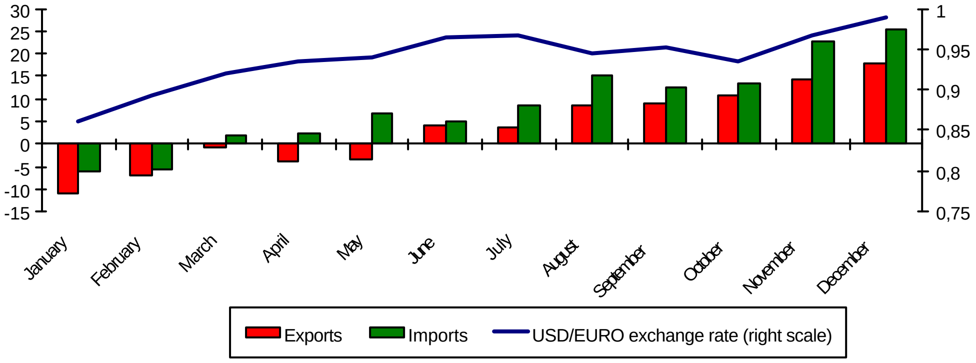
Starting from the second quarter, we witnessed an upsurge in emerging countries’ demand, and in particular that of the Asian countries. The flagging euro exchange rate made our competitors’ competitive pressure less formidable while price of raw materials, especially that of petroleum, decisively climbed upward. We therefore witnessed a recovery of trade volumes, accompanied by analogous dynamics of prices along with an acceleration of the European economic cycle, driven by improving international demand. Trade balances suffered from the effects of sustained imports’ growth as well as of significative loss of terms of trade brought on by the soaring cost of crude oil.

The EU’s trade balance thus experienced a contained deterioration, slipping from a surplus equal to 19 billion euros in 1998 to a deficit of 14 billion euros in 1999. Such a result was, on the one hand, partially determined by the aforementioned economic factors and, on the other hand, by the consolidation of tendencies which had already been underway for some time.

Trade with Eastern European countries grew, which is a further proof of a growing integration with this region

From a geographic point of view, the European Union has found in the other countries of the continent the principal outlet for its own exports. This market has increasingly assumed greater importance over the last few years especially due to greater integration with the countries of the eastern central belt, which are candidates to become members of the Union in the near future. The United States has, at the same time, continued to show an increasing demand for European-made goods, while Asia still remained under the levels recorded in the years prior to the crises of 1997. On the contrary, the Asian continent has confirmed itself as the primary market for imports by the European Union. Overall trade balance of the European Union with the rest of the world were characterized by structural deficit positions with respect to Russia and Asia, and by surplus reguarding other areas.

EXPORTS, IMPORTS OF THE EUROPEAN UNION AND DOLLAR/EURO EXCHANGE RATE IN 1999
(percentage change of values on the previous year's corresponding month, average monthly exchange rate level)



Source: ICE on EUROSTAT and Bank of Italy data

The importance of traditional sectors on EU exports is decreasing, in favor of specialized and economies of scale productions

Going into sectorial details, the most recent results also reflect the particular evolution of economic trends of the latest phase, which overlap the fundamental tendencies already underway. Exports have tended to markedly weaken in traditional sectors. The European Union's international specialization is principally concentrated in productions with strong economies of scale and in highly specialized products. The trade balance of machinery and electrical and precision instruments is, on the other hand, in deficit. Notwithstanding the decrease which has taken place over the last ten years, this situation points to a structural shortcoming of the European Union in advanced technological and research-intensive productions, which will inevitably become increasingly important in the advanced economies.

The European Union's trade policy in 1999 was closely bound to the WTO's activities in view of the Seattle conference which should have defined the objectives, contents and modalities of the next round of multilat-

The failure of Seattle did not stop European initiatives for the development of multilateral relations, for the reduction of emerging countries' debt, and for strengthening partnerships with neighboring areas as well as those aimed at improving common trade policy

eral trade negotiations, the Millennium Round. The European position was directed at giving greater consideration both to sustainable development as well as to social standards. The Seattle conference concluded fruitlessly, given the impossibility of overcoming the rifts which emerged between industrialized and developing countries, nonetheless the European Union has undertaken measures to ensure that such a failure will not give rise to protectionist measures.

In 1999, the EU paid attention to other components of common trade policy, adopting concrete measures for customs cooperation, for mutual administrative assistance and antidumping actions. Noteworthy breakthroughs were scored in the EU's external relations, such as the Stability Pact for Southeastern Europe and the decision to participate in the initiative to reduce developing countries' foreign debt.

The EU finally committed itself to strengthen partnerships with numerous third countries, and in particular with those in Central-Eastern Europe and Mediterranean areas.

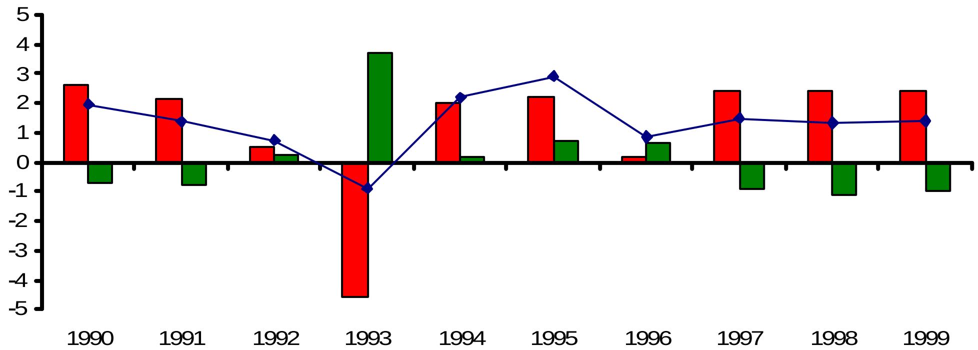
4. ITALY'S BALANCE OF PAYMENTS

A substantial stagnation characterized Italy's economic activity in the first months of 1999, followed by an inversion of tendency in the second quarter. The increase of gross domestic product at constant prices came to a halt at 1.4%, a rate less than that registered on average by Euro area partner countries. The modest Italian growth performance stems essentially from the disappointing contribution of foreign demand, which was negative for the third year in a row. The growth of domestic demand appeared substantially in line with that which unfolded in the countries of the Economic and Monetary Union, thanks in particular to investments which grew by 4.4%. This trend reflects business enterprises' needs to modernize their plant equipment, as well as favorable conditions as regards capital utilization costs. Private consumption, on the other hand, still recorded a modest growth, given feeble increase in available income.

Starting from the summer of 1999 the Italian economy received acceleration impulses from international demand

The acceleration of economic activity in the second part of the year is essentially due to the favorable effects of the recovery of international demand. Main research centers' estimates for the year 2000 point to an expansion of economic growth in Italy which will be spurred on by exports' recovery and by corporate investments, while a modest growth is projected for private consumption. The latter has also been burdened down by the negative impact of deterioration in terms of trade on purchasing power of families' disposable income, strictly linked to the prospects of Euro's exchange rate vis-à-vis the dollar and to oil and other fuels' rising prices.

DOMESTIC DEMAND AND NET EXPORTS CONTRIBUTIONS TO GDP GROWTH



Note: contributions to GDP's growth are computed as percentage ratios of changes in domestic demand, or in net exports, and previous year GDP level at constant prices.

domestic demand   net exports   GDP

Source: ICE on ISTAT data

Similarly to the rest of the EMU area, Italy's trade accounts surplus in 1999 experienced a downswing due to a deterioration not only in merchandise but also in services accounts, partially offset by improved income and unilateral transfers balances. The overall trade balance stood at 11,700 billion Lira or 0.5% of GDP, a level which, according to forecasts, could also be confirmed in 2000. Positive contributions given by exports' recovery, by the improvement of tourist and capital income surpluses will be compensated by worsening energy deficit.

In 1999, the inflows of foreign direct investments to Italy matched that of FDIs in the opposite direction, after many years in which the latter increasingly outstripped the former

In 1999, direct investment inflows to Italy matched that of FDIs in the opposite direction, following many years in which the latter increasingly outstripped the former. This result was due to strong overseas disinvestments along with the concurrent marked increase in FDIs inflows in tradable services.

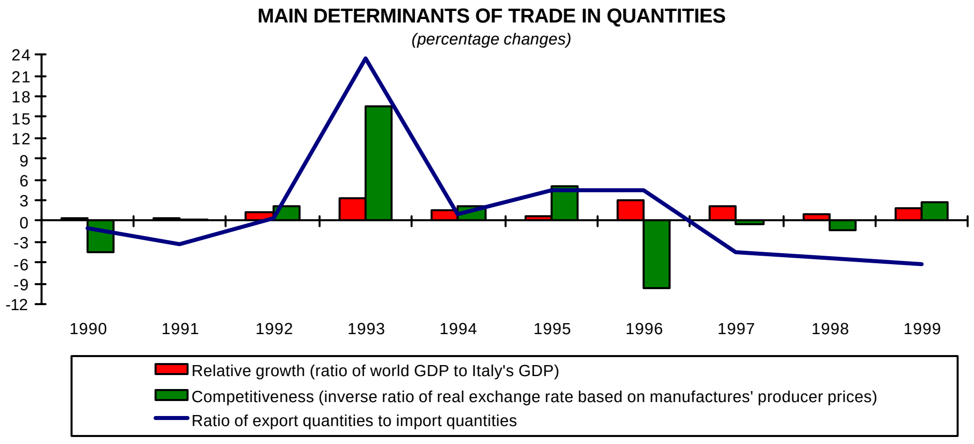
The contraction of merchandise trade surplus, which shrank between 1997 and 1999 by more than 45 billion Lira, is an effect of unfavorable trends in trade volumes, as the fall in quantities exported during the first seven months was larger than the slowdown in quantities imported. However terms of trade recorded a positive variation, given decreasing prices of imported merchandise; during the year such a trend was inverted due to rising prices of raw materials and dollar appreciation.

Merchandise exports decreased especially in terms of quantity; their performance was worse than that of main European competitors …

Italy's export propensity indicator mirrored the lackluster performance of sales abroad during the last few years: Italy's performance proved to be among the worse compared to other European countries because of the peculiar aspects Italian exports' geographical structure, more concentrated on less dynamic areas, and of the delaying effects of competitive loss accumulated in previous years. Sectorial specialization of our exports might also be taken into account. On the other hand, the decisive recovery recorded by Italian exports in recent months was probably affected by a substantial realignment of South-East Asian countries' currencies to the dollar.

….but data referring to the first months of the year 2000 show a decisive acceleration

In the first months of 2000, a notable acceleration of Italian exports took place with respect to areas outside of the European Union favored by



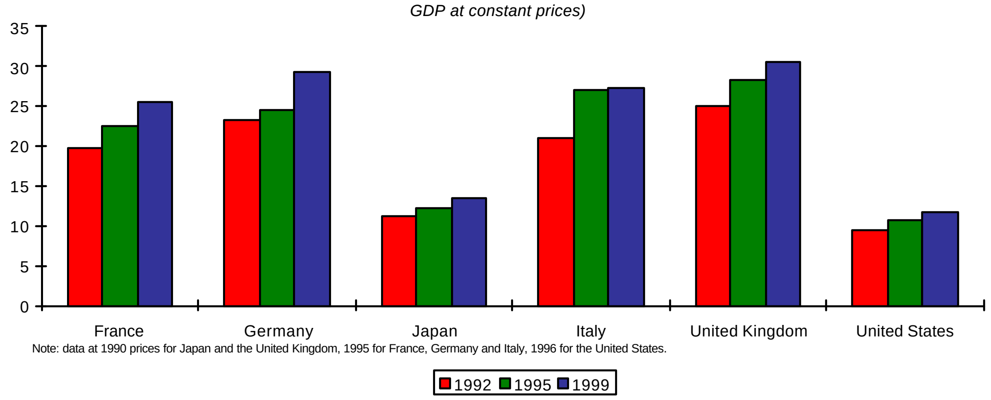
Source: ICE on Bank of Italy , ISTAT and IMF data

Euro’s weakness vis-à-vis other main currencies. Exports to EU countries so far were less buoyant, but they could be given a boost should forecasts for demand recovery prove valid.

During the first quarter of 2000, in international markets as a whole, export quantities experienced a tendencial increase of 13%, which was larger than the not negligible average estimated annual world trade growth (around 10%): should this pace be maintained in the following months, after many years, the declining trend of our world market share would be reversed.

EXPORT PROPENSITY

(percentage ratio of exports of goods and services to GDP at constant prices)



Note: data at 1990 prices for Japan and the United Kingdom, 1995 for France, Germany and Italy, 1996 for the United States.

Source: ICE on OECD data

Regained strength of the Italian economy would also affect imports’ dynamics, which already started displaying a considerable expansion earlier. In the second half of 1999, as a matter of fact, the steep rise in raw material energy prices and the acceleration of domestic demand led to sustained growth in both import quantities as well as their prices. In the first months of 2000 the value of imports from areas outside the European Union increased by more than 40% compared to the same period of 1999.

5. GEOGRAPHIC DISTRIBUTION OF ITALY'S FOREIGN TRADE

Euro's progressive depreciation, recovery from 1997-1998 international crisis, US constant economic growth and rising oil and raw material prices strongly affected Italy's geographic foreign trade performance in 1999 and in the first few months of 2000.

The steep rise in fuel prices had a twofold effect on Italy's trade. On the one hand, it contributed to trade deficit through imports' growth in value terms; on the other hand, it reduced deficit spurring demand in oil producing countries thanks to considerable gains in their terms of trade.

The effects of Asian recovery only became evident by the second quarter of 1999, when positive signs began to emerge in other geographical areas (Western and Eastern Europe, Latin America). For European countries, associated advantages were amplified by the extreme weakness of Euro's exchange rate.

In 1999 trade balances considerably worsened with almost all main countries and areas. With few exceptions (North America, Spain and few others)…

As far as Italy is concerned, data show an exports' recovery in the second half of the year, especially toward countries outside the European Union. Similar developments also involved imports, given the strengthening of domestic demand. Therefore in 1999, trade balances worsened with various geographical areas with the sole important exception of North America.

Trade surplus with European Union countries nearly vanished, shrinking by roughly 7.000 billion Lira, especially due to the pronounced deterioration in Italy's deficit with Germany and despite a noticeable improvement of Italy's surplus with Spain. Similar contractions were recorded in trade surplus vis-à-vis countries in transition (about 6,000 billion Lira) and with the Middle East (more than 5,000 billion Lira), while trade balances with Central-Eastern Asia, Africa and Latin America displayed a more contained but not negligible deterioration.

… imports generally increased and negative variations were recorded for exports almost everywhere

Imports in value terms rose from all main countries and, to a significant degree, from Russia, Japan and China. Exports decreased nearly everywhere with the exception of North America, the Asian NIEs (where in the previous two years they overall plummeted by more than 30%) and, as far as Europe is concerned, the Iberian Peninsula and Ireland (in the latter, whose economy continued its fast growth, exports notably increased for the second year in a row).

In the 1990's the importance of EU markets for Italian exports tended to diminish, together with the Middle East and the Asian NIEs. By contrast, the relative importance of both North as well as Center and South America grew, along with Eastern Europe.

In such a critical phase for the international economy and trade, as occurred in the last two years, the flexibility of Italian exporters, i.e. their capacity to quickly respond to unexpected developments on international markets, was generally negative.

Italy's market share shrank almost everywhere, but also Italy's European competitors worsened positions in many markets, especially to the advantage of various countries in East Asia, particularly Japan and China

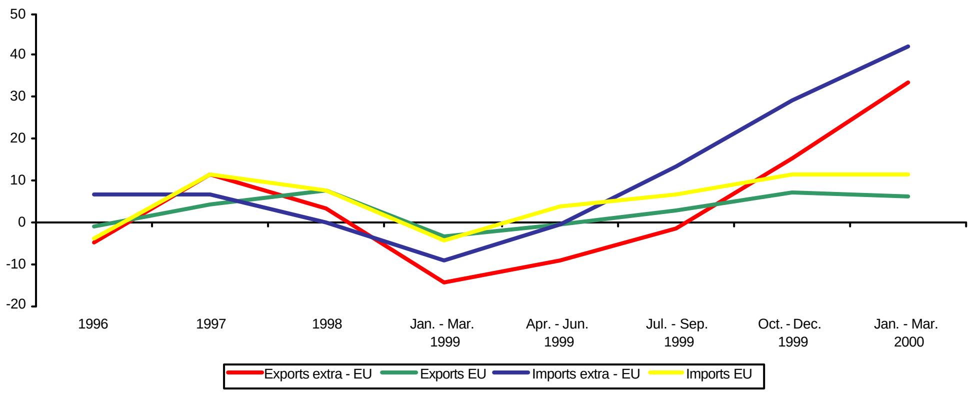
In 1999, Italy's share of world imports at current prices, began once again to decline, sliding from 4.1% to 3.9%, due to losses in all markets (except France), irrespective of their import demand trends. Nevertheless it should be taken into account that also all other major European countries worsened positions in many markets, chiefly to the benefits of Japan, China, other countries in South-East Asia, while, as far as the United States are concerned, Mexico and Canada.

During the first months of the year 2000, decisive exports and market shares' recovery occurred in areas outside the European Union

Most recent data, updated to the first five months of 2000, confirmed a conspicuous exports' recovery mainly toward markets outside the European Union, where the value of Italian sales increased by 30% compared to the same period of 1999, due to an acceleration of both volumes and prices. Italy, in particular, seemed to better recover its positions in Asian markets than its European partners. Trade with Eastern European countries recovered sharply, and exports' growth to the United States continued at a rapid pace. Mercosur (Brazil, Argentina, Uruguay and Paraguay) was the only area where exports continued to decline, as improved economic conditions would seem to have intensified intra-area trade rather than demand from the rest of the world.

In January-April 2000, the increase of exports toward the European Union as a whole remained relatively modest (+5.2% compared to the first four months of 1999), whereas imports' growth continued to be rather substantial (+10%). Unless these trends reverse, in 2000 the overall trade balance with the EU could be negative, for the first time since 1992. Within the EU, Italy's trade performance vis-à-vis Spain was particularly favorable, while it was unsatisfactory with respect to Germany.

TRADE WITH THE EUROPEAN UNION AND THE REST OF THE WORLD
(percentage changes on previous year's corresponding period)



Source: ICE on ISTAT data

6. SECTOR BREAKDOWN OF ITALY'S FOREIGN TRADE

In 1999, trade balance for manufactures worsened for the third year in a row: a deficit increase for transportation equipment and high-tech products was accompanied by a contraction in the surplus of Italian specialization products

Despite a smaller deficit in basic agricultural products, the strong reduction of Italy's trade surplus in 1999 was the outcome of a worsening energy deficit and particularly of a contraction in manufacturing industry surplus. This latter shrank for the third consecutive year from 82,900 to 63,700 billion Lira, a value which is very similar to that recorded in 1993 following previous year's Lira devaluation.

The reduction of some of the largest deficits (food and intermediate goods, such as chemical and metallurgic products), was offset by an increase in transportation equipment and high technology products deficit; on the other hand, positive balances of textiles-clothing-footwear and mechanical products continued to decrease.

In the latter product categories, trade surplus returned to 1992 levels, whereas, for the whole category of manufactured goods, it was larger in 1999 than in 1992 in relation to trade value. Hence, for these product categories, Italy's comparative advantages remained unchanged during a period in which two substantial Lira devaluations and successive process of exchange rate alignment within Europe took place. As far as textile-clothing sector is concerned, gains recorded in the first phase were exactly offset by losses suffered in the second one; this could be interpreted as a sign of a persistent inadequate competitiveness of the Italian supply in non-price factors.

In 1999, sector balances did not display any noticeable change, since both exports and imports upward trend were of the same size. In fact, recovery of external and domestic demand, in the second half of the year, and Euro depreciation exerted a rather uniform effect on trade flows in all sectors.

On annual average, for transport equipment (despite the termination of incentives to demolish cars and buy new ones), energy products, footwear and mechanical products, the increase of imports in value terms was rather substantial.

The share of domestic demand satisfied by imports particularly rose for footwear, precision equipment, electronics and telecommunications

As regards footwear, import quantities grew faster than the quite buoyant domestic consumption, favored by improvement in their price competitiveness, partially due to increased production decentralization, especially in Romania and Bulgaria.

Imports of precision equipment and high-technology products also displayed, as in 1997 and in 1998, a sustained growth in real terms so that their proportion with respect to national requirements increased (in electronics and telecommunications equipment this proportion was more than fifty percent). For mechanical machinery this took place even with rising prices, both in absolute terms and relative to domestic production prices, confirming the strong dependence of Italian machinery industry on the economic performance of its client sectors (consumption goods) and hence bearing the burden of their difficulties.

Exports decreased in many sectors; the "fashion system" and mechanical products suffered a marked reduction in real terms

Export value decreased in many sectors; rather modest increases occurred in few cases (food, wood products, chemical and petrochemical products, motor vehicles).

Negative change in export quantities for textiles, clothing-footwear, and mechanical products stood out. The “fashion system” was more penalized by the weak economic situation in the European Union than it was favored by the strength of the United States’ economy. The fall in exports in precision equipment, in counter-tendency when compared to previous years, is, to a large degree, to be related to their noticeable drop in Western Europe and in developing countries, whose purchasing power was hardly affected by the recent crises and where it was not sufficient for Italian enterprises to give up profit margins setting lower prices than those on the domestic market.

Altough increasing, FDI inflows for industrial products were lower than Italian FDI outflows

While a notable improvement of FDIs flows in tradable services occurred, the previously negative trend for industrial products became even larger, as the not negligible growth of FDI inflows, which soared from 1,760 to 3,800 billion Lira, was lower than outflows.

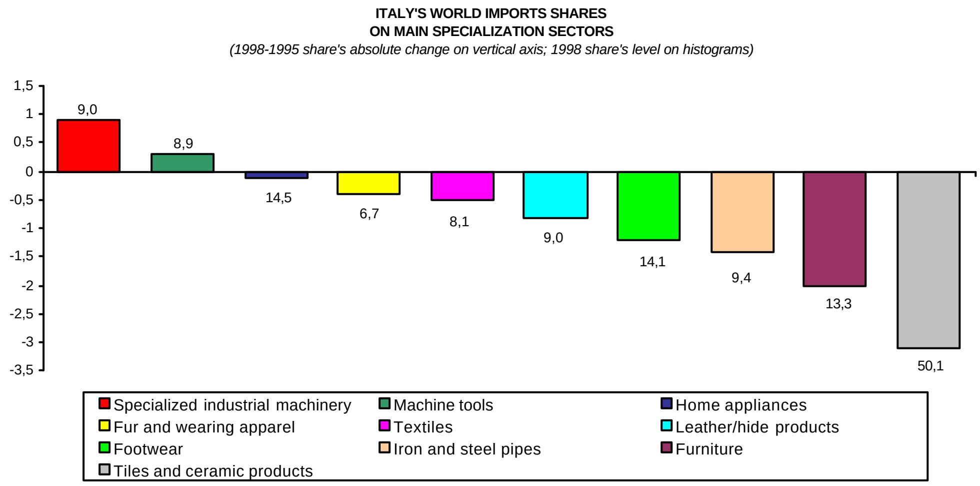
Between 1995 and 1999, the overall value of annual industrial FDI inflows to our country increased for all main sectors except mechanical products; these latter, on the contrary, provided the most important contribution to the expansion of the Italian industrial investments abroad, accounting for more than 50% share over the last two years, with a particular high concentration in the European Union (the importance of the textile-clothing sector for FDIs outflows, on the other hand, was modest and decreasing since 1997).

The large world market share held by Italy in "traditional" sectors is decreasing; if the already good Italian competitiveness in the mechanical sector is going to be strengthened, there is ground to assert that there is an insufficient specialization of our enterprises in economies of scale and research intensive sectors

Trade data from UN sources, updated to 1998, given the great number and variety of countries to be taken into consideration, allow us to calculate Italy’s and its competitors’ sectorial shares in value terms on the world market.

Our specialization in “traditional” goods is confirmed: Italy is the top ranked country for exports of furniture, household appliances, ceramic tiles and tanned leather, while in the textiles-clothing-footwear sector Italy occupies the second position behind China.

In furniture and, more generally, in consumer products, Italy’s share is however shrinking, to the advantage of developing and, more recently, also of Eastern Europe countries. From 1995 to 1998 the already substantial world market share held by Italy in precision machinery has tended to rise but, at the same time, the weak international specialization of Italian enterprises in chemicals, in transport equipment, and especially in research-intensive products, such as electronics, telecommunications and precision instruments is to be confirmed.



In the first quarter of 2000, trade surplus in industrial manufacturing products has once again begun to expand compared to a strong deterioration of the energy balance due to skyrocketing international oil prices and dollar's appreciation.

In the first months of the year 2000, trade balance in manufactures steadily improved: exports generally enjoyed consistent increase, and not less than imports

Imports' increase for manufactured goods, sparked by a recovering domestic demand, continued at a rapid pace as during the last part of 1999. However, exports grew just as fast, favored by the Euro's depreciation and by the improved foreign trade performance of some crude oil producing countries (Russia and OPEC), thanks to their improved terms of trade.

Exports for those sectors in which Italy is specialized, appeared to expand, even though, as far as the "fashion system" is concerned, only in countries outside the European Union. For the mechanical sector, medium-term prospects are good, given the foreseen consolidation of recovery, following the deep economic crisis, in those markets representing the traditional destination for these products. In the case of consumer goods, it is not to be taken for granted that their exports will become more dynamic in European markets, given the absence of advantages from devaluation.

7. EXPORTS OF ITALIAN REGIONS

Exports' downturn recorded by Italy last year affected most of the regions, as fifteen out of twenty of them experienced a decrease in the value of their sales abroad.

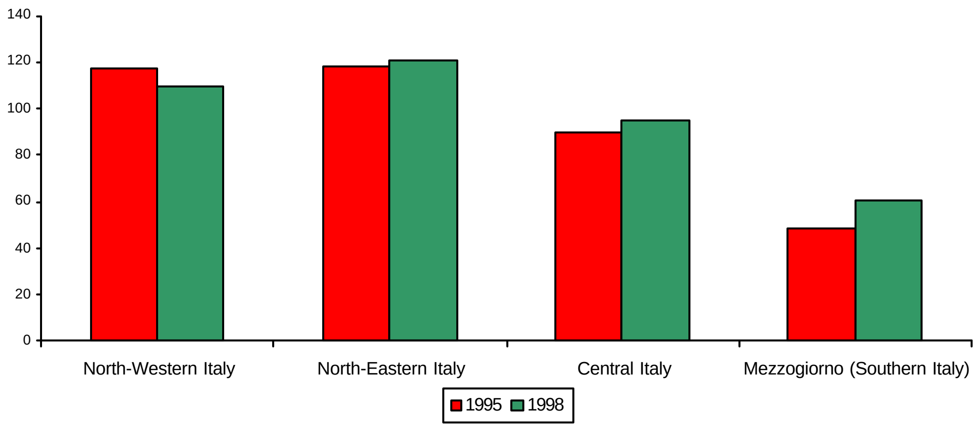
Regional export performances mirrored different exposure of Italian regions to trends characterizing the world economy over the course of the year: in the first part of 1999, the negative effects of previous financial crisis in emerging markets (Far East, Latin America, Russia); in the second half of the year, a substantial international recovery initially favoring intermediate goods and, to a cower degree, investment goods. These trends affected Italian regions according to their own models of sectorial and geographical specialization.

Exports from The Marches and Abruzzo experienced a steep drop due to downswings in the European Union, Russia and the Far East

The most remarkable exports' downturn was particularly experienced by the regions of the Central-Adriatic belt, the Marches and Abruzzo, which were affected by a contraction of demand in the EU and in the main outlet markets outside Europe (namely Russia and the Far East). The hardest hit sectors were respectively leather-footwear and furniture (The Marches) and motor vehicles (Abruzzo). Relatively significant exports drops were also experienced by Friuli-Venezia-Giulia, Sicily and Calabria.

DEGREE OF OPENNESS TO FOREIGN MARKETS

(ratio of exports to manufacturing value added - Italy = 100)



Source: ICE on ISTAT and Istituto Tagliacarne data

Only Trentino Alto Adige, Veneto, Lazio, Basilicata and Sardinia recorded exports' increase

Five regions recorded opposite performances compared to national negative data, namely Trentino Alto Adige, Veneto, Lazio, Basilicata and Sardinia. The acceleration of world demand for intermediate and investment goods during the year favored Lazio, Veneto (both regions recording a strong increase in exports of chemical products) and Trentino Alto Adige (mechanical goods). As far as Basilicata is concerned, the very positive result of 1999 reflected, as in 1998, the good performance of motor vehicle exports from the region.

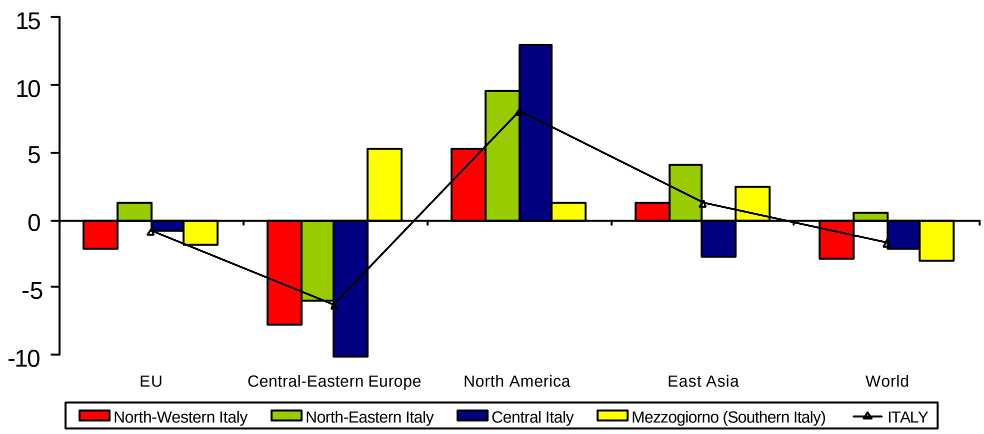
Northwestern Italy's share on national exports continued to shrink to the benefits of northeastern regions

1999 performances confirmed the tendency toward a change in regional exports' geography witnessed over the last few years, with a reduced importance of northwestern regions and an increased importance of northeastern regions. Southern regions' share on Italian total exports slightly decreased, following the improvements of the last few years. Central regions essentially remained stationary. These tendencies reflect the persistent dynamism of exporting industries from the North-East, the increasing larger role played by the services sector in the North-West as well as a pause in the process of exports recovery from Mezzogiorno (Southern Italy) which distinguished the last decade.

As far as provinces are concerned, export performances of Venice and

EXPORTS OF ITALIAN GEOGRAPHICAL AREAS TO SELECTED AREAS OF DESTINATION

(percentage changes at current prices 1999/98)



Source: ICE on ISTAT data

Treviso were quite positive; this latter became the fourth-ranked exporting province in Italy, overcoming Brescia and Bergamo, which suffered substantial reductions. Noticeable exports' contractions were also recorded by Turin, Verona, Como, Prato, Chieti and Ancona.

In the first part of the year 2000, exports from The Marches continued to show some difficulties, in contrast with the acceleration of exports enjoyed by almost all the other Italian regions

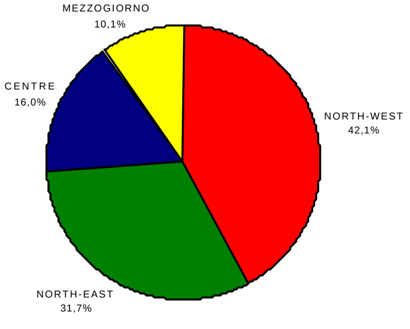
In the first quarter of 2000, signs emerged which were partially in contrast with the average dynamics witnessed in 1999. Improved export performances were achieved by almost all the regions, particularly in Northwestern Italy (Lombardy above all), Friuli and Tuscany and the Italian Islands, the latter thanks to rising prices of petroleum products in which they are specialized. On the other hand, The Marches' foreign sales continued to experience residual difficulties, while Veneto contributed to a modest degree to the dynamism of national exports. Basilicata is the only region that recorded an exports' decrease, interrupting previous years' buoyant growth, due to the negative trend of its motor vehicle exports

The globalization and the integration process that Italy is undergoing (first of all, Italy's integration in the Euro area) seems to call into question the role played by the "territory" (districts and local systems of production) in support of export competitiveness. The establishment of production facilities overseas in emerging countries and the international fragmentation of value-chain could, as a matter of fact, weaken traditional factors of competitiveness (based on strict interactions between enterprises and local realities) which traditionally favored small and medium size enterprises in the sectors of *Made in Italy.*

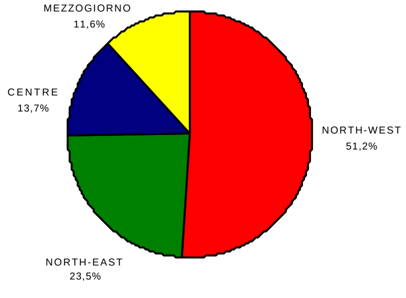
The results of two research works have been provided in the 1999-2000 ICE's Annual Report of Italy's Foreign Trade explaining the change the "local geography" of exports, studied through local systems of labor, is experiencing. These analyses point out that the reality is much more complex than one could immagine by simply examining single regional or even provincial features. International integration process is driving enterprises, once deeply linked to national territory, to look for new balance between local and global dimensions, to reorganize production both nationally and internationally in order to pursue qualitative improvement. Local innovative systems of production have higher chances of surviving from the selection imposed by tougher international competition. In this renewal process, local systems and districts of Central and Northern Italy appear, on the whole, to be better prepared than the ones in the South. Nonetheless, significant differences remain, with weak features also in Central and Northern Italy and important competitive niches in Southern Italy too.

Districts and local systems of Central and Northern Italy are, on the whole, more advanced in the search for new equilibria between local and global dimensions, although some districts in the South have achieved good degrees of competitiveness

EXPORTS 1999



FOREIGN DIRECT INVESTMENTS INFLOWS
(as of 1.1.1998)



Source: ICE on ISTAT and CNEL-R&P - Politecnico di Milano data

In particular, the afore-mentioned analyses show that there is not a homogenous *Made in Italy* model in the South, generally characterized by small enterprises and low quality productions. Districts in the South are quite varied (in accordance with their orientation to overseas or domestic markets) and they show quite high export propensity (45% of turnover).

8. INTERNATIONALIZATION OF THE ITALIAN COMPANIES

Exports of small and medium size enterprises are becoming more and more intense, despite financial and information problems

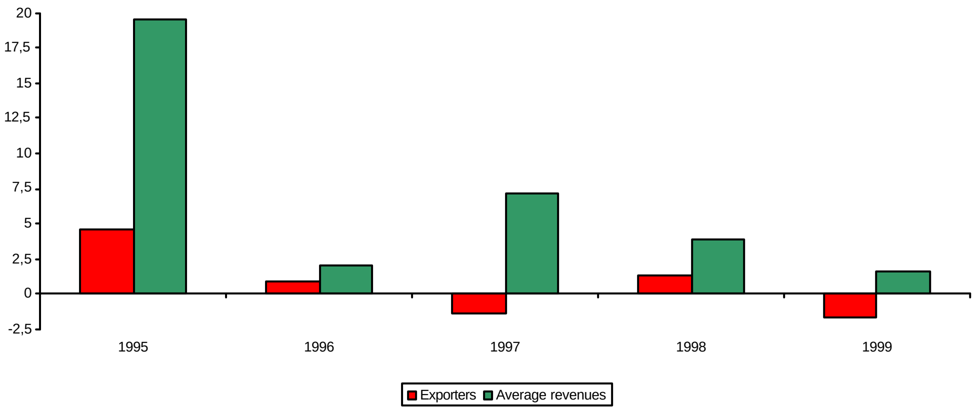
According to recent estimates, nearly 60% of companies with more than 10 employees were involved in export activities throughout the 1989-1997 period. During this period, while the importance of exports increased, the opposite occurred for direct investments. Business size was the most important factor explaining propensity to internationalize, as sunk costs and high investments in information were main barriers to foreign markets access for small and medium size enterprises.

The number of exporters slightly decreased in 1999, but overseas investment activities increased

In 1997, 4.5% of all industrial and commercial companies exported, employing 32.2% of labor force. According to recent surveys, the number of Italian exporters abroad decreased slightly in 1999, from 171,000 to 168,000 companies, due to the overall reduction in foreign sales.

On the other hand, Italian industrial foreign direct investments (FDIs) increased. According to preliminary estimates, the number of investing enterprises rose from more than 860 in 1997 to nearly 1,000 by the end of 1999. Affiliates totaled 2,350 units, generating an annual turnover of about 100 billion Lira.

EXPORTERS' NUMBER AND AVERAGE REVENUES
(percentage changes on corresponding period)



Source: ICE on ISTAT data

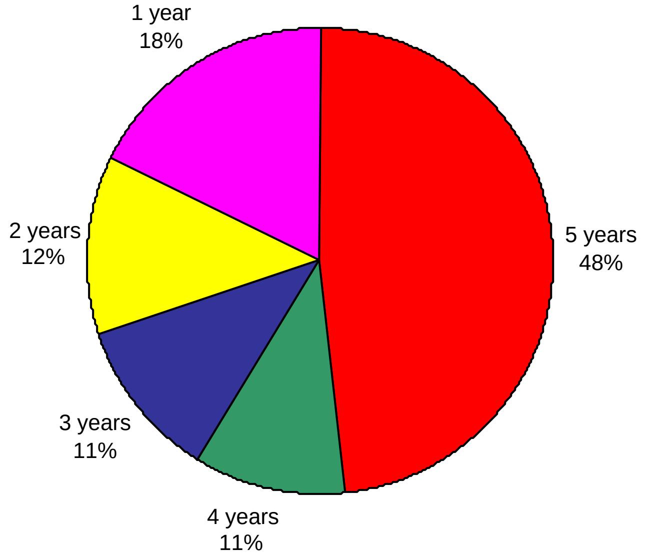
In 1999, excluding FDIs in services and financial sectors, foreign turnover of Italian companies and their affiliates increased, compared to 1998, climbing above 650,000 billion Lira. In general manufacturing, the larger the companies the more frequent a coexistence of export activities and direct investments. Hence FDIs were, to a greater extent, carried out by large exporting companies, even though a notable dynamism in small and medium sized enterprises was shown.

In 1999, average exporters' turnover stood at 2.44 billion Lira, a modest improvement compared to the previous year. From a geographical point of view, the number of exporters grew in North America and East Asia, while a drop was recorded in Central and South America and Central Asia. The contraction of exporters' number in the European Union, which slipped below 100,000 units, brought about a growth in their average turnover, which however diminished in Africa and in Central Asia. While exporters from northern regions were generally large companies, the opposite was the case for central and southern regions.

Export activity is stabilizing; geographical range is widening

International trade is becoming more and more important for many firms. In 1999, the share of Italian companies continuously present on foreign markets since previous five years grew to over 48%, up from 39% in 1996. Larger enterprises were of course more permanent. A high average number of export markets for Italian companies was recorded, which could be considered a proxy of their competitiveness. However, the importance of single-market companies continued to be considerable, equal to 44% of the total, and mainly characterized by small dimensions in terms of export turnover.

EXPORTERS IN 1999 BY YEARS OF CONTINUING ACTIVITY IN THE 1995 - 1999 PERIOD



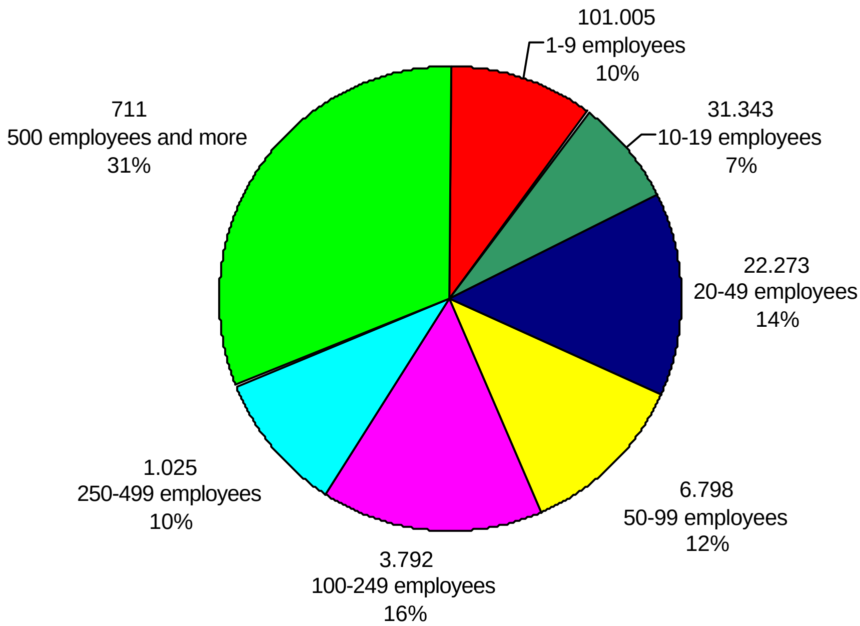
Source : ICE on ISTAT data

In some sectors, enterprises are more export oriented

Chemicals, automobile, rubber and plastic products, together with mechanical sector displayed a strong export propensity: nearly a third of related enterprises exported in 1997. Traditional sectors appeared more oriented toward domestic markets.

In terms of units, more than one-third the total number of export companies was recorded in the services sector, while in terms of exports' value their importance was lower, nearly one tenth. However, for small and medium size enterprises, one should consider the role played by trade intermediaries allowing a simpler access to foreign markets at reduced costs.

NUMBER OF FIRMS BY SIZE OF EMPLOYMENT, RESPECTIVE SHARE ON EXPORTS
(1997)



Fonte: ICE on ISTAT data

Electronic commerce: new opportunities are being opened for small and medium size enterprises, although supply via the Internet and IT investments remain limited

Foreign trade through the Internet will be more and more important in the next few years. Although availability of Italian products on-line is limited and Italian companies IT investments are lower than other industrial countries, new opportunities could arise both for foreign retail sales and wholesales. Small and medium size enterprises could possibly reap these opportunities with appropriate investments, mainly training.

In 1999, an acceleration of FDIs by Italian companies was observed both for incoming and outgoing flows, thus interrupting previous slower growth.

Compared to 1997, the growth in the number of Italian manufacturing firms with participation in foreign companies was roughly 20%. More than the past, new initiatives were directed toward North America, at the expense of other areas, mainly Asia, severely hindered by the crisis. This confirms the importance of macroeconomic stability among localization decisions for productive investment.

Both incoming and outgoing direct investments are increasing, although more should be done to strengthen Italy's attractiveness

As far as FDIs inflows are concerned, a positive contribution came from the privatization of Italy's public companies. Nonetheless significant obstacles persist to attract foreign investors in Italy. Our economic system has been penalized not only by wrong perceptions among investors, but also by infrastructure shortcomings. However, positive signs could be envisaged in the higher-than-average growth of foreign participation by companies in southern, central and insular regions, areas, traditionally less privileged than others.

Sample surveys for the 1995–1997 period point to a reduction of copyrights and licensing, technical, commercial and production cooperation agreements, as well as trade penetration activities by Italian exporting firms.

Small and medium size enterprises and global competition were at the center of the OECD Conference in Bologna: an overview and some operational proposals emerged

A conference titled "Expanding Competitiveness of Small and Medium Size Enterprises in the Global Economy: Strategy and Policies" was held in June 2000 in Bologna in order to deeply examine the internationalization process of smaller companies. This conference was held under the aegis of the OECD and the Italian government with the participation of many other non-OECD countries. Debate focused on four strategic issues: innovation, production districts, electronic trade, and partnership between enterprises in industrial countries and developing or transition countries.

Some companies' success stories:

Some companies' success stories are hereby presented, among the most brilliant examples of Italian internationalization in recent times.

Antinori: from an exporter of fine wines to a multinational group

Antinori from Florence, which has been wine exporter for decades, has for some time purchased vineyards abroad, transferring know-how to its new affiliates. In 1999, its foreign turnover rose up to fifty percent of the total, thanks to a marketing policy based on close relationships with exclusive distributors.

Autogrill rapidly grows abroad and diversifies its activities

Autogrill, a recently privatized group with a solid financial position and a vast experience in restaurants franchising in Italy, decided to exploit its know-how by rapidly growing abroad and by entering into fast-food restaurants. The importance of foreign activities consequently soared to nearly two-thirds of total turnover in 1999, up from 6.5% in 1997.

Ducati Motor restructures its distribution network and invests in electronic commerce

Ducati Motor from Bologna wisely matched its well-established international image stemming from motorcycling racing competitions to a priority attention to quality and to radical renewal of management and sales techniques. In reorganizing its sales network, currently based on foreign affiliates, located in main outlet markets, and on directly controlled dealers, the company decided not to differentiate its foreign marketing strategies from which 70% of turnover derives.

Luxottica's recipe: strong investments in overseas sales network and consolidated production base in Italy

Luxottica's production of eyeglasses and frames is entirely carried out in Italy, however the group has recently internationalized its distribution chain, acquiring trademarks and commercial networks, thus setting up its own sales structure. This allowed it to regain competitiveness and to solve the problem, particularly evident in the United States, associated to the strong contractual power of large distributors vis-à-vis producers. Luxottica nowadays has a portfolio of approximately 150,000 clients in the world, without considering final consumers.

Telit's strength, flexibility and innovation

Telit group from Trieste, cellular and satellite phones and cellular broadcasting equipment producer, owns 12 manufacturing plants in Europe, including Italy, and a global sales network. National cellular telephone network operators are among its most important clients, with whom Telit signed supply contracts. Production flexibility and strong research investments are the main pillars of Telit's competitive advantage.

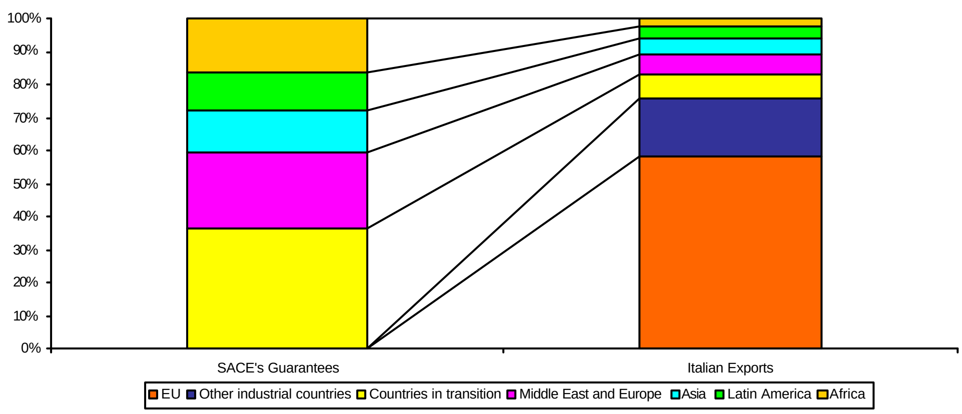
9. ITALY'S INTERNATIONALIZATION PROMOTION POLICIES

In 1999 the reform process of the system of bodies and instruments for public support to the internationalization of Italian enterprises, which has been underway for some years, went forward. A series of measures aimed at putting into effect the numerous new changes introduced by the legislative decree N. 143/1998 were enacted along with the devolution of important industrial policy matters to the Regions.

As of January 1st 1999, all matters related to export credit facilities and other forms of internationalization were transferred to SIMEST. Furthermore, the scope of its facilities was broadened to cover all foreign direct investments

From January 1st, 1999, a new institutional framework for international economic policy was set up, characterized by the coordination role played by the so-called *cabina di regia* (Committee for Foreign Trade Strategic Planning and Coordination) within CIPE (Inter-ministerial Committee for Economic Planning). All matters related to export credit incentives and to other forms of internationalization were tranferred to SIMEST (Italian Financial Institution for the Promotion of Italian Business Abroad), a financial company controlled by the Ministry of Foreign Trade. Furthermore, the scope of its activities was broadened in order to cover all foreign direct investments, no longer only joint-ventures, an acknowledgement of the increasing crucial role played by the direct presence of companies on foreign markets, including their own production facilities. At the same time both ICE (the Italian Institute for Foreign Trade) and SACE (Institute for Foreign Trade Insurance Services) reforms were enacted and some significant refinements of other instruments in support of enterprises' international activities were made.

SACE's GUARANTEES AND ITALIAN EXPORTS BY GEOGRAPHICAL AREAS



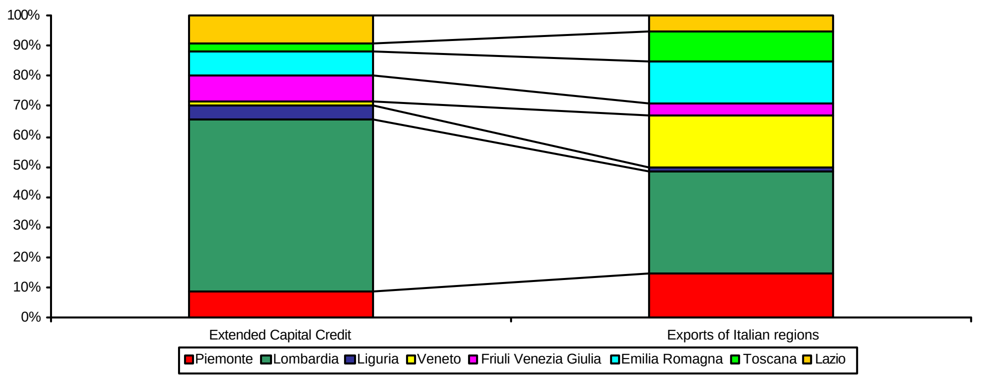
Source: Mincistry for Foreign Trade on SACE data

A rapid glance at the overall available data about various facilitation instruments for companies gives the impression that 1999 was characterized by a widespread reduction of support activities. This phenomenon involved almost all instruments, from export credits to foreign investments facilities, from commercial penetration credit programs to assistance services provided by ICE. The demand for facilities by enterprises was probably curbed by the slowdown of world economic activity. This happened particularly in the first part of the year, when the effects of the emerging markets crisis were still being felt, i.e., precisely for those areas in which the role of public support instruments is the most relevant. Furthermore, a reduction in facilities' interest rate spread, due to falling market interest rates, could have reduced the enterprises' interest for financial incentives. On the other hand, from a supply standpoint, the inevitable difficulties stemming from the transition to the new institutional framework, concerning both relations among national bodies and devolution to local authorities, could have limited public system's capacity to control its support instruments. National budget constraints appeared less stringent than in the past, as confirmed by a notable increase of allocations earmarked to promotional activites carried out by ICE and other institutions, such as export consortia and Italian Chambers of Commerce abroad.

In 1999 the demand for facilities and services decreased, due to the slowdown in world trade; at the same time, their supply had to adapt to a changed institutional framework

The innovations gradually introduced into operational mechanisms are consequently extremely important in order to increase their usefulness and access to business enterprises. For example, as regards export credits, a broader range of eligible operations for public support and an increase of facilities' spreads is soon to be implemented. Similarly, though respecting constraints related to the evolution of *Consensus* rules and to the European Union harmonization process underway, SACE public insurance operations covering risks linked to enterprises' internationalization activities were expanded. As already mentioned, also SIMEST's instruments to promote foreign investments by Italian enterprises, through risk capital participation and credit facilities, were also substantially increased.

EXTENDED CAPITAL CREDIT AND EXPORTS BY REGIONS
(1999)



Source: Ministry for Foreign Trade on SIMEST and ISTAT data

Credit incentives for feasibility studies and technical assistance programs were among the most significant innovations

A new public support instrument was recently launched, consisting of credit incentives for costs sustained by firms to carry out feasibility studies for complex international activities (for example, in the area of project finance) and technical assistance programs. These operations are increasingly becoming significant factors of competitiveness.

ICE's services improved their range and quality in various fields of activity

ICE is continuing its work to increase the range and the quality of its internationalization services to enterprises. In particular, the progress made in setting up the new National Information System for Foreign Trade (SINCE) should be singled out. SINCE has been envisaged as an integrated network, in which all of production and distribution phases of information services make use of cutting-edge telematic technologies. Assistance services to enterprises, whose numerical drop was already mentioned, characterized in 1999 by a substantial increase in revenues (with unchanged rates), are being overhauled and refined. As far as training is concerned, ICE's activities are continuously developing along consolidated lines, and more international initiatives have been undertaken. The strong impulse received by promotion and cooperation services should be pointed out, in which an increase in public allocations has gone hand-in-hand with a significant growth in private contributions. Among cooperation activities, particular attention should be paid to the program to attract foreign investments, aimed at overcoming one of the main Italian weaknesses.

STATISTICAL APPENDIX

WORLD TRADE IN GOODS AND SERVICES AND FOREIGN DIRECT INVESTMENTS (a)
(billion dollars)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
					TRADE IN GOODS				
Values	3.540	3.781	3.752	4.226	5.077	5.329	5.510	5.470	5.705
					PERCENTAGE CHANGE OF THE INDEXES				
Quantities	….	4,6	3,7	9,9	10,1	5,7	10,0	5,4(b)	5,7(b)
Average unit values	….	2,1	-4,3	2,5	9,1	-0,7	-6,0	-5,8	-1,3
					TRADE IN SERVICES				
Values	847	942	951	1.024	1.171	1.239	1.278	1.285	1.338(c)
					FOREIGN DIRECT INVESTMENTS				
Values	179	188	231	269	344	369	470	646	827
Percentage share on merchandise and services trade	4,1	4,0	4,9	5,1	5,5	5,6	6,9	9,6	11,7

(a) Average imports and exports for goods and services and average inflows and outflows for foreign direct investments
(b) OECD, Economic Outlook, May 2000
(c) WTO, Annual Report 2000

Source: IMF data for goods and services and UNCTAD data for FDIs

Table 1.1

WORLD TWENTY LEADING MERCHANDISE EXPORTERS
(billion dollars and percentage shares on world exports)

Ranking 1999	Countries	value 1999	% share 1991	1995	1996	1997	1998	1999
1	United States	690	12,2	11,6	11,9	12,3	12,3	12,3
2	Germany	534	11,6	10,1	9,8	9,1	9,8	9,5
3	Japan	415	9,1	8,8	7,8	7,5	7,0	7,4
4	France	304	6,3	5,7	5,5	5,2	5,5	5,4
5	United Kingdom	264	5,3	4,7	4,9	5,0	4,9	4,7
6	China	250	2,1	3,0	2,9	3,3	3,3	4,5
7	Canada	237	3,6	3,8	3,8	3,8	3,8	4,2
8	Netherlands	219	3,8	3,5	3,4	3,5	3,3	3,9
9	Italy	217	4,9	4,6	4,8	4,3	4,4	3,9
10	Belgium-Luxembourg	182	3,4	3,5	3,3	3,2	3,4	3,2
11	Hong Kong	169	2,8	3,4	3,4	3,4	3,1	3,0
12	South Korea	133	2,1	2,5	2,5	2,4	2,4	2,4
13	Mexico	120	1,2	1,6	1,8	2,0	2,1	2,1
14	Singapore	115	1,7	2,3	2,4	2,2	2,0	2,0
15	Spain	105	1,7	1,8	1,9	1,9	1,9	1,9
16	Malaysia	84	1,0	1,5	1,5	1,4	1,3	1,5
17	Switzerland	81	1,8	1,6	1,5	1,4	1,4	1,4
18	Sweden	80	1,5	1,6	1,6	1,5	1,5	1,4
19	Russia (Federation of)	72	....	1,5	1,6	1,5	1,3	1,3
20	Ireland	66	0,7	0,9	0,9	0,9	1,2	1,2

(1) Re-exports included
Source: ICE on IMF-DOTS data

Table 1.2

WORLD TWENTY LEADING MERCHANDISE IMPORTERS
(billion dollars and percentage shares on world imports)

Ranking 1999	Countries	value 1999	% shares 1991	1995	1996	1997	1998	1999
1	United States	1.048	14,1	15,1	15,3	15,7	16,6	17,9
2	Germany	463	10,8	8,7	8,3	7,6	8,2	7,9
3	United Kingdom	316	5,8	5,1	5,3	5,3	5,5	5,4
4	Japan	304	6,5	6,6	6,5	5,9	4,9	5,2
5	France	303	6,4	5,4	5,2	4,8	5,1	5,2
6	Italy	223	5,1	4,0	3,9	3,6	3,8	3,8
7	Canada	214	3,3	3,2	3,2	3,4	3,5	3,7
8	Netherlands	198	3,5	3,1	3,0	3,1	3,0	3,4
9	China	179	1,8	2,6	2,6	2,5	2,5	3,1
10	Hong Kong	178	2,8	3,8	3,7	3,6	3,2	3,0
11	Belgium-Luxembourg	169	3,3	3,1	3,0	2,9	3,0	2,9
12	Spain	139	2,7	2,3	2,3	2,1	2,3	2,4
13	Mexico	116	1,4	1,4	1,7	1,9	2,2	2,0
14	Singapore	111	1,8	2,4	2,5	2,3	1,8	1,9
15	South Korea	109	2,3	2,6	2,8	2,5	1,6	1,9
16	Switzerland	84	1,8	1,6	1,5	1,3	1,4	1,4
17	Sweden	74	1,3	1,3	1,2	1,1	1,2	1,3
18	Austria	73	1,4	1,3	1,3	1,1	1,2	1,3
19	Malaysia	68	1,0	1,5	1,5	1,4	1,0	1,2
20	Australia	65	1,1	1,1	1,2	1,1	1,1	1,1

(1) Temporary imports included
Source: ICE on IMF-DOTS data

Table 1.3

(1) FOREIGN DEBT OF DEVELOPING COUNTRIES AND OF COUNTRIES IN TRANSITION

(billion dollars and percentage share on exports of goods and services)

Areas and countries	1992	1993	1994	1995	1996	1997	1998	1999	forecast 2000	2001
					FOREIGN DEBT					
					billions of dollars					
Developing Countries	**1.350**	**1.473**	**1.585**	**1.714**	**1.798**	**1.878**	**2.007**	**2.038**	**2.065**	**2.131**
AFRICA	262	272	289	312	310	303	305	312	312	321
ASIA	404	456	510	563	595	643	661	671	664	682
MIDDLE EAST AND EUROPE	204	221	224	222	242	257	285	296	299	311
LATIN AMERICA	479	524	562	617	651	675	756	760	790	817
Countries in Transition	**212**	**234**	**249**	**267**	**286**	**298**	**347**	**353**	**365**	**380**
CENTRAL AND EASTERN EUROPE	105	116	122	137	148	157	175	185	196	209
RUSSIA	105	112	120	120	125	124	152	148	147	146
CENTRAL AND TRANSCAUCASIAN ASIA	2	5	7	10	13	17	20	20	22	24
					percentage share on exports of goods and services					
Developing Countries	**187**	**195**	**183**	**168**	**157**	**151**	**173**	**163**	**146**	**142**
AFRICA	254	276	283	259	232	223	252	244	205	208
ASIA	153	154	138	125	119	115	123	115	104	97
MIDDLE EAST AND EUROPE	113	122	118	105	99	100	131	123	105	111
LATIN AMERICA	275	293	276	257	244	231	265	255	233	222
Countries in Transition	**130**	**129**	**123**	**103**	**102**	**101**	**120**	**122**	**113**	**111**
CENTRAL AND EASTERN EUROPE	110	114	107	93	91	90	94	98	94	92
RUSSIA	183	171	156	127	122	120	174	174	153	153
CENTRAL AND TRANSCAUCASIAN ASIA	17	36	61	62	79	100	134	134	125	127
					DEBT SERVICE PAYMENTS (2)					
					billion dollars					
Developing Countries	**179**	**178**	**197**	**237**	**276**	**307**	**312**	**347**	**330**	**326**
AFRICA	30	28	29	34	31	31	29	29	34	34
ASIA	53	53	63	77	76	82	97	109	87	93
MIDDLE EAST AND EUROPE	23	26	27	29	46	42	37	40	54	48
LATIN AMERICA	73	72	78	97	124	152	150	169	156	151
Countries in Transition	**25**	**19**	**22**	**30**	**33**	**32**	**49**	**51**	**56**	**59**
CENTRAL AND EASTERN EUROPE	13	12	17	22	25	25	29	34	37	38
RUSSIA	13	6	4	6	7	6	16	15	16	18
CENTRAL AND TRANSCAUCASIAN ASIA	0	0	1	2	2	2	4	3	3	3
					percentage shares on exports of goods and services					
Developing Countries	**25**	**24**	**23**	**23**	**24**	**25**	**27**	**28**	**23**	**22**
AFRICA	29	29	29	28	23	23	24	23	22	22
ASIA	20	18	17	17	15	15	18	19	14	13
MIDDLE EAST AND EUROPE	13	14	14	14	19	16	17	17	19	17
LATIN AMERICA	42	40	38	40	46	52	53	57	46	41
Countries in Transition	**16**	**10**	**11**	**12**	**12**	**11**	**17**	**18**	**17**	**17**
CENTRAL AND EASTERN EUROPE	13	12	15	15	15	14	16	18	18	17
RUSSIA	22	9	6	7	7	6	19	17	16	19
CENTRAL AND TRANSCAUCASIAN ASIA	1	2	5	11	9	11	26	18	17	15

(1) Excluding debt and debt service payments due to the IMF

(2) Including interests on total debt and long-term debt amortization installments

Source: ICE on IMF data

Table 1.4

WORLD TRADE SHARES AND TRADE BALANCES

	1965	1975	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
World (1) (billion ECUs/Euros)													
Exports	118	478	1.951	1.872	2.000	2.055	2.381	2.668	2.858	3.091	3.800	3.647	4.020
Imports	126	520	2.080	1.972	2.103	2.155	2.463	2.771	2.967	3.222	4.002	3.817	4.244
European Union (1)													
Exports (%)	26,1	25,1	19,6	20,9	19,9	20,0	19,8	19,6	20,0	20,2	19,0	20,1	18,9
Imports (%)	31,0	23,9	19,1	22,3	22,3	21,5	19,1	18,7	18,4	18,0	16,8	18,7	18,2
Trade balance (billion ECUs/Euros)	-8,3	-4,4	-14,5	-48,8	-70,2	-51,4	1,2	5,1	27,7	43,6	48,3	19,1	-14,4
Normalized Trade Balance (2)	-11,8	-1,8	-1,9	-5,9	-8,1	-5,9	0,1	0,5	2,5	3,6	3,5	1,3	-0,9
United States													
Exports (%)	23,0	18,2	14,3	16,5	17,0	16,8	16,7	16,1	15,6	15,9	16,0	16,6	16,1
Imports (%)	18,3	16,4	22,8	20,6	19,5	19,8	20,8	20,9	19,9	20,0	19,8	22,1	23,2
Trade balance (billions of ECUs/Euros)	4,1	1,8	-194,6	-97,3	-70,7	-81,1	-115	-148,7	-143,3	-153,5	-186,1	-235,7	-336
Normalized Trade Balance (2)	8,1	1,0	-25,8	-13,6	-9,4	-10,5	-12,6	-14,7	-13,8	-13,5	-13,3	-16,3	-20,6
Japan													
Exports (%)	7,0	9,4	11,9	12,1	12,7	12,7	13,0	12,5	11,9	10,5	9,8	9,5	9,7
Imports (%)	6,4	9,0	8,2	9,4	9,1	8,3	8,4	8,3	8,7	8,5	7,5	6,6	6,7
Trade balance (billions of ECUs/Euros)	0,2	-1,7	61,2	41,1	63,2	82,5	103,3	101,8	81,8	48,6	72,7	95,2	104
Normalized Trade Balance (2)	1,2	-1,9	15,2	10,0	14,2	18,7	20,0	18,1	13,7	8,1	10,9	15,9	15,4
Total Triad													
Exports (%)	56,1	52,7	45,8	49,4	49,6	49,5	49,5	48,2	47,5	46,6	44,7	46,2	44,7
Imports (%)	55,7	49,3	50,1	52,2	50,9	49,6	48,3	47,9	46,9	46,6	44,1	47,3	48,1

1) excluding intra-EU trade

2) Percentage ratio of trade balance to sum of exports and imports

Source: ICE on EUROSTAT-COMEXT data

Table 3.1

SECTOR STRUCTURE OF EUROPEAN UNION IMPORTS AND EXPORTS

(percentage composition in values at current prices)

Sectors	Average 1988-1989	Average 1993-1994	Average 1998-1999
		EXPORTS	
Agriculture, live animals and fishery products	4,5	3,9	3,0
Energy products	2,4	3,2	2,1
Food, beverages and tobacco	4,1	4,5	3,6
Textile, wearing apparel products	5,9	5,7	4,7
Textile	4,5	4,2	3,6
Wearing Apparel	1,4	1,4	1,1
Footwear, hides and leather products	2,0	1,9	1,5
Footwear	1,0	1,0	0,8
Wood and cork products (excluding furniture)	0,5	0,5	0,7
Paper and paper products, printing and publishing	2,3	2,4	2,7
Chemical and pharmaceutical products	10,6	11,8	12,1
Rubber and plastic articles	4,4	4,1	3,8
Glass, ceramic and non-metallic construction materials	2,1	1,9	1,8
Metals and metal products	9,0	7,4	6,0
Machinery and mechanical equipment	18,3	18,8	18,2
Electrical and professional/scientific equipment	9,0	10,8	13,7
Transport equipment	13,5	14,6	15,0
Motor vehicles	10,1	9,6	9,5
Other transport equipment	3,4	5,0	5,4
Furniture	0,6	0,6	0,5
Jewellery, gold and silver	0,9	0,9	0,7
Other products	9,9	7,1	10,1
Total	100,0	100,0	100,0
		IMPORTS	
Agriculture, live animals and fishery products	7,0	6,3	5,4
Energy products	13,7	13,1	9,6
Food, beverages and tobacco	3,5	3,3	2,6
Textile, wearing apparel products	7,6	8,6	7,9
Textile	5,1	5,2	4,8
Wearing Apparel	2,5	3,4	3,1
Footwear, hides and leather products	2,1	2,3	2,0
Footwear	0,7	1,0	1,0
Wood and cork products (excluding furniture)	2,6	2,5	1,6
Paper and paper products, printing and publishing	4,8	3,9	1,7
Chemical and pharmaceutical products	6,0	6,6	6,9
Rubber and plastic articles	2,7	3,0	2,9
Glass, ceramic and non-metallic construction materials	0,8	0,9	0,9
Metals and metal products	7,4	6,2	5,9
Machinery and mechanical equipment	9,7	10,0	11,8
Electrical and professional/scientific equipment	12,2	14,1	16,3
Transport equipment	7,1	8,3	10,0
Motor vehicles	4,5	4,9	5,5
Other transport equipment	2,6	3,4	4,5
Furniture	0,2	0,4	0,4
Jewellery, gold and silver	0,2	0,3	0,2
Other products	12,4	10,3	13,7
Total	100,0	100,0	100,0

Source: ICE on EUROSTAT-COMEXT data

Table 3.2

BALANCE OF PAYMENTS
CURRENT ACCOUNT BALANCES
(billion Liras)

Categories	1994	1995	1996	1997	1998	1999
Mechandise Goods (FOB-FOB)	50.664	63.059	83.301	68.107	63.098	37.161
Services	8.399	10.324	11.084	13.234	8.530	4.387
transport	-2.941	-4.149	-4.448	-5.006	-5.007	-5.541
travel	17.199	22.671	21.904	22.634	21.229	21.012
other services	-5.859	-8.198	-6.372	-4.394	-7.692	-11.084
Income	-26.998	-25.908	-23.453	-19.238	-20.896	-19.976
from capital	-26.986	-26.712	-24.255	-19.485	-20.770	-19.339
from labor	-12	804	802	247	-126	-637
Unilateral Transfers	-11.516	-6.830	-10.162	-7.101	-12.895	-9.886
private	-32	1.836	1.474	-1.098	-1.796	-1.776
workers' remittances	410	161	44	55	-226	-371
others	-442	1.675	1.430	-1.153	-1.570	-1.405
public	-11.484	-8.666	-11.636	-6.003	-11.099	-8.110
EU accounts	-7.873	-5.662	-8.829	-5.088	-11.492	-9.067
other	-3.611	-3.004	-2.807	-915	393	957
Total Current Account	**20.549**	**40.645**	**60.770**	**55.002**	**37.837**	**11.686**

Source: Bank of Italy

Table 4.1

ITALY'S IMPORTS AND EXPORTS (FOB-CIF)

	1995	1996	1997	1998	1999	1999 I quarter	1999 II quarter	1999 III quarter	1999 IV quarter	2000 I quarter
Exports FOB										
billion Liras	381.175	388.885	409.128	426.183	419.124	94.121	106.748	103.108	113.645	109.915
percentage change	23,7	2,0	5,2	4,2	-1,7	-8,3	-4,2	0,8	10,5	17,6
Imports CIF										
billion Liras	335.661	321.286	357.587	378.783	394.271	90.248	100.165	92.820	109.162	110.729
percentage change	23,2	-4,3	11,3	5,9	4,1	-6,5	2,1	9,1	18,0	23,6
Balance										
billion Liras	45.514	67.599	51.541	47.400	24.853	3.873	6.583	10.288	4.483	-814
value change	9.850	22.085	-16.058	-4.141	-22.547	-2.256	-6.797	-6.900	-5.841	-4.696
Normalized balance (1)	6,3	9,5	6,7	5,9	3,1	2,1	3,2	5,3	2,0	-0,4
Exports: average unit values										
percentage change	9,3	0,8	0,5	1,3	-0,3	-1,8	-1,5	-0,2	2,4	4,3
Imports: average unit values										
percentage change	12,3	-1,3	1,4	-2,6	-0,9	-7,4	-4,0	1,6	6,2	13,7
Exports: quantities										
percentage change	13,3	1,2	4,7	1,6	-1,6	-6,8	-3,1	1,1	5,8	12,8
Imports: quantities										
percentage change	9,8	-3,0	9,7	7,5	5,0	0,7	6,3	7,3	9,6	8,7
Terms of Trade (2)										
percentage change	-2,7	2,2	-1,0	4,0	0,6	6,0	2,7	-1,7	-3,6	-8,3
Real coverage rate (3)										
percentage change	3,2	4,4	-4,6	-5,5	-6,3	-7,4	-8,8	-5,7	-3,5	3,8

(1) Percentage ratio of trade balance to the sum of exports and imports
(2) Percentage ratio of export prices (average unit values) to import prices
(3) Percentage ratio of export quantities to import quantities
Source: ICE on ISTAT data

Table 4.2

PRICE COMPETITIVENESS IN SELECTED INDUSTRIAL COUNTRIES
COMPARISON AMONG SELECTED INDICATORS (*)
(index percentage change on previous year - base 1993=100)

	1994	1995	1996	1997	1998	1999
France						
real exchange rate based on						
- manufactures' producer prices	-0,7	2,0	-1,9	-4,7	0,6	-3,4
- average export unit values	-1,0	1,7	1,4	-1,8	1,1	-3,2
- consumption prices	-0,6	2,5	-0,4	-4,5	0,6	-2,9
- unit labour costs	-2,8	0,1	-0,6	-7,1	-0,5	-1,5
Germania						
real exchange rate based on						
- manufactures' producer prices	-0,8	4,4	-3,1	-5,5	1,5	-3,7
- average export unit values	-0,2	4,7	-2,7	-4,4	2,3	-2,7
- consumption prices	0,2	4,7	-3,5	-5,3	0,7	-3,4
- unit labour costs	1,1	8,6	-2,3	-7,7	-2,3	-2,0
Italy						
real exchange rate based on						
- manufactures' producer prices	-2,1	-4,7	10,8	0,4	1,3	-2,7
- average export unit values	-1,8	-1,7	12,3	-0,8	2,6	-1,7
- consumption prices	-3,1	-6,5	11,3	0,1	1,3	-2,2
- unit labour costs	-4,9	-8,4	15,0	3,7	4,1	-1,6
United Kingdom						
real exchange rate based on						
- manufactures' producer prices	1,2	-3,6	3,8	15,6	5,7	0,4
- average export unit values	1,1	-3,4	1,3	8,7	0,6	-3,0
- consumption prices	-0,2	-4,0	2,5	16,6	5,8	0,2
- unit labour costs	2,0	-1,2	2,8	22,2	10,1	-0,2
Spain						
real exchange rate based on						
- manufactures' producer prices	-4,2	2,5	1,6	-4,4	-0,0	-0,9
- average export unit values	-5,7	-0,9	1,2	-2,4	2,2	-3,3
- consumption prices	-4,9	1,6	1,9	-4,5	0,7	-0,7
- unit labour costs	-6,3	-0,9	3,4	-1,3	3,0	0,2
United States						
real exchange rate based on						
- manufactures' producer prices	-1,8	-1,5	3,5	4,9	3,4	-1,5
- average export unit values	-3,0	-6,1	-1,7	3,0	3,3	-1,8
- consumption prices	-0,8	-1,1	3,7	5,7	6,1	-1,6
- unit labour costs	-3,4	-4,2	3,3	7,3	6,5	-2,0
Japan						
real exchange rate based on						
- manufactures' producer prices	3,7	0,3	-15,9	-5,2	-4,1	13,3
- average export unit values	5,3	-0,5	-7,0	-3,2	-2,3	7,7
- consumption prices	4,9	1,7	-15,5	-5,5	-3,9	13,5
- unit labour costs	10,2	-0,2	-18,1	-4,4	-1,5	11,5

(*) Positive changes indicate loss of competitiveness and vice versa
Source: ICE on Bank of Italy data

Table 4.3

ITALY'S FOREIGN TRADE BY GEOGRAPHICAL AREAS AND MAIN COUNTRIES

(billion Liras)

	EXPORTS		IMPORTS		BALANCE		EXPORTS % change		IMPORTS % change	
	1998	1999	1998	1999	1998	1999	1999/1998	I quarter 2000 / I quarter 1999	1999/1998	I quarter 2000 / I quarter 1999
European Union	242.325	240.475	234.999	239.900	7.326	575	-0,8	6,5	2,1	11,6
France	*56.009*	*54.516*	*50.135*	*49.721*	*4.874*	*4.795*	*-0,8*	*5,8*	*-0,8*	*7,3*
Germany	*70.924*	*69.119*	*71.935*	*74.949*	*-1.010*	*-5.830*	*-2,5*	*1,3*	*4,2*	*12,3*
United Kingdom	*30.861*	*29.801*	*24.427*	*23.948*	*6.434*	*5.853*	*-3,4*	*10,7*	*-2,0*	*10,8*
Spain	*24.944*	*26.609*	*17.374*	*16.958*	*7.570*	*9.651*	*6,7*	*11,5*	*-2,4*	*12,5*
EFTA	17.110	16.988	16.484	16.511	626	477	-0,7	17,5	0,2	13,1
USA	40.225	43.441	21.728	22.134	18.497	21.307	7,9	40,1	1,9	23,8
Russia	5.406	3.338	6.461	8.153	-1.055	-4.815	-38,3	77,2	26,2	106,4
Japan	7.010	6.793	8.222	9.987	-1.212	-3.195	-3,1	49,6	21,5	28,9
China	3.587	3.551	8.407	9.682	-4.840	-6.131	-0,5	29,2	15,2	40,7
NIEs (1)	11.243	11.555	7.153	7.587	4.090	3.968	2,7	55,2	6,1	28,2
WORLD	426.183	419.124	378.783	394.271	47.399	24.853	-1,7	17,6	4,1	23,6
Extra-EU	*183.858*	*178.649*	*143.784*	*154.371*	*40.074*	*24.278*	*-2,8*	33,6	*7,4*	42,0

(1) Hong Kong, Singapore, South Korea, Taiwan.

Source: ICE on ISTAT data

Table 5.1

FIRST 20 DESTINATION COUNTRIES FOR ITALIAN EXPORTS

COUNTRIES		Ranking in 1998	1999 Values (billion Liras)	% change 1999-98	Percentage shares 1998	Percentage shares 1999	Cumulative 1999 % shares
1)	Germany	1	69.119	-2,5	16,6	16,5	16,5
2)	France	2	54.516	-0,9	12,9	13,0	29,5
3)	United States	3	39.803	8,2	8,6	9,5	39,0
4)	United Kingdom	4	29.801	-3,4	7,2	7,1	46,1
5)	Spain	5	26.609	6,7	5,9	6,3	52,5
6)	Switzerland	6	14.827	1,0	3,4	3,5	56,0
7)	Netherlands	7	12.016	-2,7	2,9	2,9	58,9
8)	Belgium	(*)	11.141	-4,6	2,7	2,7	61,6
9)	Austria	9	9.764	-0,5	2,3	2,3	63,9
10)	Greece	10	8.597	0,8	2,0	2,0	65,9
11)	Japan	12	6.793	-3,1	1,6	1,6	67,5
12)	Poland	13	6.690	-0,4	1,6	1,6	69,1
13)	Portugal	14	6.248	3,2	1,4	1,5	70,6
14)	Turkey	11	5.503	-22,5	1,7	1,3	71,9
15)	Hong Kong	17	4.955	-7,3	1,3	1,2	73,1
16)	Brazil	15	4.655	7,9	1,3	1,1	74,2
17)	Sweden	18	4.515	-1,6	1,1	1,1	75,3
18)	Romania	21	3.718	7,1	0,8	0,9	76,2
19)	Canada	22	3.639	6,6	0,8	0,9	77,1
20)	Hungary	24	3.558	9,1	0,8	0,8	77,9
	WORLD		**419.124**	**-1,7%**	**100,0**	**100,0**	**100,0**

(*) In 1998 Belgium was classified together with Luxembourg and it was ranked eight

Source: ICE on ISTAT data

Table 5.2

FIRST 20 COUNTRIES OF ORIGIN FOR ITALIAN IMPORTS

COUNTRIES		Ranking in 1998	1999 Values (billion Liras)	% change 1999-98	Percentage shares 1998	Percentage shares 1999	Cumulative 1999 % shares
1)	Germany	1	74.950	4,2%	19,0	18,8	18,8
2)	France	2	49.721	-0,8%	13,2	12,6	31,4
3)	Netherlands	4	24.682	5,1%	6,2	6,3	37,7
4)	United kingdom	3	23.948	-2,0%	6,4	6,1	43,8
5)	United States	5	19.408	2,7%	5,0	4,9	48,7
6)	Spain	7	16.958	-2,4%	4,6	4,3	53,0
7)	Belgium	(*)	16.458	-10,1%	4,6	4,2	57,2
8)	Switzerland	8	15.088	-0,6%	4,0	3,8	61,0
9)	Japan	11	9.987	21,5%	2,2	2,5	63,5
10)	China	10	9.682	15,2%	2,2	2,5	66,0
11)	Austria	9	9.586	3,0%	2,5	2,4	68,4
12)	Russia	12	8.153	26,2%	1,7	2,1	70,5
13)	Sweden	13	6.116	4,9%	1,5	1,6	72,1
14)	Lybia	14	6.000	8,8%	1,5	1,5	73,6
15)	Ireland	16	5.551	32,2%	1,1	1,4	75,0
16)	Algeria	15	5.424	22,1%	1,2	1,4	76,4
17)	South Africa	17	4.292	3,4%	1,1	1,1	77,5
18)	Romania	21	3.760	12,8%	0,9	1,0	78,5
19)	Brazil	19	3.560	-4,1%	1,0	0,9	79,4
20)	Turkey	23	3.486	18,6%	0,8	0,9	80,3
	WORLD		**394.271**	**4,7**	**100,0**	**100,0**	**100,0**

(*) In 1998 Belgium was classified together with Luxembourg and it was ranked sixth

Source: ICE on ISTAT data

Table 5.3

IMPORTS OF AREAS AND SELECTED COUNTRIES AND ITALY'S MARKET SHARE (1)

(current prices)

	WEIGHTS ON WORLD IMPORTS *(percentages)*		IMPORTS FROM THE WORLD *(percentage changes on dollar values)*		ITALY'S MARKET SHARES *(percentage ratios of countries' imports from Italy on countries' imports from the world)*	
	1998	1999	1998	1999	1998	1999
Advanced economies	75,1	76,8	-0,7	5,9	4,1	3,9
European Union	36,5	36,9	3,9	4,0	6,3	6,0
France	*5,1*	*5,2*	*5,9*	*4,4*	*9,8*	*9,9*
Germany	*8,2*	*7,9*	*6,1*	*-0,1*	*7,8*	*7,4*
United Kingdom	*5,5*	*5,4*	*2,3*	*1,9*	*4,6*	*4,2*
Spain	*2,3*	*2,4*	*6,0*	*6,8*	*9,4*	*8,9*
EFTA	2,1	2,0	4,7	1,1	7,9	7,7
North America	20,1	21,6	4,5	10,4	2,1	2,0
NIEs (1)	6,7	6,8	-21,8	4,9	1,4	1,2
Other advanced economies (2)	6,7	7,1	-14,0	8,8	2,4	2,2
Japan	*5,0*	*5,2*	*-17,0*	*8,0*	*1,8*	*1,7*
Countries in transition	4,5	4,1	1,9	-6,2	7,6	7,5
Russia	*0,8*	*0,5*	*-18,1*	*-29,5*	*4,2*	*3,8*
Developing countries	18,6	18,5	-0,5	2,6	3,8	3,4
Medlle East and Europe	3,7	3,3	3,4	-7,3	7,4	7,3
Asia	7,1	8,0	-12,4	16,0	1,4	1,2
China	*2,5*	*3,1*	*-1,3*	*27,8*	*1,6*	*1,3*
Latin America	6,1	5,5	6,0	-6,8	3,2	3,0
Africa	1,9	1,9	41,5	2,9	6,9	6,7
WORLD	**100**	**100**	**-0,7**	**3,0**	**4,1**	**3,9**

(1) NIEs do not include Taiwan
(2) Australia, Israel, Japan and New Zealand
Source: ICE on IMF-DOTS and ISTAT data

Table 5.4

ITALY'S FOREIGN TRADE BY SECTORS

(billion Liras)

ATECO Sectors	EXPORTS 1998	EXPORTS 1999	EXPORTS var. %	IMPORTS 1998	IMPORTS 1999	IMPORTS var. %	BALANCES 1998	BALANCES 1999
AGRICULTURE, LIVE ANIMALS AND FISHERY PRODUCTS	6.980	6.874	-1,5	17.163	16.049	-6,5	-10.183	-9.175
MINING INDUSTRY PRODUCTS	838	807	-3,7	25.220	29.478	16,9	-24.382	-28.671
Energy products	*30*	*48*	*60,0*	*21.803*	*26.202*	*20,2*	*-21.773*	*-26.154*
INDUSTRIAL MANUFACTURED GOODS	416.261	409.300	-1,7	333.346	345.620	3,7	82.915	63.680
Food, beverages and tobacco	22.236	22.822	2,6	30.338	29.450	-2,9	-8.102	-6.628
Wine	*4.264*	*4.561*	*7,0*	*387*	*379*	*-2,1*	*3.877*	*4.182*
Textiles, Wearing Apparel	47.468	44.704	-5,8	20.689	20.406	-1,4	26.779	24.298
Textiles and knitwear	*31.543*	*30.019*	*-4,8*	*14.018*	*13.829*	*-1,3*	*17.525*	*16.190*
Clothing	*15.925*	*14.685*	*-7,8*	*6.671*	*6.577*	*-1,4*	*9.254*	*8.108*
Footwear and leather/hides products	21.624	20.231	-6,4	7.846	7.650	-2,5	13.778	12.581
Footwear	*13.746*	*12.609*	*-8,3*	*3.807*	*4.132*	*8,5*	*9.939*	*8.477*
Tannery products	*5.447*	*5.194*	*-4,6*	*3.011*	*2.401*	*-20,3*	*2.436*	*2.793*
Leather products	*2.431*	*2.428*	*-0,1*	*1.028*	*1.117*	*8,7*	*1.403*	*1.311*
Wood and Cork Products (excluding furniture)	2.415	2.488	3,0	5.404	5.613	3,9	-2.989	-3.125
Paper and Paper Products, Printing and Publishing	9.553	9.319	-2,4	11.417	11.751	2,9	-1.864	-2.432
Refined Petroleum Products	4.702	4.965	5,6	5.280	6.079	15,1	-578	-1.114
Chemical and Pharmaceutical products	34.778	37.205	7,0	51.671	53.580	3,7	-16.893	-16.375
Basic Chemical Products	*13.409*	*13.684*	*2,1*	*26.583*	*26.467*	*-0,4*	*-13.174*	*-12.783*
Drugs and Pharmaceutical Products	*9.606*	*11.424*	*18,9*	*10.649*	*12.411*	*16,5*	*-1.043*	*-987*
Rubber and Plastic Products	15.710	15.518	-1,2	8.627	9.094	5,4	7.083	6.424
Glass, Ceramic and Non-Metallic Construction Materials	15.980	15.759	-1,4	4.623	4.709	1,9	11.357	11.050
Ceramic Tiles	*5.895*	*5.884*	*-0,2*	*148*	*154*	*4,1*	*5.747*	*5.730*
Metals and Metal Products (excluding machinery equipment)	35.813	33.217	-7,2	42.321	38.833	-8,2	-6.508	-5.616
Steel Pipes	*4.817*	*3.843*	*-20,2*	*1.381*	*1.186*	*-14,1*	*3.436*	*2.657*
Other Mettalurgical Products	*13.073*	*11.773*	*-9,9*	*36.037*	*31.028*	*-13,9*	*-26.400*	*-21.912*
Finished Metal Products	*17.923*	*17.601*	*-1,8*	*6.284*	*6.619*	*5,3*	*11.639*	*10.982*
Mechanical Machinery Equipment	87.654	85.654	-2,3	31.126	33.198	6,7	56.528	52.456
Specialized Industrial Machinery	*25.710*	*24.312*	*-5,4*	*8.535*	*8.710*	*2,0*	*17.175*	*15.602*
Machine Tools	*9.523*	*9.321*	*-2,1*	*4.298*	*4.334*	*0,8*	*5.225*	*4.987*
Home Machinery (including Electric Appliances)	*11.201*	*11.030*	*-1,5*	*1.906*	*2.146*	*12,6*	*9.294*	*8.884*
Electrical and professional/scientific machinery and equipment	41.195	41.024	-0,4	54.733	59.033	7,9	-13.538	-18.009
Office Mach ines and Computers	*6.653*	*6.186*	*-7,0*	*13.650*	*15.019*	*10,0*	*-6.997*	*-8.833*
Electrical Machinery	*14.807*	*14.640*	*-1,1*	*11.545*	*11.956*	*3,6*	*3.262*	*2.684*
Electronic and Telecommunications equipment	*10.900*	*11.252*	*3,2*	*18.194*	*19.549*	*7,5*	*-7.294*	*-8.298*
Medical and Scientific Instruments	*8.835*	*8.946*	*1,3*	*11.344*	*12.508*	*10,3*	*-2.509*	*-3.562*
Transportation Equipment	49.170	48.096	-2,2	52.938	59.535	12,5	-3.768	-11.439
Motor Vehicles	*18.608*	*19.380*	*4,1*	*37.228*	*41.876*	*12,5*	*-18.620*	*-22.496*
Motor Vehicle Parts	*15.444*	*15.136*	*-2,0*	*7.162*	*7.835*	*9,4*	*8.282*	*7.301*
Other manufactures	27.963	28.298	1,2	6.333	6.689	5,6	21.630	21.609
Furniture	*15.111*	*14.947*	*-1,1*	*1.367*	*1.603*	*17,3*	*13.744*	*13.344*
Jewellery, Gold and Silver	*8.082*	*8.901*	*10,1*	*1.310*	*1.456*	*11,2*	*6.772*	*7.444*
OTHER PRODUCTS	2.103	2.144	2,0	3.056	3.124	2,2	-953	-980
TOTAL	**426.183**	**419.124**	**-1,7**	**378.783**	**394.271**	**4,1**	**47.400**	**24.853**

Source ICE on ISTAT data

Table 6.1

ITALY'S FOREIGN TRADE BY SECTORS IN THE FIRST QUARTER OF THE YEAR 2000 (1)

(billion Liras)

ATECO Sectors	EXPORTS I quarter 1999	EXPORTS I quarter 2000	EXPORTS % change	IMPORTS I quarter 1999	IMPORTS I quarter 2000	IMPORTS % change	BALANCES I quarter 1999	BALANCES I trim. 2000
AGRICULTURE, LIVE ANIMALS AND FISHERY PRODUCTS	1.564	1.614	3,2	4.018	4.231	5,3	-2.454	-2.617
MINING INDUSTRY PRODUCTS	158	209	32,3	5.574	12.232	119,5	-5.416	-12.023
INDUSTRIAL MANUFACTURED GOODS	91.353	107.499	17,7	79.232	93.487	18,0	12.121	14.012
Food, Beverages and Tobacco	4.740	5.105	7,7	6.656	6.669	0,2	-1.916	-1.564
Textile, Wearing Apparel Products	10.497	11.914	13,5	5.282	5.768	9,2	5.215	6.146
Footwear and Leather Products	4.919	5.450	10,8	1.971	2.314	17,4	2.948	3.136
Wood and Cork Products (furniture excluded)	529	616	16,5	1.264	1.460	15,5	-735	-844
Paper and Paper Products, Printing and Publishing	2.062	2.363	14,6	2.526	3.337	32,1	-464	-974
Refined Petroleum Products	856	1.880	119,6	1.025	2.516	145,5	-169	-637
Chemical and Pharmaceutical Products	8.020	10.277	28,1	12.199	14.553	19,3	-4.179	-4.276
Rubber and Plastic Products	3.504	4.005	14,3	2.112	2.408	14,0	1.392	1.597
Glass, Ceramic and Non-metallic Construction Materials	3.550	3.862	8,8	1.047	1.172	11,9	2.503	2.691
Metals and Metal Products (excluding machinery and equipment)	7.716	8.943	15,9	8.956	11.508	28,5	-1.240	-2.566
Machinery and Mechanical Equipment	18.999	21.146	11,3	7.202	8.275	14,9	11.797	12.871
Electrical and Professional/scientific Machinery and Equipment	8.995	11.019	22,5	13.062	16.099	23,3	-4.067	-5.080
Transport Equipment	10.405	13.210	27,0	14.541	15.656	7,7	-4.136	-2.446
Other Manufactured Goods	6.561	7.709	17,5	1.390	1.756	26,3	5.171	5.954
OTHER PRODUCTS	376	593	57,7	747	781	4,6	-371	-187
TOTAL	**93.451**	**109.915**	**17,6**	**89.569**	**110.729**	**23,6**	**3.882**	**-814**

(1) Due to the INTRASTAT survey system, European Union trade data do not include imports for lower values than 200 million Liras nor exports for higher values than 300 million Liras

Source: ICE on ISTAT data

Table 6.2

ITALY'S WORLD MARKET SHARES BY SECTORS

(percentages on world imports values)

Gruppi di attività economica	1995	1996	1997	1998
Agriculture, Live Animals and Fishery Products	2,2	2,2	2,1	2,3
Food, beverages and tobacco	3,7	3,9	3,8	4,1
Preserved Fruit and Vegetables Products	6,0	6,2	6,2	6,2
Vegetal and Animal Oils and Fat	3,3	3,8	3,0	3,0
Dairy Products	3,7	4,0	3,9	4,2
Milling Products, Starch and Flour	3,8	4,0	3,9	3,7
Beverages	8,6	8,9	8,6	8,3
Textiles and Knitwear	8,6	8,7	8,2	8,1
Textile Fabrics	11,7	12,0	11,9	12,3
Knitting Fabrics	8,2	8,2	7,7	8,2
Knitting Products	8,9	8,8	7,4	6,8
Wearing Apparel	7,1	7,7	7,0	6,7
Leatherwear	4,7	5,5	5,1	5,9
Wearing Apparel and subsidiary (excluding leather and fur)	7,2	7,7	7,0	6,7
Footwear and Leather/Hides Products	15,0	15,4	13,9	14,2
Footwear	15,3	15,3	13,7	14,1
Leather	20,5	21,7	20,1	21,7
Travel Articles, Bags and similar	10,1	11,1	9,8	9,0
Chemical and Pharmaceutical Products	3,7	3,8	3,8	3,8
Pharmaceutical products	5,7	5,9	5,9	5,8
Synthetic Fibres	5,6	5,3	4,9	5,3
Rubber and Plastic Products	7,2	6,8	6,5	6,6
Glass, Ceramic and Non-Metallic Construction Materials	12,1	12,2	11,8	12,2
Glass and Glass Products	6,3	6,1	5,8	6,2
Ceramic Tiles	53,2	52,9	50,3	50,1
Marble	37,9	37,4	36,5	36,6
Metals and Metal Products (excluding machinery equipment)	4,5	4,6	4,2	4,4
Pipes	10,8	10,8	9,7	9,4
Mechanical Machinery Equipment	8,8	9,5	9,1	9,3
Specialized Industrial Machinery	8,1	8,9	8,8	9,0
Machine Tools	8,6	8,9	8,6	8,9
Home Machinery (including Electric Appliances)	14,6	14,5	14,0	14,5
Electrical and professional/scientific machinery and equipment	2,1	2,0	1,8	1,8
Office Machines and Computers	2,1	1,7	1,2	1,2
Engines, Electrical Generators and Transformers	3,5	3,5	3,2	3,5
Lighting equipment and Electric Lamps	7,3	7,3	6,9	6,8
Electronic Valves, Cables and Other Components	1,2	0,9	1,0	1,0
Broadcasting Equipment for Telecommunications	1,4	1,4	1,7	1,9
Receiving Equipment for Telecommunications	1,0	1,1	0,9	0,9
Medical-Surgical Equipment and Orthopedic Appliances	2,9	2,7	2,7	2,6
Optical Instruments and Photographic Equipment	4,7	5,3	4,8	4,6
Motor Vehicles	3,6	3,6	3,3	3,3
Boats	1,5	1,8	2,4	2,5
Bicycles and Motorcicles	10,3	11,3	10,8	10,6
Furniture	15,3	15,1	13,5	13,3
Jewellery	9,7	10,0	9,1	9,2
Music Instruments	4,9	5,3	4,3	4,4
Sporting Articles	4,2	4,2	3,8	3,9
Games and Toys	2,6	2,3	1,7	1,6
TOTAL	**4,3**	**4,4**	**4,1**	**4,2**

Source: ICE on UN - COMTRADE data

Table 6.3

PRICES AND QUANTITIES OF IMPORTS AND EXPORTS BY SECTOR

(percentage changes, in 1999, for exports and imports; index 1995 =100 for quantities and relative prices)

ATECO Sectors	EXPORTS		IMPORTS		RELATIVE QUANTITIES (1)		TERMS OF TRADE (2)	
	quantities	average unit values	quantities	average unit values	1998	1999	1998	1999
AGRICULTURE, LIVE ANIMALS AND FISHERY PRODUCTS	0,9	-8,6	0,9	-7,3	86,6	92,4	118,7	117,0
MINING INDUSTRY PRODUCTS	0,4	-3,4	0,4	16,4	89,0	88,4	110,7	91,9
INDUSTRIAL MANUFACTURED GOODS	-1,7	0,0	5,3	-1,5	93,4	87,2	104,3	105,9
Food, beverages and tobacco	4,1	-1,4	-0,1	-2,9	99,8	104,0	109,7	111,3
Beverages	*8,0*	*-0,2*	*1,3*	*2,4*	*80,2*	*85,4*	*124,7*	*121,6*
Textile, Wearing Apparel	-6,5	0,8	3,1	-4,3	90,5	82,1	103,8	109,4
Footwear and leather/hides products	-7,5	1,1	1,9	-4,3	78,2	70,9	106,7	112,8
Footwear	*-10,4*	*2,2*	*9,4*	*-0,8*	*74,8*	*61,3*	*99,8*	*102,8*
Tannery products	*-1,4*	*-3,3*	*-9,6*	*-11,8*	*96,3*	*105,0*	*108,6*	*119,1*
Leather products	*-5,9*	*6,2*	*6,2*	*2,3*	*51,9*	*45,9*	*118,3*	*122,8*
Wood and cork products (excluding furniture)	7,9	-4,6	3,8	0,0	102,7	106,7	102,7	98,0
Paper and Paper Products, Printing and Publishing	1,7	-1,7	0,6	2,3	100,3	101,3	108,1	103,9
Refined petroleum products	-8,3	15,1	-2,5	18,2	147,5	138,8	99,2	96,7
Chemical and pharmaceutical products	4,8	2,0	4,0	-0,4	107,6	108,4	96,4	98,7
Basic chemical products	*2,2*	*-0,1*	*4,0*	*-4,0*	*110,2*	*108,3*	*92,1*	*95,9*
Drugs and pharmaceutical products	*12,7*	*5,6*	*4,4*	*11,7*	*97,7*	*105,4*	*97,4*	*92,1*
Rubber and plastic products	1,8	-3,0	6,3	-0,8	96,0	91,8	99,9	97,7
Glass, ceramic and non-metallic construction materials	-1,9	0,5	1,4	0,4	103,1	99,7	101,1	101,2
Ceramic tiles	*-1,3*	*1,0*	*-5,0*	*9,4*	*116,5*	*121,1*	*92,8*	*85,8*
Metals and metal products (excluding machinery equipment)	-2,7	-4,8	-1,4	-7,0	95,2	94,0	106,7	109,2
Steel and iron pipes	*-15,2*	*-5,4*	*-7,4*	*-3,6*	*106,8*	*97,8*	*95,8*	*94,0*
Machinery equipment	-2,7	0,5	4,2	2,3	87,6	81,8	108,9	106,9
Specialized industrial machinery	*-4,0*	*1,0*	*1,4*	*0,7*	*81,7*	*75,5*	*113,4*	*113,7*
Machine tools	*-2,7*	*0,5*	*-3,3*	*4,3*	*84,9*	*85,4*	*108,7*	*104,7*
Home machinery (including electrical appliances)	*-1,0*	*-0,6*	*13,9*	*-1,1*	*100,6*	*87,5*	*94,3*	*94,8*
Electrical and professional/scientific machinery and equipment	-0,6	0,2	9,5	-1,4	88,6	80,5	101,4	103,0
Office machines and computers	*-12,5*	*6,3*	*11,3*	*-1,1*	*57,8*	*45,5*	*107,4*	*115,5*
Electric motors, generators and transformers	*5,7*	*-4,0*	*0,5*	*2,3*	*105,0*	*110,7*	*106,6*	*100,1*
Transmission equipment	*2,6*	*6,1*	*9,2*	*7,4*	*88,2*	*83,0*	*104,6*	*103,2*
Medical and scientific instruments	*-2,4*	*1,7*	*1,2*	*-5,0*	*82,6*	*79,7*	*91,8*	*98,3*
Transportation Equipment	-3,5	1,4	14,5	-1,8	84,6	71,3	100,1	103,3
Motor vehicles	*2,7*	*1,4*	*13,3*	*-0,7*	*71,1*	*64,5*	*94,9*	*96,9*
Other manufactured goods	2,1	-0,9	4,3	1,3	87,6	85,7	96,0	93,9
Furniture	*-0,5*	*-0,5*	*11,5*	*5,2*	*73,5*	*65,5*	*103,7*	*98,1*
TOTAL	**-1,6**	**0,0**	**5,0**	**-0,8**	**94,4**	**88,4**	**105,0**	**105,9**

(1) indexes' percentage ratio of quantities exported to quantities imported

(2) Indexes' percentage ratio of exports' average unit values to imports' average unit values

Source: ICE on ISTAT data

Table 6.4

FOREIGN DIRECT INVESTMENTS BY SECTORS (1) (2)
(billion Liras)

SECTORS	1995	1996	1997	1998	1999
			FDI inflows to Italy		
Agriculture, forestry and fishery products	9	49	56	27	33
Energy products	215	-262	51	-168	-7
Industrial manufactures, of which	3.361	955	2.040	1.761	3.804
Minerals ande metals	58	102	255	122	954
Chemicals	264	-282	73	83	660
Mechanical products (3)	1.845	668	247	1.274	796
Food	439	75	220	172	652
Textiles	209	133	151	42	475
Construction and Public Works	52	63	16	77	281
Tradable services, of which	3.787	4.089	3.466	2.560	8.975
Commerce	276	162	391	255	963
Transports and Communications	74	311	199	-527	1.358
Insurance	1.343	2.488	1.280	1.591	4.141
Total (4)	**7.402**	**5.211**	**6.001**	**4.265**	**13.102**
			FDI outflows from Italy		
Agriculture, forestry and fishery products	-68	42	75	417	-47
Energy products	572	1.585	2.013	1.003	4.516
Industrial manufactures, of which	1.863	1.994	5.176	2.983	9.405
Minerals ande metals	933	211	515	353	1.112
Chemicals	499	425	812	-23	773
Mechanical products (3)	202	560	2.118	1.647	4.805
Food	40	182	557	341	997
Textiles	167	258	578	433	339
Construction and Public Works	151	134	92	42	341
Tradable services, of which	5.978	4.928	9.464	13.950	-6.250
Commerce	-36	663	387	472	1.398
Transports and Communications	283	293	56	1.499	600
Insurance	5.455	3.669	8.277	11.657	3.292
Total (4)	**8.915**	**9.542**	**17.362**	**20.372**	**7.975**
			Balances (5)		
Agriculture, forestry and fishery products	77	7	-19	-390	80
Energy products	-357	-1.847	-1.962	-1.171	-4.523
Industrial manufactures, of which	1.498	-1.039	-3.136	-1.222	-5.601
Minerals ande metals	-875	-109	-260	-231	-158
Chemicals	-235	-707	-739	106	-113
Mechanical products (3)	1.643	108	-1.871	-373	-4.009
Food	399	-107	-337	-169	-345
Textiles	42	-125	-427	-391	136
Construction and Public Works	-99	-71	-76	35	-60
Tradable services, of which	-2.191	-839	-5.998	-11.390	15.225
Commerce	312	-501	4	-217	-435
Transports and Communications	-209	18	143	-2.026	758
Insurance	-4.112	-1.181	-6.997	-10.066	849
Total (4)	**-1.513**	**-4.331**	**-11.361**	**-16.107**	**5.127**

(1) Difference between investiments and divestiture
(2) Classified on the Italian recipient economic sector, as far as FDI inflows are concerned, and on the foreign recipient economic sector, for FDI outflows
(3) Transportation machinery and equipment
(4) The total figure includes non tradable services but not the housing sector and banking services, in contrast with the balance of payment capital account published on the Annual Report of the Governor of the Bank of Italy
(5) Difference between FDI inflows to Italy and Italian FDI outflows

Source: ICE on UIC data

Table 6.5

REGIONAL DISTRIBUTION OF ITALIAN MERCHANDISE EXPORTS
(percentage weights at current prices) (*)

	1998	1999	1999 I sem.	1999 II sem.	2000 I quarter
NORTH and CENTER	**89,7**	**89,9**	**90,1**	**89,4**	**89,6**
NORTH WESTERN ITALY	**42,7**	**42,1**	**42,2**	**42,0**	**43,1**
Piedmont	12,3	12,0	12,2	11,8	12,4
Valle d'Aosta	0,1	0,1	0,1	0,1	0,2
Lombardy	29,0	28,7	28,6	28,7	29,2
Liguria	1,3	1,3	1,2	1,4	1,4
NORTH EASTERN ITALY	**31,0**	**31,7**	**32,2**	**31,2**	**30,5**
Trentino Alto Adige	1,7	1,8	1,8	1,8	1,7
Veneto	13,9	14,6	14,8	14,3	13,2
Friuli Venezia Giulia	3,7	3,5	3,4	3,7	3,9
Emilia Romagna	11,7	11,9	12,2	11,5	11,7
CENTRAL ITALY	**16,1**	**16,0**	**15,7**	**16,2**	**16,0**
Tuscany	8,0	8,1	8,2	7,9	8,5
Umbria	0,9	0,9	0,9	0,9	0,9
The Marches	3,1	2,6	2,4	2,8	2,2
Lazio	4,1	4,4	4,2	4,7	4,5
MEZZOGIORNO	**10,3**	**10,1**	**9,8**	**10,4**	**10,3**
SOUTHERN ITALY	**8,0**	**7,8**	**7,8**	**7,6**	**7,5**
Abruzzo	1,9	1,8	1,8	1,7	1,7
Molise	0,2	0,2	0,2	0,2	0,2
Campania	3,0	2,9	2,9	2,9	2,8
Puglia	2,3	2,3	2,2	2,3	2,2
Basilicata	0,4	0,5	0,6	0,4	0,4
Calabria	0,1	0,1	0,1	0,1	0,2
ISLANDS	**2,3**	**2,3**	**2,0**	**2,6**	**2,8**
Sicily	1,6	1,6	1,4	1,7	1,8
Sardinia	0,7	0,7	0,6	0,9	1,0
ITALY	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**

(*) The item "Various non specified provinces" has been removed

Source: ICE on ISTAT data

Table 7.1

INTERNATIONALIZATION INDICATORS FOR ITALIAN REGIONS

Areas and regions	Degree of export concentration 1999 (1)	Exports per person employed (2) (million Liras)	Degree of GDP Concentration 1998 (3)	Degree of openess to foreign markets 1998 (4)	Degree of concentration of foreign participated firms (5)	Degree of concentration of foreign firms with Italian participation (6)
NORTH CENTER	**89,9**	**78,3**	**75,8**	**110,4**	**88,3**	**95,6**
NORTH WESTERN ITALY	**42,1**	**83,8**	**32,3**	**110,0**	**51,1**	**57,9**
Piedmont	12,0	78,1	8,6	115,7	13,7	16,4
Valle d'Aosta	0,1	55,4	0,3	72,0	0,3	0,0
Lombardy	28,7	89,6	20,2	114,3	34,9	36,0
Liguria	1,3	49,2	3,3	48,8	2,2	5,5
NORTH EASTERN ITALY	**31,7**	**81,8**	**22,8**	**121,1**	**23,5**	**27,6**
Trentino Alto Adige	1,8	73,3	2,0	103,0	2,6	0,8
Veneto	14,6	78,3	9,4	122,5	8,5	11,6
Friuli Venezia Giulia	3,5	107,1	2,5	158,9	2,3	1,8
Emilia Romagna	11,9	82,0	8,9	113,8	10,1	13,4
CENTRAL ITALY	**16,0**	**62,3**	**20,7**	**95,3**	**13,7**	**10,1**
Tuscany	8,1	77,8	6,6	118,4	5,0	3,8
Umbria	0,9	37,7	1,4	64,4	1,3	0,4
The Marches	2,6	46,3	2,6	107,5	1,5	2,6
Lazio	4,4	60,4	10,1	69,7	5,9	3,3
MEZZOGIORNO	**10,1**	**28,2**	**24,2**	**60,9**	**11,6**	**4,1**
SOUTHERN ITALY	**7,8**	**32,4**	**16,4**	**61,1**	**9,5**	**4,0**
Abruzzo	1,8	50,5	1,9	94,1	2,5	0,3
Molise	0,2	28,4	0,4	57,8	0,5	0,1
Campania	2,9	35,8	6,4	65,5	3,9	2,7
Puglia	2,3	27,8	4,8	55,6	1,6	0,9
Basilicata	0,5	38,8	0,7	63,3	0,7	0,0
Calabria	0,1	4,8	2,1	8,7	0,3	0,0
ISLANDS	**2,3**	**26,4**	**7,8**	**39,6**	**2,1**	**0,1**
Sicily	1,6	24,7	5,7	38,1	1,2	0,1
Sardinia	0,7	31,0	2,0	43,7	0,9	0,0
ITALY	**100,0**	**67,8**	**100,0**	**100,0**	**100,0**	**100,0**

(1) Percentage weights on national exports
(2) People employed in agriculture and manufacture (excluding construction) in 1999.
(3) Value added at factor costs of total 1998 economic activities. Percentage weights on national total.
(4) Ratio of Regions' degree of openess on foreign markets to Italy's degree of openness on foreign markets. The degree of openess is calculated as the ratio of exports to the added value at factor costs in agriculture and manufacture (excluding construction). The index is a measure of the Regions' orientation to foreign markets
(5) Percentage share out of total Italian industries plants with foreign participation as of 1.1.1998.
(6) Percentage share out of total foreign direct Italian investments as of 1.1.1998, by region of parent company.

Source: ICE on ISTAT, Istituto Tagliacarne, Database Reprint R&P data

Table 7.2

COMPARISON OF ITALIAN ENTERPRISES' INTERNATIONALIZATION FEATURES OVERVIEW

(average revenues and turnover in billion Liras)

	1994	1995	1996	1997	1998	*1999 (1)*
			EXPORTERS			
Number of exporters	173.339	181.286	182.854	180.352	182.684	*168.638*
% change compared to previous year	n. d.	4,6	0,9	-1,4	1,3	*-1,7*
Average export revenues	1,8	2,2	2,2	2,4	2,5	*2,4*
% change compared to previous year	n. d.	19,6	2,0	7,1	3,9	*1,6*
	PARTICIPATION IN FOREIGN INDUSTRIAL ENTERPRISES (*)					
Number of investors (2)	n. d.	793	n. d.	867	n. d.	*1.000*
% change compared to two years before	-	13,1	-	9,3	-	*15,3*
Number of participated companies	n. d.	1.950	n. d.	2.034	n. d.	*2.350*
% change compared to two years before	-	14,1	-	4,3	-	*15,5*
Average revenues of participated companies	n. d.	88	n. d.	92	n. d.	*100*
% change compared to two years before	-	8,6	-	4,6	-	*9,0*

(1) Data is estimated for participation in foreign industrial countries. Provisional data for exporters
The change in the number of exporters and in the average revenues has been computed on provisional 1988 data
(2) In this table investors are considered as individual companies and not as groups

Source: ICE on ISTAT, CNEL - R&P - Politecnico di Milano data

Table 8.1

COMPARISON OF ITALIAN ENTERPRISES' INTERNATIONALIZATION FEATURES BY DIMENSIONAL BRACKETS

(distribution and percentage ratios)

Dimensional brackets (employees)	Exporters (all sectors) number			Exporters (all sectors) revenues	Italian enterprises with foreign industrial participation number			revenues of participated companies	Ratio of industrial enterprises with FDIs to exporting firms
	1991	1997	value change	1997	1991	1997	value change	1997	1997
1-49	91,4	92,6	1,2	31,8	12,3	20,1	7,8	0,9	0,2
50-99	4,6	4,1	-0,5	11,7	12,5	16,8	4,4	1,3	2,6
100 - 249	3,5	2,3	-0,6	15,7	17,9	22,1	4,2	1,7	6,1
250 - 499		0,6		9,7	15,7	14,4	-1,2	2,4	15,1
500 and more	0,5	0,4	-0,1	31,1	41,7	26,5	-15,2	93,7	44,7
Total	100,0	100,0	-	100,0	100,0	100,0	-	100,0	0,9

(1) In this table investors are considered as individual companies and not as groups, however the sizes are those of the reference group

Source: ICE on ISTAT , CNEL - R&P - Politecnico di Milano data

Table 8.2

EXPORTERS AND RELATIVE EXPORTS PER REVENUE BRACKETS

(provisory data, revenue brackets by millions of Lira, values and average revenues in billion Liras)

Annual revenues brackets	Exporters			Value			Average revenues		
	1998	1999	% change	1998	1999	% change	1998	1999	% change
Up to 150	101.910	100.023	-1,9	3.244	3.179	-2,0	0,032	0,032	-0,000
150 -1.000	36.209	35.795	-1,1	15.673	15.484	-1,2	0,433	0,433	-0,000
1.000 -5.000	21.295	20.970	-1,5	49.022	48.721	-0,6	2,302	2,323	0,021
5.000 -25.000	9.459	9.265	-2,1	100.253	99.036	-1,2	10,599	10,689	0,091
25.000 -100.000	2.155	2.125	-1,4	97.708	96.898	-0,8	45,340	45,599	0,259
100.000 and more	446	460	3,1	145.348	147.585	1,5	325,892	320,837	-5,055
Total	171.474	168.638	-1,7	411.248	410.902	-0,1	2,398	2,437	0,038
Pro memoria									
Other operations (a)	*....*	*....*	*....*	*9.516*	*8.222*	*-13,6*	*....*	*....*	*....*

(a) Exports by non-identified operators

Source: ICE on ISTAT data

Table 8.3

ICE'S BILLED ASSISTANCE SERVICES

services	number		(%)		revenues*		(%)	
	1998	1999	1998	1999	1998	1999	1998	1999
Search for business counterparts	14483	11282	42,7	40,8	1.275	1.002	13,1	8,9
Customized services	4829	5329	14,2	19,3	5.683	7.816	58,2	69,2
Subscriptions to services	6825	3589	20,1	13,0	1.329	1.243	13,6	11,0
Confidential information	3760	3570	11,1	12,9	473	430	4,8	3,8
Market surveys	2176	1876	6,4	6,8	90	96	0,9	0,9
Debt collection	424	645	1,3	2,3	25	40	0,3	0,4
Others	1396	1373	4,1	5,0	887	663	9,1	5,9
Services Total	33893	27664	100,0	100,0	9.762	11.290	100,0	100,0

**million Liras*

Table 9.1

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