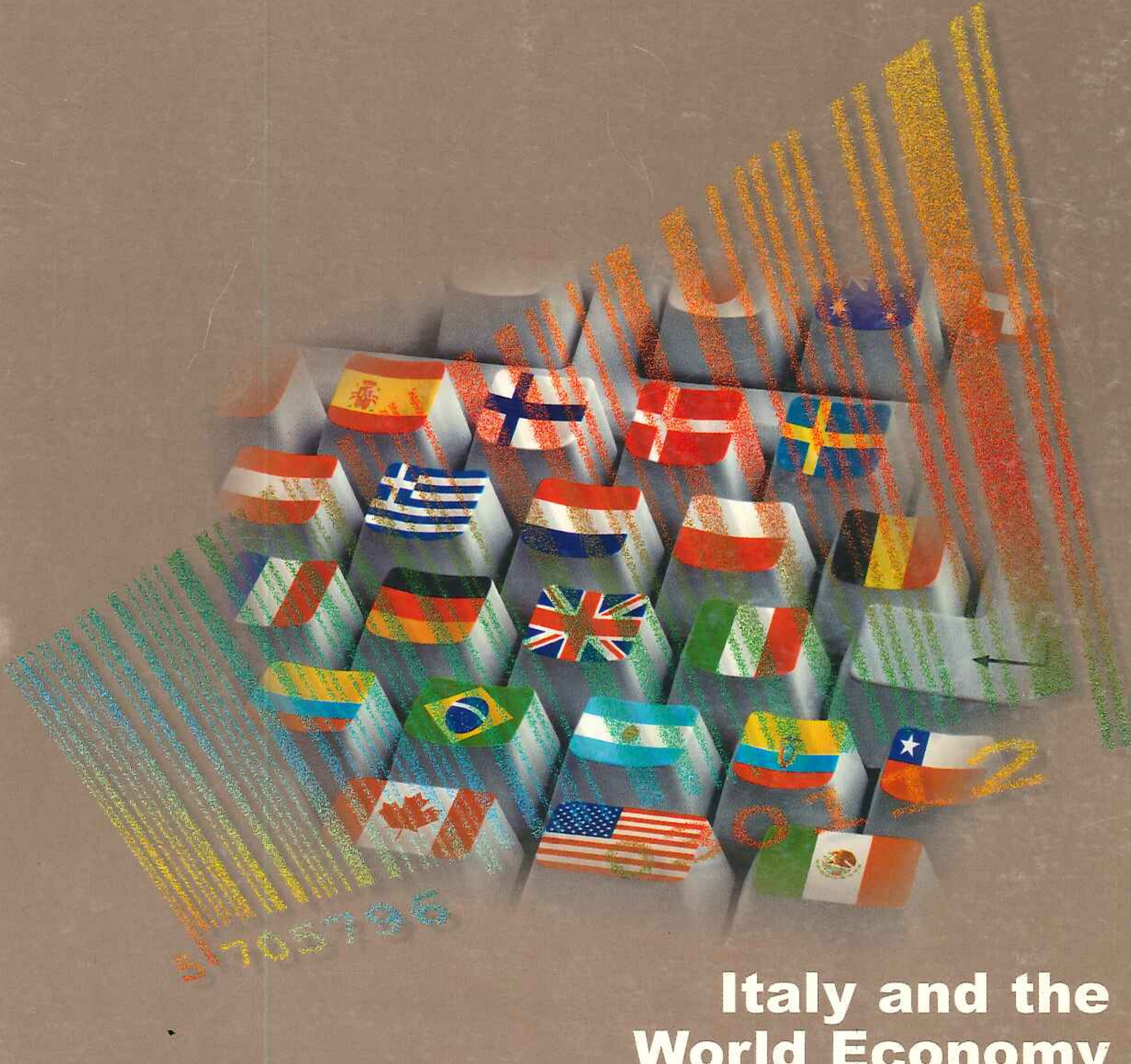
ITALIAN NATIONAL STATISTICAL SYSTEM
ITALIAN INSTITUTE FOR FOREIGN TRADE



Italy and the World Economy

Summary

ICE Report 2002-2003

Italian Institute for
Foreign Trade

ITALIAN NATIONAL STATISTICAL SYSTEM
ITALIAN INSTITUTE FOR FOREIGN TRADE

Italy and the World Economy

ICE Report 2002-2003

ICE Report was written by a working group of ICE's Economic Research, Statistics and Documentation Division

Coordination: Gianpaolo Bruno and Paolo Ferrucci

Editorial staff: Gianpaolo Bruno, Claudio Colacurcio, Domenico Cuccurullo, Paolo Ferrucci, Cristina Gioffrè, Eleonora Iacorossi, Elena Mazzeo, Roberta Mosca, Marilena Procaccio, Alessia Proietti, Chiara Salabè

General Overview: Lelio Iapadre
English translation: Mali Cecere

Assistance and Data Processing: Giampiero Testardi and ICE - Informazioni Telematiche S.p.A.

The Report was realized under the supervision of a Scientific Committee chaired by Fabrizio Onida and made up of Giorgio Basevi, Giuliano Conti, Sergio De Nardis, Riccardo Faini, Paolo Guerrieri Paleotti, Lelio Iapadre, Sergio Mariotti, Pier Carlo Padoan, Luigi Paganetto, Giuseppe Pennisi, Salvatore Rossi, Pia Saraceno, Gianfranco Viesti

Additional Collaboration: Giovanni S. F. Bruno, Irene Caratelli, Barbara Clementi, Giuseppe De Filippi, Alessandra D'Intinosante, Anna Maria Falzoni, Ugo Girardi, Rodolfo Helg, Orietta Maizza, Mauro Marè, Ilaria Mariotti, Marco Mutinelli, Cristina Pensa, Sergio Sgambato, Claudio Vicarelli

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ATTRACTION OF FOREIGN INVESTMENTS AND THE ABILITY TO EXPORT

1. International Trade Flows and Investments

Slow recovery of world production...

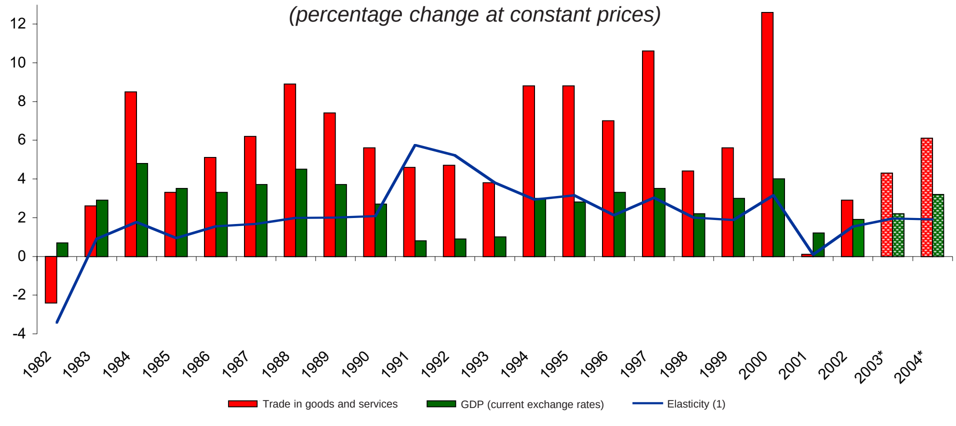
The *world economy* seems to be slowly recovering from the depression that it had fallen into in 2001, when the sharp thrust of innovation flows in the information and telecommunication sectors was over - even before the tragic events had changed the scenario of international politics. GDP growth is very modest, from an increase of 1,2% in 2001 to 1,9% in 2002, to 2,2% in 2003, according to the International Monetary Fund (IMF) estimates.

...and of international trade flows.

International trade flows, which in the past had almost always shown a much greater dynamism than production, were badly struck by the crisis, and they have not yet returned to rates of increase comparable to those of the nineties. In fact, one of the reasons that raises doubts on the strength of the undergoing recovery is the fact that world trade does not seem to carry out the flywheel role it had played in previous cycle reversals. The volume of trade flows of goods and services, which in 2001 had remained unchanged compared to the previous year, grew by about 3% in 2002 and it is estimated to grow by 4,3% in the current year. In the three year period trade to output apparent elasticity, that is to say the ratio between the growth rate of trade and that of GDP, is thus equal to about 1,2, which is far below the 1991-93 period level, when the world economy had gone through a similar cyclical phase, and trade grew at rates nearly five times higher than those of production.

WORLD TRADE AND OUTPUT

(percentage change at constant prices)



(1) Ratio of trade percentage change to GDP percentage change.

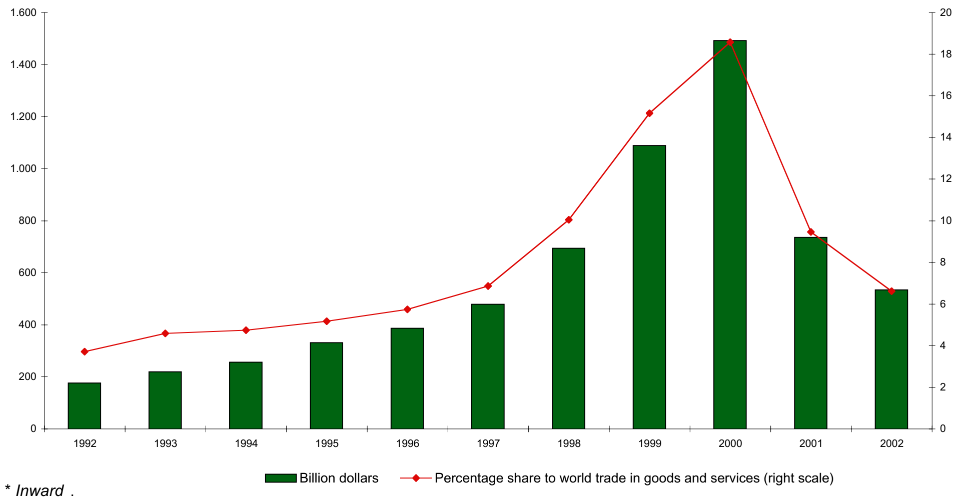
* Estimates and forecasts

Source: ICE on IMF data.

After experiencing a reduction of fifty percent in 2001, *foreign direct investments* (FDI) further dropped by about 25% last year, showing as a whole the highest drop ever registered in at least three decades. In particular, the extraordinary growth of international mergers and acquisitions at the end of the nineties seems to have reached a halt. Available estimates for such activities indicate a further reduction in 2003[1], due to the persistent uncertainties upon the world political and economic perspectives, and to the difficult situation of certain sectors which in the past had attracted intense FDI flows (air transport, tourism, computer science).

The drop of Foreign Direct Investments continues.

WORLD FOREIGN DIRECT INVESTMENTS FLOWS*



** Inward .*

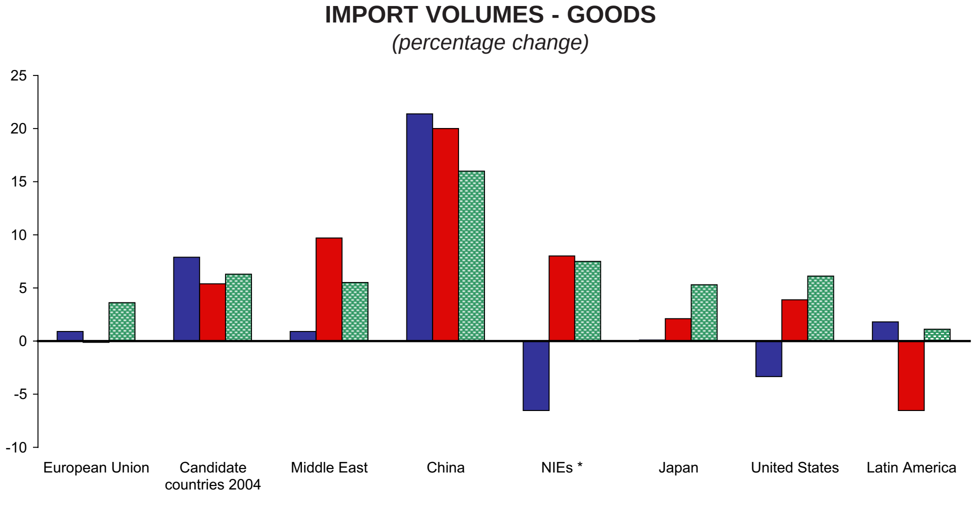
Source: ICE on UNCTAD data

Even though slowing down, the growth of international trade flows has confirmed certain basic trends which had characterized previous decades, in particular regarding the changes in their *geographic distribution*. The latter can be clearly observed by comparing the contribution of each area to the growth of world imports in 2002, with its share in the previous year. Despite Japan's persisting stagnation, the Asian continent, which in 2001 absorbed 26% of world merchandise imports (at constant prices), contributed by 68% to its recovery in 2002, mainly due to the fast growth of demand in China. Central-Eastern Europe, whose weigh on world imports in 2001 was less than 7%, contributed by 19% to last year's increase. The United States also participated to the recovery of world imports, thanks to the greater strength

Asia and Central-Eastern Europe support the growth of world exports and attract FDI.

[1] OECD, Trends and Recent Developments in Foreign Direct Investment, June 2003

of domestic demand, but the extent of their contribution (20%) was just slightly higher than their 2001 share (17%). Negative contributions came instead from the European Union - still trapped into stagnation, particularly evident in Germany - and by Latin America, which fell into a very deep crisis, that shook all its main countries one after the other.



* Goods and services.

Source: ICE on IMF and European Commission data.

The geographic distribution of FDI inflows also experienced important changes. The downfall of the last two years was especially concentrated on the developed countries, and in particular on the United States and Great Britain. Capital inflows towards China continued to rise, attracted by large growth opportunities, thanks also to the country's accession to the World Trade Organization (WTO). In 2002 China became the main beneficiary of FDIs, thus surpassing the United States with flows of about 50 billion dollars, equal to 9,4% of the total (2,7% in 2000). Stimulated by the outlook of the integration with the European Union, the investments directed towards Central-Eastern Europe were not affected by the crisis, and their shares on world FDIs rose from 1,8% to 5% in two years.

The most dynamic sectors: chemical industry, motor-vehicles, services.

The core of the 2001 crisis can be found in the information and communications technology sectors, where trade flows suffered a sudden collapse, after years of continuous growth. In 2002 their total volume remained stagnant, but in East Asian countries, some of which highly specialized in such products, clear signs of recovery of intra-industry trade emerged. Chemicals (in particular the pharmaceuticals) and motor vehicles were the sectors that most contributed to merchandise trade growth in 2002. Despite the crisis of international tourism and air transport, trade in services grew at a slightly faster rate than that of merchandises.

China's and Central-Eastern Europe's market shares rise, to the detriment of the United States, the European Union and Japan.

Export market shares were strongly influenced by this process of rearrangement in the geographical and sectorial structure of world trade, favoring those countries mostly characterized by models of trade specialization oriented on more dynamic markets and sectors. However, also 2002 changes must be interpreted in the light of a long-term redistribution of world production in favor of some emerging countries.

China in particular continued its progressive expansion, reaching 6,5% of world merchandise exports (at current prices) and ranking third among world merchandise exporters along with Japan[2]. China's exports, which already quadruplicated their share on world trade between 1980 and 1999, rapidly increased in the last three years, growing at an average rate of over 14% per year, compared to the world average of 4%. This expansion was largely stimulated by strong inflows of foreign capital and to the increasing close links with the other dynamic markets of the Asian region.

Central-Eastern Europe's shares also recorded a sharp increase in the last years, from 3,8% in 1999 to 4,5% in 2002, mainly due to the contribution of sales of multinationals' foreign affiliates which increasingly invested in these countries. Furthermore, the exports of the region have been stirred by the progress of its integration with the European Union.

The oil price rise, compared to its level at the end of the nineties, generated an impressive growth of world export shares of Middle East and of other oil producing countries.

On the other hand, in the last three years a strong decline characterized the trade shares of North America (from 16,3% to 14,7%), of the European Union (from 39,1 to 37,9%) and those of Japan (from 7,4 to 6,5%). The fluctuations of real exchange rates only marginally modify these tendencies, often in opposite directions of what is commonly believed. In 2002, for example, the United States' market share was squeezed by the nominal impact of the dollar's depreciation, whilst the contrary occurred in the euro area. Exchange rates changes have an immediate impact on relative prices, whilst substitution effects on trade quantities occur with delay, and they are generally insufficient to compensate for prices' changes.

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[2] This assessment refers to Chinese exports, which include Hong Kong's re-exports of Chinese origin, with the assumption that these do not include sales of the Special Administrative Region of Hong Kong destined to other markets (cfr. C. Salabè, "China and Hong Kong: divided by statistics", in ICE, Italy in the world economy - ICE Report 2001-02, pp.31-33). Other sources, such as the World Trade Organization, place China as the fifth world merchandise exporter in 2002, with a share of 5,1 per cent, almost equal to that of France and in any case in a strongly increasing trend (cfr. WTO, World Trade Figures 2002, Press Release, 22 April, 2003).

The ongoing transformations in the international division of labor are even more evident in a longer time perspective. Between 1993 and 2002 the share of the advanced economies on world merchandise exports went down from 80% to 72%, to the advantage of both the developing countries (from 17% to 23%) and the countries in transition (from 3,5% to 5%). Besides China and some countries of Central-Eastern Europe and of South-East Asia, significant increases were obtained by Mexico and India. Among the advanced economies only South Korea and Ireland increased their shares by over two tenths of a percentage point. Also in this case, it is easy to assume that FDI inflows to these countries played an important role in leveraging their shares on world exports.

The trend towards redistribution, even if less accentuated, can also be observed in the case of trade in services, where the share of developed countries dropped from 76% to 74% between 1993 and 2002, whereas for the developing countries it went up from 21% to 22%. Analyzing these figures, one should take into account that international services transactions are often carried out in ways involving a presence of the seller and buyer in the same market place, thus they are not always recorded in official international statistics. In any case, the directions of international capital flows help to understand changes in services export shares. For example, it is well known that the success achieved by India, whose share on world services exports rose from 0,5% to 1,3% between 1993 and 2002, can also be explained by the huge FDIs inflows stimulated by the competitive advantage that the country was able to develop in certain areas of the advanced tertiary sector.

Although through milder changes, *import* shares followed the same direction of export shares: emerging countries with higher export gains increasingly became important destination markets.

External imbalances of developed countries are accentuated.

Like market shares, also main countries' *external imbalances* confirmed not to be very reactive to real exchange rates' fluctuations in 2002. In particular, despite the dollar depreciation, the United States' current account deficit started to expand again, reaching nearly 5% of GDP, brought forth by a more vigorous recovery of domestic demand than that of main trading partners. In a context where capital inflows seem no longer able to properly finance such a deficit, doubts regarding its sustainability grow intensively. Despite currency's appreciation, the U.S. economic cycle misalignment *vis-à-vis* the rest of the world induced a significant increase in the current account surplus of the euro area. In this context, also the expansion of Japan's surplus seems to be due to its enduring recession rather than to yen's depreciation. Similar considerations can be made for Latin American countries in crisis, whose severe recessions, following monetary disturbances, abruptly re-balanced their current accounts. Their net external position benefited from this, even though the fall of debt service payments, expressed as a percentage of exports, is a clear effect of Argentina's default.

Despite the uncertainties, recovery should strengthen in 2004.

The *outlook* is very uncertain, not so much because of the international political scenario, which combines situations of deep crisis with signs of recovery, but especially for the persisting slowness of the traditional growth engines of major developed countries. Recovery observed in these latest months seems to be still concentrated in a relatively small number of countries, and it is not clear yet whether the severe epidemic crisis blown up in the Far East has been definitely put under control. However, the degree of interdependence reached by economic systems is strong enough to allow a certain good faith in the gradual diffusion of existing growth signs, so long as new traumatic events do not interfere. IMF forecasts a world GDP growth higher than 3% in 2004, along with an acceleration of trade flows of over 6%. Investments' estimates gathered by UNCTAD among national agencies responsible of FDIs' attraction policies also show moderate optimism[3].

2. Perspectives of International Trade Negotiations

WTO negotiations make few progresses.

The stall of the ongoing international trade negotiations within the WTO is surely among the factors that raise doubts over the future. In November 2001, the Doha Ministerial Conference established a work program, called the *Doha Development Agenda*, which should have re-launched the process of trade liberalization, driving it more closely to the needs of developing countries. The agenda involved ongoing negotiations on agriculture and services in a more ambitious plan also encompassing trade in manufactured goods and other still very controversial issues, such as competition and investment policies and the link between trade and the environment.

Progress has been very limited so far, and the negotiations' climate is still very tense. Not only is the next Cancun Ministerial Conference at stake, but also the deadline of January 2005 set for the conclusion of the program. Negotiations regarding market access for manufactures have made some steps forward, with the discussion of a document concerning negotiating methods (however, not approved yet) and those related to trade in services achieved an agreement on criteria for the recognition of already adopted unilateral liberalization measures. However, agricultural negotiations remain the main obstacle, as the positions of major actors still seem to be distant.

The decisive question mark remains agriculture.

The European Ministers of agriculture just reached an agreement on a reform of the Common Agricultural Policy (CAP) which, among other things, envisages to gradually introduce a system of subsidies for farmer's income, without the distortions on international trade flows generated by the

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[3] UNCTAD, "Prospects for global and regional FDI flows", UNCTAD's worldwide survey of investment promotion agencies, May 14 2003, DITE-OD-2003-6.

current aid system linked to the quantities produced. This is also a necessary step in view of the future enlargement of the Union, which would make the financial unsustainability of the CAP even more evident. However, this obviously represents a compromise between the more radical reform proposals, aimed at removing the links between agricultural subsidies and the volume of production, and protectionist resistance of certain countries. The European Commission believes that the agreement might increase its margins of negotiation within the WTO, but - as this text comes to print - it has not formulated a new specific negotiation proposal yet. Reactions of the other countries are very cautious and reasonably aimed at lessening the value of the reform. It is not possible yet to understand whether the European position will be able to facilitate an agreement within the WTO in time for the Cancun Conference.

Other issues remain unsolved, in particular as regards the relations between developed and developing countries. To many observers, the request of rebalancing the liberalization process, in favor of an increase of the developing countries' comparative advantages, still appears to be unanswered. At the same time developing countries demand that the "special and differential treatment" that they are already enjoying within the system be strengthened. The problem of patent drugs is the most acute example of a controversy that also runs into other matters. In fact, in this case, the benefits deriving from an adequate protection of intellectual property rights have to deal with the need to rapidly respond to medical emergencies that many countries are suffering.

Special attention must be paid to new issues included in the negotiation debate, mainly due to pressures from the European Union. In particular, the Cancun Conference could be the opportunity to launch negotiations on international competition and investments policies. The importance of such matters for the international trade system is obvious, since the actual degree of markets' contestability greatly depends on entry barriers deriving from firms' anti-competitive practices or from the rules governing investments. However, many developing countries fear the negotiation and institutional burdens that could emerge from opening new settlements on such crucial topics.

Other tensions persist in the relations between the United States and the European Union within the WTO. The main issue concerns fiscal incentives for exports, granted by the U.S. Government through the system of *Foreign Sales Corporations* (FSC). The system was deemed as breaching the rules of the WTO, and the European Union was authorized to apply severe sanctions, that could pose disruptive effects on bilateral relations. On the other hand, the United States claim that the European rules governing the Genetically Modified Organisms (GMO) represent an unacceptable restriction to free trade, whilst the European Union criticize the American attempts of using aid programs for the least developed countries to favor the exports of such products. Also the steel controversy seems to be far from reaching an acceptable solution for both sides. Finally, important differences persist regarding the taxation of electronic commerce, for which equity and efficiency worries for the fiscal system add up to the technical difficulty of locating the agents of the transactions, and to the need to avoid restriction of the sector's potential development through excessive restraints.

Tendency to regionalism is strengthened...

In this context *regional preferential integration agreements* continue to strengthen and spread. In fact, the difficulties of multilateral negotiations might actually increase the incentives to regionalism. On the other hand, many observers fear that the contemporary presence of various negotiation boards - bilateral, regional, multilateral - contribute to harden positions within the WTO, therefore reducing the cost of a possible failure in the negotiators' perception. However, the complex challenges of the world economic system are such that it has become necessary to look for an institutional structure articulated on various levels, within which a regional one has become essential, especially to experiment ways of deeper integration. Preferential agreements set in recent years seem in any case to be part of trade policy strategies oriented in favor of greater opening towards third countries; however, among the issues of the Doha Agenda there is also the quest for a more adequate system of rules, to avoid that regionalism could endanger progress of multilateral liberalization.

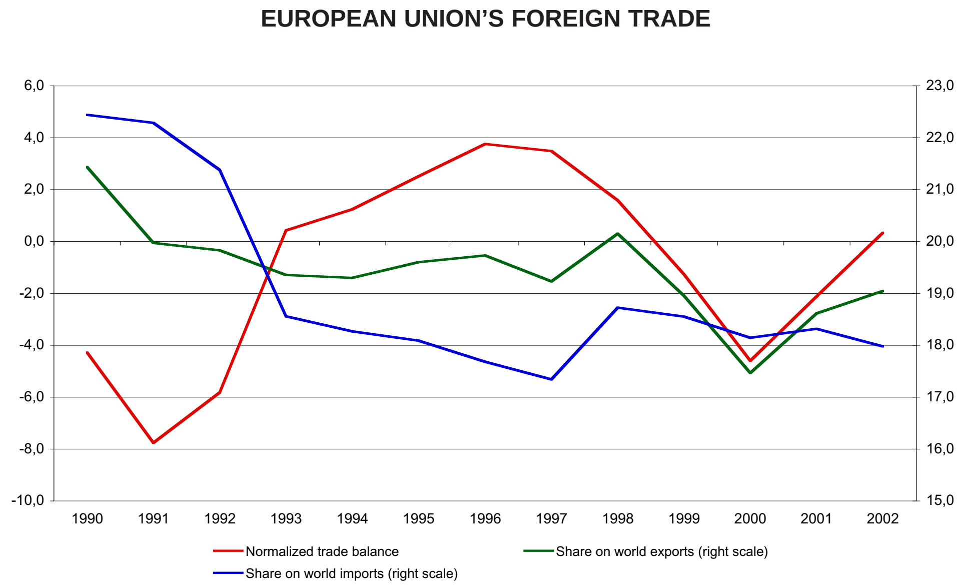
...despite Mercosur crisis.

In fact the thrust in regional integration agreements, besides their controversial economic effects, is in any case motivated by strong political motivations. An evident example is that of *Mercosur* where, despite a very serious crisis that impoverished millions of people and that placed the economic and political stability of the entire region in danger, not to mention the safeguard of existing trade agreements, prospects for re-launching the integration process are still perceived as an essential way to break out present difficulties.

3. Foreign Trade of the European Union

Trade balance of the European Union improves and its market shares rise.

For the European Union (15 countries), the year 2002 - like 2001 - was characterized by an improvement of its *trade balance* and by an increase of its *market share on world exports* (net of the intra-EU trade flows). Both occurrences were favored by the nominal impact of the euro's appreciation, which proved so far to be higher than its negative consequences on export quantities. Trade balance improvement also reflected the weakness of domestic demand which curbed imports. Export market share remained at a slightly lower level than in the mid-nineties (19%, net of intra-regional trade flows). The recovery of the last two years can be mainly attributed to Germany.



Source: ICE on GTI data.

Whilst remaining concentrated in North America and Asia, the *geographic distribution* of the Union's exports shifted towards Central-Eastern Europe, and in particular towards those countries that will join the Union in 2004. Barriers still protecting markets of these countries are about to be eliminated completely, and it is believed that this will further stimulate their imports from the present members of the Union. On the other hand, the share of future members on the EU-15 imports, already increased from 8% to 11% between 1997 and 2002, might continue to expand, also due to foreign investments inflows.

Trade flows with Central-Eastern Europe intensify.

Respective *models of specialization* appear to be very different, thus reinforcing the perception that there is a great potential for trade creation. The European Union still mainly concentrates its comparative advantages on investment goods in the specialized supply sectors, but its model has partially changed, reducing its relative weakness in R&D sectors, and strengthening it in traditional products, where candidate countries are already finding great opportunities for expansion.

An intense activity in preferential bilateral relations continued to characterize the EU *foreign trade policy*, which in different ways involved almost all partners. As already mentioned, tensions with the United States remained very strong, but not to the point of preventing the maintenance of programs to stimulate mutual trade flows.

External trade policies and the introduction of the euro.

The attitude of the Union towards the rest of the world was also influenced by the results obtained within its own borders. Intra-regional trade in the euro area was stimulated by the completion of the common market and by the progressive elimination of exchange rate risks.

Nonetheless further trade effects, encouraged by the *introduction of a single currency* (through greater prices' transparency and higher credibility of a complete monetary union, compared to a situation of fixed exchange rates), are not significantly evident yet. However, one should not underestimate the huge benefits that the process of monetary integration has brought forth in terms of macro-economic stability.

4. Italy's Position

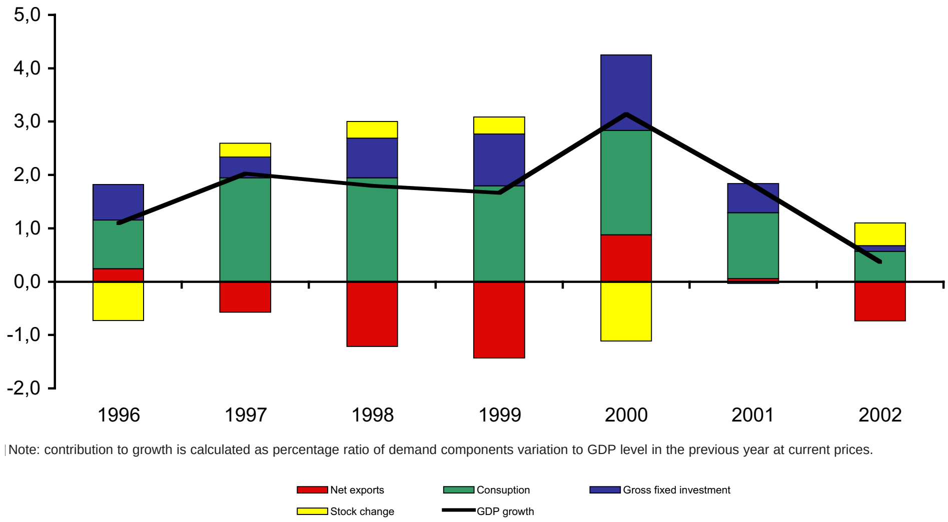
Despite the slow growth...

In 2001 the dampening foreign demand greatly affected the Italian economy, and it did not seem to have benefited from the weak recovery that started last year in the rest of the world. *GDP growth* in fact experienced a further slow-down, at 0,4% in 2002, half of the average rate recorded in the euro-area. Available data for the first few months of 2003 also show a very weak economic activity. Production trends could however improve in the second half of 2003, and the more recent available estimates for the entire year point to a growth rate of 0,7-0,8%, in line with the area's average.

...Italy's current account balance worsened.

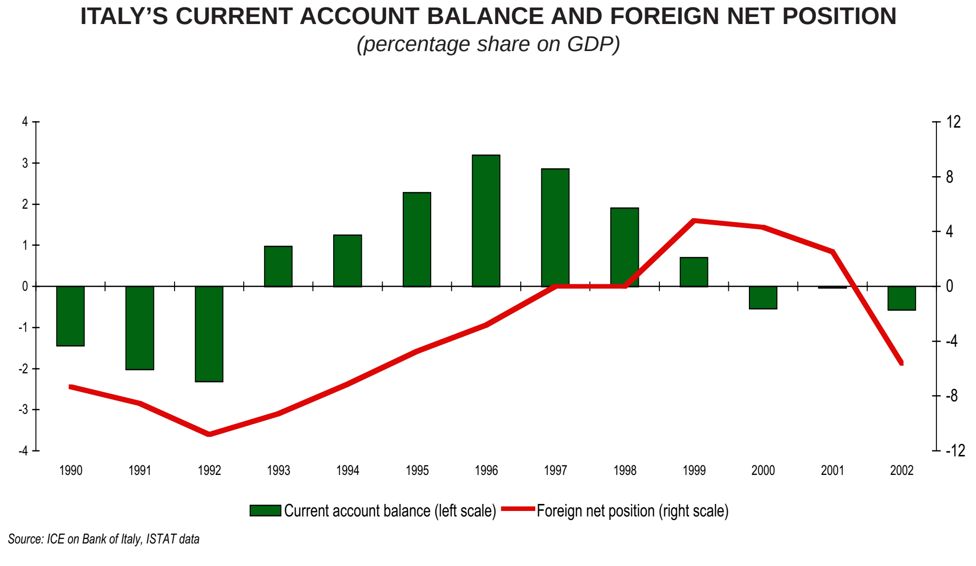
Net exports provided a negative contribution to GDP growth and, contrarily to what occurred in earlier sluggish phases, Italy's *current account balance* slightly worsened in 2002, reaching a deficit of 7.300 million euros (0,5% of GDP). Contribution of net exports to GDP growth in the euro area was instead positive and the current account balance significantly improved.

CONTRIBUTION TO ITALY'S GDP GROWTH



Note: contribution to growth is calculated as percentage ratio of demand components variation to GDP level in the previous year at current prices.

Source: ICE on ISTAT data.



The expansion of Italy's trade deficit was essentially due to trade in services, which registered a deficit of nearly 3.700 million euros, as a result of a retrenchment in tourism surplus, along with an increase in other services sectors' deficit, and a worsening of income receipts, whose deficit widened by about 3.800 million euros. *Merchandise balance* however remained almost unchanged, with its surplus close to 17.300 million (in *FOB-FOB* terms). The euro's appreciation allowed an improvement of the terms of trade of almost 2% in 2002, despite the increase of oil and of other raw materials price in dollar terms. This has compensated for the unfavorable dynamics of quantities traded.

Considering persisting weakness of the growth - and despite the strengthening of the euro – the OECD estimates that Italy's current account balance *in 2003* will return to equilibrium.

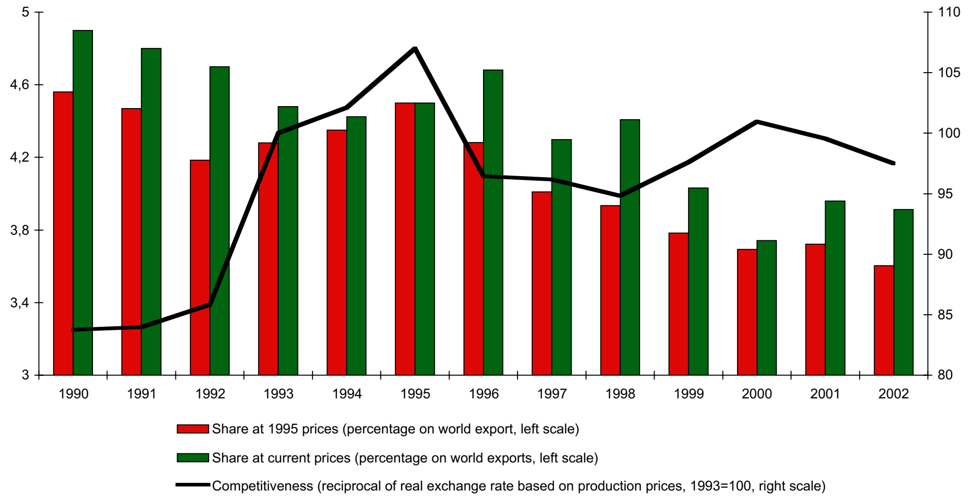
Exports decreased and lost market shares...

In 2002 Italian merchandise *exports* dropped by 2,8% in values and by 0,9% in quantity[4], registering a new decrease of their share on world exports, from 4 to 3,9% (at current prices). Available data for the first months of 2003 show that the falling trend has not yet come to a halt: from January to April total exports went down by 0,7%, and May 2003 data, referred only to trade with extra-EU countries, showed an even stronger decrease (-13,7%), due mainly to the tensions in the international scenario.

[4] To analyze rates of growth in merchandise exports in 2002, it has to be considered that Istat compares last year's provisional data with the definitive data of the previous year. This leads to a sensible underestimate of exports' dynamics, in particular towards the European Union, because provisional data do not include a series of operations that are registered only at the moment of publication of the definitive ones.

The loss of shares confirms a trend analyzed in various previous editions of this *Report*. At the beginning of the nineties, Italy accounted for almost 5% of world exports, the highest level reached in a gradual expansion that had started many years before. The depreciation of the lira following the crisis of the EMS in September 1992, whilst immediately stimulating the higher growth of export quantities than world demand, had an even higher negative effect on relative prices. Calculated on the value of world exports, Italy's shares abruptly dropped in the following two years and only in 1996, thanks to the nominal impact of the appreciation of the lira, levels comparable to those of the beginning of the nineties were reached. Since then a declining trend started, which seemed not to be linked to fluctuations of real exchange rates.

COMPETITIVENESS AND WORLD MARKET SHARES OF ITALY'S EXPORTS



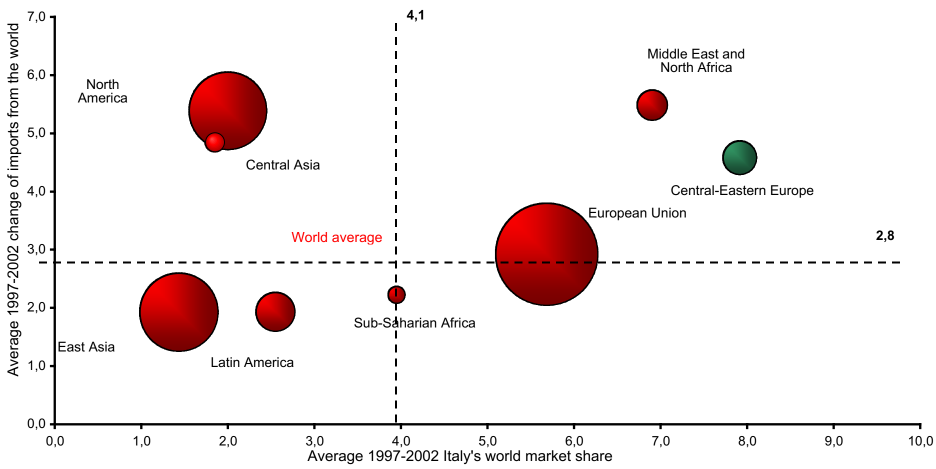
Source: ICE on Bank of Italy, IMF, GTI , OECD, WTO data.

...even respect to European competitors.

Italy was obviously affected by a gradual shift of world trade and production towards emerging countries, which characterized the last decade. However, its exports grew more slowly also compared to the other European countries. Italy's share on the European Union's exports was 11,7% in 1996, its maximum level, and it went down to 10,3% in 2002.

One of the explanations for this decrease can be found in the characteristics of the specialization model of Italian exports, concentrated in sectors whose import demand grew more slowly than the world average. A statistical decomposition analysis presented in the *Report* shows that almost two-thirds of the registered loss of Italy's shares on the euro area exports between 1997 and 2002 can be ascribed to this "dynamic inefficiency" of the specialization model, although this negative influence was reduced by the last two years' crisis of world demand for information and telecommunications products, in which Italian exports are traditionally weak.

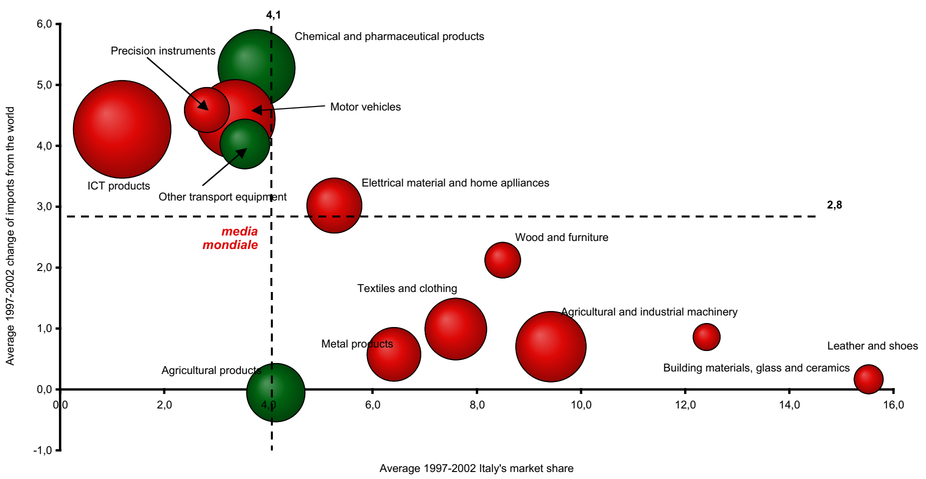
ITALY'S WORLD MARKET SHARES BY GEOGRAPHICAL AREAS



Bubbles' dimension represents average weight on world imports in 1997-2002; red (green) bubbles mean decrease (increase) in market shares between 1997 and 2002.

Source: ICE on IMF-DOTS, WTO, GTI data.

ITALY'S WORLD MARKET SHARES BY SECTORS



Bubbles dimension represents average 1997-2002 sector's weight on world imports; red (green) bubbles mean share's decrease (increase) between 1997 and 2002

Source: ICE on GTI, WTO data.

The role of the sectoral specialization pattern...

Once sorting out shares' change from these demand composition effects, the residual factor is conventionally called "competitiveness effect". This is a weighted average of shares' changes registered in all market segments for which the analysis was carried out. Calculated in this way, Italy's share loss relative to euro area exports was 0,5 percentage points between 1997 and 2002, of which 0,3 in the last two years.

...of competitiveness factors...

It is difficult to single out its causes. Firstly, all competitiveness factors should be considered, and among these also relative prices, which might have forced buyers to replace Italian products with those made in other countries of the euro area. However, especially analyzing foreign trade data, it is very difficult to understand whether a price increase reflects an actual loss of competitiveness, rather than firms' strategies geared towards increasing their unit profit margins and/or towards penetrating more remunerative market segments.

...and of the processes of production internationalization.

Furthermore, also within the euro area one should not overlook changes in the localization of industrial activities through international investments and other forms of production fragmentation. It should be pointed out in particular that by far the highest market share increase was registered by Ireland, which for many years was a destination country of consistent FDI flows.

Areas and Countries

Diverging trends of trade balances with main partners.

The slight retrenchment registered in 2002 by Italy's trade surplus, from 9.200 to 8.500 million euros (FOB-CIF), was determined mainly by negative variations of its trade balance with Western Europe and with Latin America, which were only partially compensated by improvements recorded with North Africa and the Middle East.

In the first case, the most important factor was the weakness of demand in the European Union, and in particular the stagnation of the German economy, which heavily affected Italian exports. In relation to total trade flows, the most evident worsening was registered with Latin America, conditioned by the developments of a crisis that begun in 1999 in Brazil and then it spread to other countries, reaching extremely serious peaks in Argentina and Venezuela.

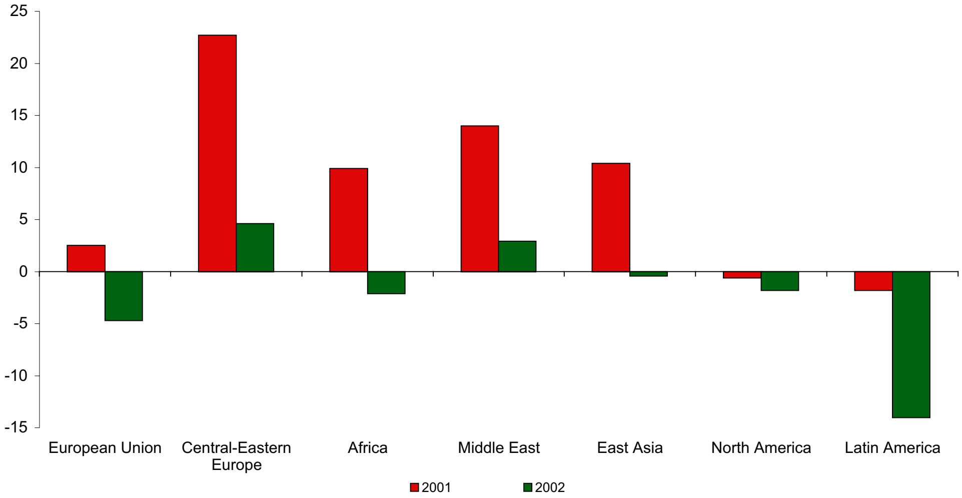
Some general implications of this crisis have already been pointed out previously. Here it seems suitable to add that it had the effect of drastically reduce the importance of Mercosur countries as destination markets for Italian exports and FDIs, more than for other countries. Until 1998, Italy recorded market shares of 5% to 6% in Argentina, Brazil and Uruguay, definitely higher not only than the average Italy's share on world exports, but also than its shares on other main countries of the American continent, and even on member countries of the European Union, such as Belgium, the Netherlands, and the United Kingdom. Apparently, the strength of the economic and social ties generated by the migration flows in the past was stronger than barriers represented by distance and protectionist policies. The crisis seems to have dispersed this heritage. The number of Italian firms exporting in the region dropped by almost a half, and market shares went down to 3-4%, a level well below the average Italy's share on world exports.

The appreciation of the euro contributed to the improvements of trade balances with North Africa and the Middle East, reducing the costs of energy products' imports.

The growth of Italian exports was particularly vibrant in China and Central-Eastern Europe, adapting to the trends of demand. In 2002 Italy's market shares in single areas were fairly resistant and in certain cases (France, United Kingdom, Russia and the Middle East) they even remarkably increased.

Export growth towards more dynamic markets.

ITALY'S EXPORTS BY GEOGRAPHICAL AREAS
(value percentage change in euros)



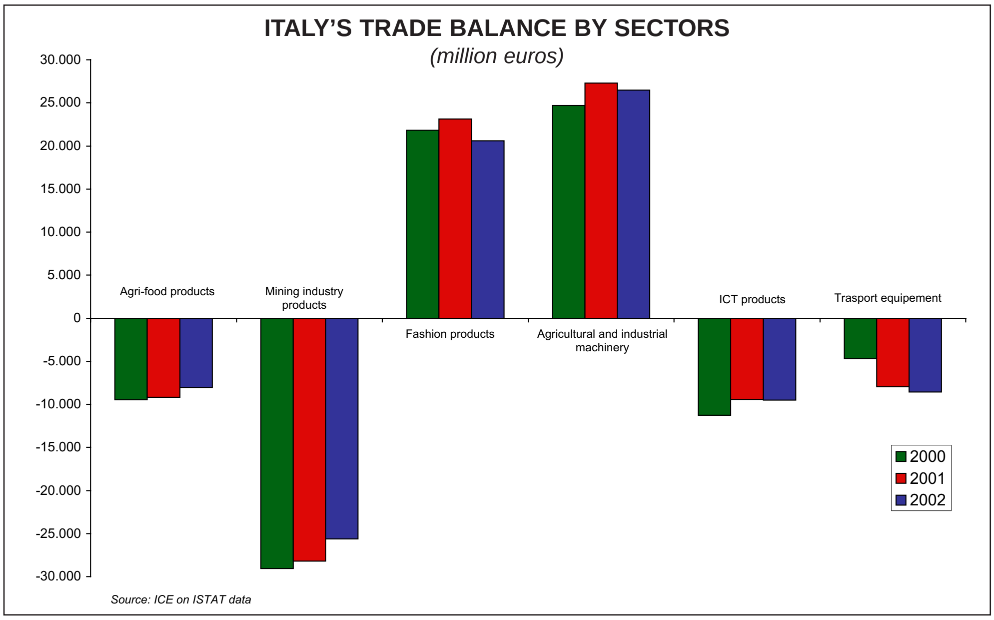
Source: ICE on ISTAT data

Sectors

From a sectoral point of view, 2002 was characterized by the reduction of the energy products' trade deficit and by the shrinkage of manufactures' surplus. Within the latter, balances of Italy's specialization sectors and of motor vehicles worsened, but the deficits of food, chemical and the metallurgic industries diminished. These changes reflect somehow the sales dynamic of multinationals located in Italy.

The worsening of trade balance and of market share mainly concerned traditional sectors and motor vehicles.

Import quantities increased in consumer goods and decreased in capital goods. Exports went mainly down in sectors of comparative advantage, particularly in the European Union, with unit values increasing more than the average. In various sectors of *Made in Italy* the market power of Italian exporters appeared to be rather high; however, they sould take into account possible reactions of major competitors; among these, the other countries of



the European Union seem to be generally more important than the emerging countries in influencing Italian firms' price strategies.

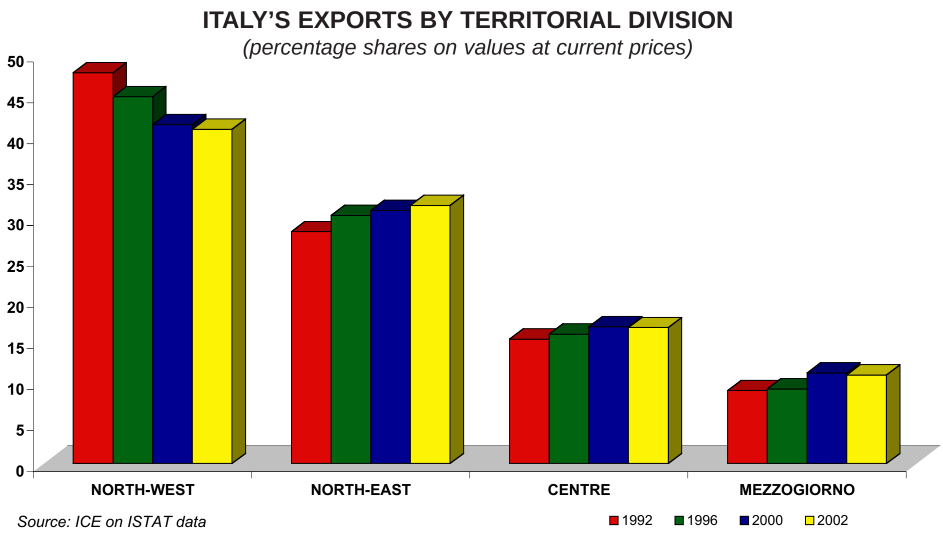
Italy's market share on manufactures' world exports went down from 4,5 to 4,4% between 2001 and 2002, despite the favorable effect of demand composition that, in contrast to the past, showed in the last two years the reduced importance of computer science and telecommunication products, in which Italy is not specialized. Major exceptions are represented by the food industry, the only one in which a clear positive trend was evident in the last years, and in the apparel sector.

Regions

The recovery of South's export shares came to a halt.

The process of territorial realignment of Italian exports that characterized the second half of the nineties seems to have come to a halt: the share of the South recorded a new slight decrease in 2002, attributable to the Islands, negatively affected by diminished exports of refined petroleum products. Apart from these factors, it can be argued that territorial convergence processes become more difficult in a context of slowing world trade, like the current one.

In a longer time period, thus comparing 2002 with 1992, the strong retrenchment of the shares in the North West remained evident, in particular in favor of the Adriatic regions, from Friuli to Puglia. In the South, the weight of Campania and Basilicata also rose. Hints regarding the complimentary relationship between exports and investments emerge also at a regional level, meaning that the more active regions in terms of production internationalization are also those characterized by the best results in terms of exports.



Source: ICE on ISTAT data

The models of sectoral specialization of single regions, which are very different from each other, remained rather stable throughout the decade. Exports of services were concentrated in few regions, as the South revealed comparative advantages only as far as tourism is concerned.

Firms and Industrial Districts

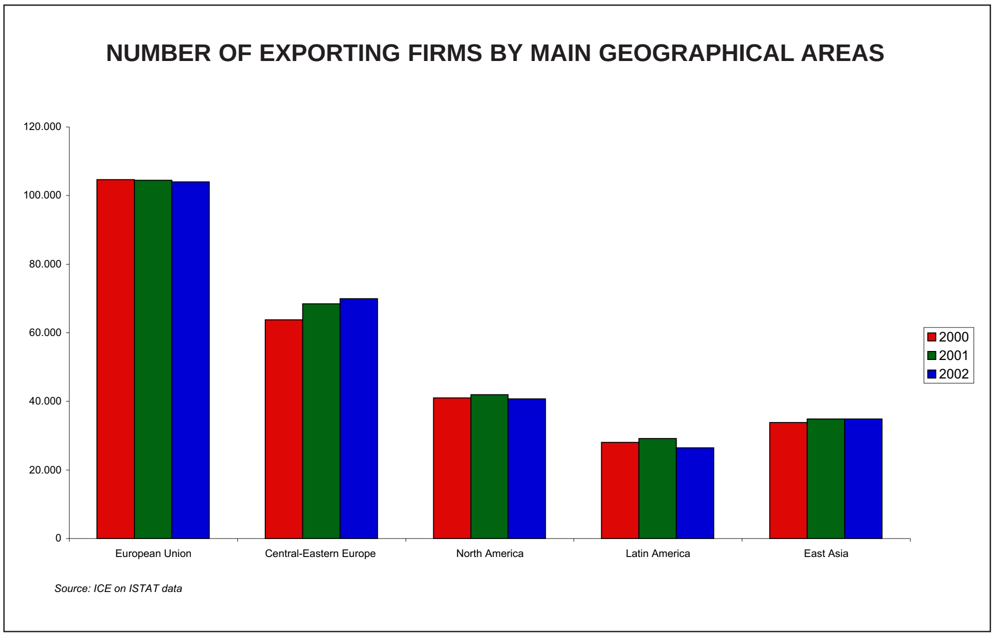
The number of exporting firms remained stable and the share of medium-large exporting firms rose.

In 2002 the overall number of Italian exporting firms remained unchanged, interrupting the increasing trend of the last years. Furthermore, the incidence of new exporting firms decreased for the first time. It must however be remembered that in the past the number of Italian exporters always rose in coincidence with important real currency depreciations, as these created of the opportunity for many small firms to venture international markets for the first time. During appreciation phases occasional exporters are presumably expelled from the market.

Furthermore, it is possible to notice a certain consolidation of the structure of Italian exports towards higher dimensional brackets. The share of firms with over 50 employees slightly increased between 1998 and 2001, both in terms of exports values and of total employees.

The number of firms exporting in each market seems to be strongly influenced also by the fluctuations of demand: it rose in Central-Eastern Europe, but it collapsed in Latin America. The degree of the geographical diversification of exports, i.e. the average number of markets in which firms are present, continued to grow, even though very slowly.

The share of exporting firms on all enterprises was much lower in the southern regions, but the weight of the South on the total number of



exporters went from 11% in 1995 to 12,6% in 2002, mainly at the expense of the North West.

Investments abroad by Italian firms increased, especially in Central-Eastern Europe...

In 2001 the *Italian participation in foreign firms* further expanded, although new initiatives seem to be characterized by a weak strategic scope in comparison to foreign initiatives in Italy, regarding most of all lower degree of control. The European Union remained the main area of destination, accounting for 36% of all participated firms (showing a decrease compared to the past) and 39% of total employees (showing an increase). However Italian activities abroad increased at very consistent rates towards Central-Eastern Europe and, to a lesser extent, Asia (China), while they considerably decreased in Latin America. Recipient sectors predominantly coincided with the Italian export specialization model.

The trend to a larger production presence abroad also involved industrial districts, which play a central and particular role in the international specialization pattern of the Italian economy. They are, however, forced to redefine their identity in relation to the international restructuring process. In particular medium firms, at times with a leading role within the districts, have started new productive initiatives abroad, opening the way for the smaller firms. These investments seem to be mainly directed towards the Balkan Countries and they follow two main strategies. At times, their motivation is exclusively spurred by the search for cheaper conditions of production in the simpler phases of production; in these cases, production lines might be transferred to different countries and various times, even outside the Balkan area. In other cases, relations with the initial countries of localization tend to grow and consolidate over time, with the transfer of increasingly complex stages of production, with the objective of better exploiting the market opportunities created by the development of such territories and the chance to use them as bases to export in other countries. In these cases, which are still very difficult to measure quantitatively, foreign investments of Italian firms can contribute to explain the loss in the export market share. Moreover, an investment abroad also represents a source for new opportunities to export semi-manufactured and investment goods.

...but investment inflows from abroad remained inadequate.

In the opposite direction, the growth of *foreign participations in Italian firms* is still inadequate, confirming the doubts over the country's ability to attract investments, in particular those in high technology sectors. Foreign investors in Italy originate mainly from the European Union and from North America, and they concentrate in mechanics and in traditional sectors. The benefits that their presence brings to the economic systems in which they operate is shown by the firm's value added per employee, which is clearly higher than the one of the Italian firms with more than 20 employees, and even within each sector.

5. Concluding Remarks

There is an evident theme linking the reasoning proposed in these pages to explain recent changes of the Italian position in the world economy and to try and extract some implications for the future.

The ability to attract foreign investments also affected exports' market share.

As observed regarding the data on the undergoing changes in the geographic distribution of the economic activities, countries that achieved the largest increases in world export shares in the last decade tend to coincide with those that received the largest inflows of new foreign direct investments. This obviously has to do with a virtuous circle of cumulative interdependence, in which multinationals are attracted by countries with favorable structural conditions offered for the development of new production initiatives and, on the other hand, their presence contributes to further improve such conditions, thanks also to the rise of exports of foreign affiliates. As a result, global production networks are being set up, which absorb a growing share of production and world trade.

The general importance of such ties is witnesses by the fact that China, India and other Asian and Central-Eastern European countries, in which FDIs have continued to flow even in the last two years, not only increased their export shares, but also became the main agents of the slow recovery taking place for world imports.

Italy often finds itself at the margins of these production networks, having, for many well known reasons, a reduced attraction capacity of foreign productive investments, especially in sectors with high research intensity and strong economies of scale. This exclusion explains, probably more than the exchange rates fluctuations, the deep roots of the share losses that Italian exports experienced in the past years.

First of all, it explains the physiological nature of part of such a reduction, which simply represents the compensation of an inevitable restructuring process - which is rather too slow and partial - of the international distribution of economic activities.

It further explains why Italian exports were in general relatively weak in the more dynamic sectors of world trade, which in turn negatively influenced also their export share in the euro area much more than competitive factors.

Finally, it explains why, even within the euro area, the losses of Italy and other countries went to the benefit of a country like Ireland, which was for years the beneficiary of significant FDI flows.

The scarce ability to attract foreign capital, combined with the crisis of some big firms, renders Italy unable to grasp one of the essential growth factors in sectors dominated by big international oligopolies. However, also the second engine of Italy's economic development, represented by local systems of small and medium firms, cannot avoid to satisfy the needs placed by the greater international integration of productive activities.

The outlook for the Italian model greatly depends on the evolution of the industrial districts of small and medium firms.

Global production networks are not only built with investments undertaken by large multinationals. They are increasingly intertwined with multiple forms of international production fragmentation, which do not necessarily require international capital transfers, but rather cooperation and subcontracting agreements among firms. Italian industrial districts intensively participate in such processes. At times, they waste in global networks the heritage of local know-how and resources, on which they had built their own competitive advantages. In other cases, they manage to maintain their own identity, adapting certain specific characteristics, and thus exploiting new possibilities offered by technology and market integration, to strengthen their own position in the distribution channels and in other final stages of the production process.

Nevertheless, the ability of industrial districts to expand internationally also appears to be positively linked to the presence of foreign firms in their territory, which are able to carry out an important role in terms of diffusion of innovations and access to international markets.

This leads us back to the starting point of the reasoning and to the obvious need to intensify structural reforms necessary to increase Italy's ability to host new economic initiatives. The problem has not to be set in terms of competition with other countries, especially if one recognizes that the undergoing changes in the international distribution of economic activities are largely inevitable. On the contrary, it has to do with the need to create the most suitable conditions in the country for a more intense and profitable participation within such changes, in a context of recovering international trade flows.

As observed, Italian exports strongly suffered from the slowdown of the world economy, and the data of the first months of 2003 are not encouraging either. However, signs of recovery that can be glimpsed into the international economic situation give hope for the second semester, and all the available forecasts indicate a further improvement for 2004. The international specialization model of the Italian economy, which is mainly based on a rich web of local productive systems of small and medium firms, has in the past already shown a great vitality and the ability to adapt to changes in the international scenario. If appropriate policies will be undertaken to exploit these assets, the next years will surely be characterized by positive outcomes.

STATISTICAL APPENDIX

WORLD TRADE AND FOREIGN DIRECT INVESTMENTS
(billion dollars)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
					MERCHANDISE TRADE (1)					
Values	3.827	4.376	5.220	5.463	5.651	5.581	5.808	6.571	6.321	6.554
					INDEXES (PERCENTAGE CHANGE)					
Quantities	4,2	10,1	9,4	6,4	10,8	4,6	5,9	12,9	-0,5	3,1
Average unit values	-4,0	3,9	9,0	-1,6	-6,6	-5,6	-1,7	0,2	-3,3	0,6
					TRADE IN SERVICES (1)					
Values	948	1.039	1.193	1.270	1.316	1.337	1.373	1.461	1.451	1.530
Percentage shares on trade in goods and services	19,9	19,2	18,6	18,9	18,9	19,3	19,1	18,2	18,7	18,9
					FOREIGN DIRECT INVESTMENTS (2)					
Values	219	256	331	386	478	694	1.088	1.492	735	534
Percentage shares on trade in goods and services	4,6	4,7	5,2	5,7	6,9	10,0	15,2	18,6	9,5	6,6

(1) Average of exports and imports.
(2) Net inward flows.

Source: ICE on IMF, WTO data for goods and services and UNCTAD data for FDIs.

Table 1.1

TOP 20 EXPORTERS IN WORLD MERCHANDISE TRADE IN 2002

		Exports values (billion dollars)	% change 2001-2002	% share 2001	% share 2002
1	United States	694	-4,9	11,8	10,8
2	Germany	610	6,7	9,3	9,5
3	China (1)	418	17,1	5,8	6,5
	of which Hong Kong re-exports	*92*	*2,2*	*1,5*	*1,4*
4	Japan	416	3,2	6,5	6,5
5	France	331	2,4	5,2	5,2
6	United Kingdom	278	1,9	4,4	4,3
7	Canada	252	-3,3	4,2	3,9
8	Italy	251	3,0	4,0	3,9
9	Netherlands	243	5,4	3,7	3,8
10	Belgium	209	9,9	3,1	3,3
11	South Korea	162	8,0	2,4	2,5
12	Mexico	161	1,4	2,6	2,5
13	Taiwan	131	6,7	2,0	2,0
14	Singapore	126	3,2	2,0	2,0
15	Spain	119	2,0	1,9	1,9
16	Hong Kong (2)	110	7,6	1,7	1,7
17	Russia	107	3,8	1,7	1,7
18	Malaysia	93	5,4	1,4	1,4
19	Switzerland	88	7,2	1,3	1,4
20	Ireland	88	6,0	1,3	1,4
	Total 20 countries above	4.886	3,7	76,4	76,1
	World	**6.424**	**4,2**	**100,0**	**100,0**

(1) Including Hong Kong re-exports originating from China.
(2) Excluding re-exports originating from China.

Source: ICE on GTI and WTO data.

Table 1.2

TOP 20 IMPORTERS IN WORLD MERCHANDISE TRADE IN 2002

		Imports values (billion dollars)	% change 2001-2002	% share 2001	% share 2002
1	United States	1.203	1,9	18,2	18,0
2	Germany	494	1,7	7,5	7,4
3	United Kingdom	343	3,1	5,1	5,1
4	Japan	336	-3,9	5,4	5,0
5	France	328	-0,2	5,1	4,9
6	China	295	21,2	3,8	4,4
7	Italy	243	3,0	3,6	3,6
8	Canada	222	0,2	3,4	3,3
9	Netherlands	219	4,9	3,2	3,3
10	Hong Kong	208	2,9	3,1	3,1
11	Belgium	193	8,1	2,8	2,9
12	Mexico	169	0,2	2,6	2,5
13	Spain	155	0,2	2,4	2,3
14	South Korea	152	7,8	2,2	2,3
15	Singapore	116	0,2	1,8	1,7
16	Taiwan	113	5,3	1,7	1,7
17	Switzerland	84	-0,3	1,3	1,3
18	Malaysia	80	8,4	1,1	1,2
19	Austria	78	4,7	1,2	1,2
20	Australia	73	13,8	1,0	1,1
	Total 20 countries above	5.104	3,1	76,4	76,3
	World	**6.685**	**3,1**	**100,0**	**100,0**

Source: ICE on GTI and WTO data.

Table 1.3

OUTWARD FOREIGN DIRECT INVESTMENTS [1]
MAIN INVESTOR COUNTRIES
(million dollars)

Rank [2]		average 1990-1995	average 1996-2001	1980	1990	1995	2000	2001	percentage share on world total: average 1990-1995	average 1996-2001	1990	2001
		FLOWS		STOCK					FLOWS		STOCK	
1	United States	58.150	127.454	80.434	430.521	699.015	1.293.431	1.407.408	23,0	16,6	25,0	21,3
2	United Kingdom	25.648	118.881	80.434	229.294	304.847	902.087	942.848	10,1	15,5	13,3	14,8
3	France	23.749	82.259	24.281	120.179	204.431	432.662	515.475	9,4	10,7	7,0	7,1
4	Belgium-Luxembourg	6.978	79.191	6.037	40.636	83.325	381.737	449.044	2,8	10,3	2,4	6,3
5	Germany	23.479	63.987	43.127	148.456	258.142	470.578	513.835	9,3	8,4	8,6	7,7
6	Netherlands	14.496	44.398	42.116	106.899	172.672	309.485	353.505	5,7	5,8	6,2	5,1
7	Canada	6.853	28.183	-	84.837	118.209	226.986	262.458	2,7	3,7	4,9	3,7
8	Japan	25.042	27.647	19.610	201.440	238.452	278.445	300.115	9,9	3,6	11,7	4,6
9	Spain	3.559	26.921	1.931	15.652	36.243	165.873	185.954	1,4	3,5	0,9	2,7
10	Hong Kong	12.946	25.934	148	11.920	78.833	365.803	374.780	5,1	3,4	0,7	6,0
11	Switzerland	8.512	24.149	21.491	66.087	142.479	227.660	243.980	3,4	3,2	3,8	3,7
12	Sweden	6.914	18.560	3.572	50.720	73.143	123.125	122.615	2,7	2,4	2,9	2,0
13	Italy	6.444	12.006	7.319	57.261	97.042	180.276	201.752	2,5	1,6	3,3	3,0
14	Finland	1.506	10.906	737	11.227	14.993	52.109	59.381	0,6	1,4	0,7	0,9
15	Denmark	2.363	10.112	2.065	7.342	24.703	64.048	72.999	0,9	1,3	0,4	1,1
16	Singapore	2.341	6.091	3.718	7.808	35.050	53.009	63.225	0,9	0,8	0,5	0,9
17	Australia	2.587	5.028	2.260	30.507	53.009	81.009	92.174	1,0	0,7	1,8	1,3
18	Taiwan	2.917	4.921	97	12.888	25144	49.187	54.667	1,2	0,6	0,7	0,8
19	Portugal	406	4.213	512	900	3.173	17.781	24.881	0,2	0,6	0,1	0,3
20	Ireland	375	3.213	-	2.736	4.624	18.504	23.900	0,1	0,4	0,2	0,3
	Total 20 countries above	235.265	724.050	339.889	1.637.310	2.667.529	5.693.795	6.264.996	59,8	62,4	95,1	93,5
	World	**253.302**	**765.884**	**521.486**	**1.721.462**	**2.854.853**	**6.086.428**	**6.707.141**	**100,0**	**100,0**	**100,0**	**100,0**

(1) UNCTAD 2002 forecasts on outward FDIs are not available.
(2) Rank based on average 1996-2001 flows.

Source: ICE on UNCTAD data

Table 1.4

INWARD FOREIGN DIRECT INVESTMENTS
MAIN RECIPIENT COUNTRIES
(million dollars)

Rank [1]		average 1990-1995	average 1996-2001	1980	1990	1995	2000	2001	2002	percentage share on world total: average 1990-1995	average 1996-2001	1990	2001
		FLOWS		STOCK						FLOWS		STOCK	
1	United States	40.829	178.502	83.046	394.911	535.553	1.214.254	1.338.689	1.382.689	18,1	22,0	21,1	19,4
2	Belgium-Luxembourg	9.775	79.728	7.306	58.388	120.211	431.111	482.107	-	4,3	9,8	3,1	6,9
3	United Kingdom	17.467	65.052	63.014	203.894	199.760	435.422	489.221	501.221	7,8	8,0	10,9	7,0
4	Germany	4.188	54.187	36.630	119.618	192.898	449.898	480.899	523.899	1,9	6,7	6,4	7,2
5	China	19.360	42.684	6.251	24.762	137.435	348.346	395.192	445.192	8,6	5,3	1,3	5,6
6	France	16.293	36.457	56.096	100.043	191.434	257.806	310.430	355.430	7,2	4,5	5,3	4,1
7	Canada	6.230	27.081	54.163	112.882	123.290	201.600	229.065	261.065	2,8	3,3	6,0	3,2
8	Hong Kong	4.859	24.328	124.286	148.183	174.063	429.036	451.870	470.870	2,2	3,0	7,9	6,9
9	Brazil	2.000	23.743	17.480	37.143	42.530	196.884	219.342	234.342	0,9	2,9	2,0	3,1
10	Sweden	5.488	22.093	2.852	12.636	31.089	82.748	95.482	-	2,4	2,7	0,7	1,3
11	Spain	10.745	16.857	5.141	65.916	109.200	144.508	166.289	-	4,8	2,1	3,5	2,3
12	Mexico	8.080	14.648	8.105	22.424	41.130	97.170	121.901	135.901	3,6	1,8	1,2	1,6
13	Denmark	2.433	11.079	4.193	9.192	23.801	64.397	71.366	-	1,1	1,4	0,5	1,0
14	Ireland	1.139	10.870	1.657	3.410	9.614	65.056	74.831	84.831	0,5	1,3	0,2	1,0
15	Singapore	5.782	8.594	6.203	28.565	59.582	95.714	104.323	-	2,6	1,1	1,5	1,5
16	Italy	3.784	7.507	8.892	57.985	63.456	113.046	127.919	142.919	1,7	0,9	3,1	1,8
17	Bermuda	1.828	7.101	5.131	13.849	23.997	56.746	66.604	-	0,8	0,9	0,7	0,9
18	Poland	1.396	6.869	-	109	7.843	33.603	42.433	48.433	0,6	0,8	0,0	0,5
19	Japan	1.144	5.652	3.270	9.850	33.508	50.323	56.525	56.537	0,5	0,7	0,5	0,8
20	Portugal	1.737	3.471	3.665	10.571	18.381	28.161	34.178	-	0,8	0,4	0,6	0,4
	Total 20 countries above	164.557	646.500	497.381	1.434.331	2.138.775	4.795.829	5.358.666	4.643.329	73,0	79,6	76,6	76,6
	World	**225.321**	**812.337**	**635.543**	**1.871.594**	**2.911.725**	**6.258.263**	**6.993.409**	**7.533.409**	**100,0**	**100,0**	**100,0**	**100,0**

(1) Rank based on average 1996-2001 flows.

Source: ICE on UNCTAD data

Table 1.5

SHARES ON WORLD TRADE AND TRADE BALANCES

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
European Union(1)													
Exports (%)	21,4	20,0	19,8	19,3	19,3	19,6	19,7	19,2	20,1	18,9	17,5	18,6	19,0
Imports (%)	22,4	22,3	21,4	18,6	18,3	18,1	17,7	17,3	18,7	18,5	18,1	18,3	18,0
Trade balance (billion ecus/euros)	-37,2	-68,8	-51,7	3,9	13,0	28,3	45,9	48,7	22,9	-19,6	-91,0	-42,7	6,5
Normalized trade balance(2)	-4,3	-7,8	-5,8	0,4	1,2	2,5	3,8	3,5	1,6	-1,3	-4,6	-2,1	0,3
United States													
Exports (%)	15,9	16,7	16,5	16,4	15,8	15,3	15,5	16,2	16,7	16,2	15,7	15,4	14,1
Imports (%)	20,1	19,2	19,5	20,6	20,6	19,5	19,7	20,4	22,2	23,6	23,9	23,5	23,2
Trade balance (billion ecus/euros)	-97,0	-70,1	-81,9	-118,5	-148,9	-143,9	-157,2	-186,1	-233,5	-344,0	-517,5	-502,3	-538,0
Normalized trade balance(2)	-13,6	-9,3	-10,6	-13,0	-14,7	-13,7	-13,6	-13,2	-16,1	-20,9	-23,4	-23,6	-26,8
Japan													
Exports (%)	11,6	12,5	12,5	12,8	12,2	11,6	10,2	9,9	9,5	9,8	9,6	8,5	8,5
Imports (%)	9,2	9,0	8,2	8,2	8,2	8,5	8,4	7,7	6,6	6,9	7,2	6,9	6,5
Trade balance (billion ecus/euros)	41,0	62,9	82,5	103,1	102,7	82,9	49,3	72,7	95,7	101,4	107,9	60,7	84,1
Normalized trade balance(2)	10,0	14,1	18,6	20,0	18,1	13,8	8,1	10,8	16,1	14,8	11,6	7,2	10,6
Triad Total													
Exports (%)	49,0	49,1	48,8	48,5	47,3	46,5	45,4	45,3	46,4	45,0	42,7	42,5	41,6
Imports (%)	51,7	50,5	49,1	47,4	47,1	46,2	45,7	45,5	47,5	49,1	49,3	48,7	47,7

(1) Excluding intra-EU trade flows.
(2) Percentage ratio of trade balance to total exports-imports.

Source: ICE on WTO and EUROSTAT-COMEXT data.

Table 1.6

ITALIAN BALANCE OF PAYMENTS
CURRENT ACCOUNT
(million euros)

Categories	1998	1999	2000	2001	2002
Goods (FOB-FOB)	32.584	22.044	10.368	17.405	17.297
Services	4.386	1.125	1.167	18	-3.657
trasport	-2.586	-3.898	-4.158	-3.859	-4.807
travel	10.964	10.852	12.893	12.427	10.396
other services	-3.992	-5.829	-7.568	-8.550	-9.246
Income	-9.869	-10.392	-13.099	-11.635	-15.396
from labour	-65	-329	-473	-68	-900
from capital	-9.804	-10.063	-12.626	-11.567	-14.496
Unilateral transfers	6.658	-5.085	-4.742	-6.527	-5.561
private	-927	-906	-698	-2.764	-4.564
workers'remittances	-117	-195	-199	-390	-478
others	-810	-711	-499	-2.374	-4.086
public	-5.732	-4.179	-4.044	-3.763	-997
EU accounts	-5.940	-4.685	-4.905	-5.634	-5.658
others	209	506	861	1.871	4.661
Current Account	**20.444**	**7.692**	**-6.305**	**-740**	**-7.318**

Source: Bank of Italy

Table 2.1

ITALIAN IMPORTS-EXPORTS (FOB-CIF)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Exports FOB											
million euros (1)	113.329	137.488	159.092	196.860	200.842	211.297	220.105	221.040	260.413	272.990	265.365
% change	4,6	21,3	15,7	23,7	2,0	5,2	4,2	0,4	17,8	4,8	-2,8
Imports CIF											
million euros (1)	119.875	120.330	140.673	173.354	165.930	184.678	195.625	207.015	258.507	263.757	256.887
% change	2,8	0,4	16,9	23,2	-4,3	11,3	5,9	5,8	24,9	2,0	-2,6
Balance											
million euros (1)	-6.546	17.158	18.419	23.506	34.912	26.619	24.480	14.025	1.906	9.233	8.478
value change	2	23.704	1.261	5.087	11.406	-8.293	-2.139	-10.455	-12.119	7.327	-755
Normalized balance (2)	-2,8	6,7	6,1	6,3	9,5	6,7	5,9	3,3	0,4	1,7	1,6
Exports: average unit values (3)											
% change	0,6	10,4	1,3	6,7	0,8	0,5	1,0	-0,3	5,5	4,3	-1,9
Imports: average unit values (3)											
% change	-0,8	12,7	3,3	11,1	-1,3	1,4	-2,7	-1,0	14,1	2,1	-3,6
Exports: quantities (3)											
% change	4,0	9,9	14,2	16,0	1,2	4,7	3,2	0,7	11,6	0,6	-1,0
Imports: quantities (3)											
% change	3,6	-10,9	13,2	10,9	-3,0	9,7	8,8	7,0	9,4	-0,1	1,0
Terms of trade (4)											
% change	1,4	-2,0	-1,9	-4,0	2,2	-0,9	3,8	0,7	-7,6	2,1	1,8
Real coverage ratio (5)											
% change	0,3	23,4	0,9	4,6	4,4	-4,6	-5,2	-5,9	2,1	0,6	-1,9

(1) For years before 1999, values have been converted to the fixed exchange rate 1 euro =1936,27 liras.
(2) Percentage ratio of trade balance to the sum of exports and imports.
(3) Changes in average unit values and in quantities for years before 1995 computed using ISTAT indexes for 1991 through 1995.
(see ISTAT, Numeri indici del commercio estero, Metodi e norme, n. 4, 1999).
(4) Percentage ratio of export prices (average unit values) to import prices.
(5) Percentage ratio of export quantities to import quantities.

Source: ICE on ISTAT data

Table 2.2

"CONSTANT-MARKET-SHARES" ANALYSIS OF ITALIAN EXPORTS(1)(2)

	1997	1998	1999	2000	2001	2002	1997-2002
Italy's world market share	3,97	4,15	3,81	3,37	3,50	3,44	
value change		0,18	-0,34	-0,44	0,13	-0,06	-0,53
Competitiveness effect		0,01	-0,14	-0,08	0,01	-0,09	-0,29
Structural Effect of which:		0,17	-0,20	-0,36	0,14	0,02	-0,22
sectoral		0,12	-0,10	-0,25	0,11	0,05	-0,08
geographical		0,11	-0,12	-0,14	0,05	-0,02	-0,11
residual		-0,05	0,02	0,04	-0,03	-0,01	-0,03
Adaptation effect		0,00	0,00	-0,01	-0,01	0,01	-0,01

"CONSTANT-MARKET-SHARES" ANALYSIS OF ITALIAN EXPORTS(1)(2) RELATED TO EUROZONE EXPORTS

	1997	1998	1999	2000	2001	2002	1997-2002
Italy's market share	12,71	12,44	12,00	11,74	11,60	11,36	
value change		-0,27	-0,44	-0,26	-0,14	-0,24	-1,35
Competitiveness effect		-0,06	-0,19	0,07	-0,11	-0,21	-0,51
Structural effect of which:		-0,18	-0,23	-0,29	0,02	0,02	-0,66
sectoral		-0,09	-0,23	-0,34	0,03	0,05	-0,58
geographical		-0,06	0,04	0,05	0,03	0,01	0,07
residual		-0,03	-0,05	0,00	-0,04	-0,04	-0,16
Adaptation effect		-0,03	-0,02	-0,04	-0,04	-0,05	-0,18

(1) Market share is computed for 15 EU members and the following countries: Brazil, Canada, China, South Korea, Japan, Malaysia, Mexico, Russia, United States, Switzerland and Taiwan.

(2) Competitiveness effect is the weighted average of single share changes: it should reflect changes in relative prices and in other factors affecting competitive performance; structural effect depends on the conformity degree of geographical and sectoral specialization of the country whose share is analyzed with changes in demand composition for the market under scrutiny, while flexibility to these changes is measured by the adaptation effect.

Source: ICE on Global Trade Information (GTI)

Table 2.3

ITALY'S FOREIGN TRADE BY SELECTED AREAS AND COUNTRIES
(million euros)

	EXPORTS			IMPORTS			BALANCE	
	2002	% share	2001-02% change	2002	% share	2001-02% change	2001	2002
European Union	141.106	53,2	-4,7	146.157	56,9	-2,8	-2.449	-5.051
France	*32.275*	*12,2*	*-4,2*	*28.987*	*11,3*	*-2,2*	*4.042*	*3.288*
Germany	*36.305*	*13,7*	*-9,5*	*45.613*	*17,8*	*-3,1*	*-6.981*	*-9.308*
United Kingdom	*18.312*	*6,9*	*-0,9*	*12.868*	*5,0*	*-5,0*	*4.934*	*5.444*
Spain	*16.824*	*6,3*	*-0,8*	*11.762*	*4,6*	*5,2*	*5.775*	*5.062*
Central-Eastern Europe	26.510	10,0	4,6	25.180	9,8	2,4	762	1.330
Russia	*3.801*	*1,4*	*7,4*	*7.915*	*3,1*	*-7,3*	*-4.997*	*-4.114*
								Other
European countries	16.130	6,1	-0,9	14.980	5,8	7,2	2.302	1.150
Switzerland	*9.361*	*3,5*	*-4,9*	*9.725*	*3,8*	*1,3*	*236*	*-364*
North Africa	6.643	2,5	-3,3	12.348	4,8	-12,8	-7.297	-5.705
Other African countries	3.312	1,2	0,4	4.537	1,8	0,7	-1.201	-1.225
North America	28.316	10,7	-1,8	13.748	5,4	-4,8	14.374	14.568
United States	*25.854*	*9,7*	*-1,5*	*12.507*	*4,9*	*-3,0*	*13.351*	*13.347*
Latin America	8.689	3,3	-14,0	6.242	2,4	0,1	3.869	2.447
Mercosur	*2.449*	*0,9*	*-34,6*	*3.381*	*1,3*	*-3,0*	*260*	*-932*
Middle East	10.112	3,8	2,9	7.203	2,8	-14,3	1.425	2.909
South and Central Asia	1.864	0,7	-3,7	3.243	1,3	-0,1	-1.310	-1.379
East Asia	18.954	7,1	-0,4	21.323	8,3	-1,9	-2.717	-2.369
China	*4.018*	*1,5*	*22,7*	*8.307*	*3,2*	*11,0*	*-4.209*	*-4.289*
Japan	*4.493*	*1,7*	*-4,5*	*5.321*	*2,1*	*-15,2*	*-1.573*	*-828*
DAE (1)	*9.323*	*3,5*	*-5,7*	*6.026*	*2,3*	*-5,1*	*3.539*	*3.297*
Oceania	2.623	1,0	13,6	1.660	0,6	-11,6	431	963
								WORLD
265.365	**100,0**	**-2,8**	**256.887**	**100,0**	**-2,6**	**9.263**	**8.478**	

(1) South Korea, Hong Kong, Malaysia, Singapor, Taiwan and Thailand

Source: ICE on ISTAT data

Table 2.4

ITALY'S MARKET SHARES BY SELECTED AREAS AND COUNTRIES

	ITALY'S MARKET SHARES[1]		PERCENTAGE SHARES ON WORLD IMPORTS	
	2001	2002	2001	2002
European Union[2]	5,7	5,7	35,1	34,9
France	*8,6*	*8,8*	*5,1*	*4,9*
Germany	*6,4*	*6,4*	*7,5*	*7,4*
United Kingdom	*4,3*	*4,6*	*5,1*	*5,1*
Spain	*9,1*	*8,6*	*2,4*	*2,3*
Central-Eastern Europe	8,8	8,7	4,1	4,5
Russia	*6,0*	*6,4*	*0,6*	*0,7*
Other European countries	8,4	8,3	2,6	2,7
Switzerland	*9,6*	*9,7*	*1,3*	*1,3*
North Africa	11,9	11,8	0,8	0,9
Other African countries	3,7	3,8	1,0	1,0
North America	2,0	2,0	21,7	21,3
United States	*2,2*	*2,2*	*18,3*	*18,0*
Latin America	2,7	2,6	5,3	4,9
Middle East	5,4	5,7	2,9	2,9
South and Central Asia	2,3	2,2	1,5	1,5
East Asia	1,3	1,3	21,2	21,7
China	*1,3*	*1,4*	*3,8*	*4,4*
Japan	*1,3*	*1,4*	*5,4*	*5,0*
Oceania	2,7	2,8	1,2	1,4
Not identified territories	-	-	2,6	2,3
World	**4,0**	**3,9**	**100,0**	**100,0**

(1) Shares computed on exports, excepting EU and member countries.
(2) Excluding Italy.

Source: ICE on IMF-DOTS, WTO and GTI data

Table 2.5

ITALY'S EXPORTS IN 2002: TOP 20 COUNTRIES OF DESTINATION

		Ranking	Million euros	Percentage change	Percentage shares	
		2001	2002	2001-02	2001	2002
1	Germany	1	36.305	-9,5	14,7	13,7
2	France	2	32.275	-4,2	12,3	12,2
3	United States	3	25.854	-1,5	9,6	9,7
4	United Kingdom	4	18.312	-0,9	6,8	6,9
5	Spain	5	16.824	-0,8	6,2	6,3
6	Switzerland	6	9.361	-4,9	3,6	3,5
7	Belgium	7	8.121	-2,2	3,0	3,1
8	Netherlands	8	6.794	-6,7	2,7	2,6
9	Austria	9	5.811	-2,0	2,2	2,2
10	Greece	10	5.519	2,3	2,0	2,1
11	Japan	11	4.493	-4,5	1,7	1,7
12	Poland	12	4.278	0,8	1,6	1,6
13	Turkey	13	4.073	3,8	1,4	1,5
14	China	18	4.018	22,7	1,2	1,5
15	Russia	15	3.801	7,4	1,3	1,4
16	Romania	16	3.613	7,4	1,2	1,4
17	Portugal	14	3.268	-10,5	1,3	1,2
18	Hong Kong	17	3.089	-5,7	1,2	1,2
19	Hungary	19	2.725	-8,8	1,1	1,0
20	Sweden	22	2.534	-0,3	0,9	1,0
	Others		64.297	-1,5	23,9	24,2
	World		**265.365**	**-2,8**	**100,0**	**100,0**

Source: ICE on ISTAT data

Table 2.6

ITALY’S IMPORTS IN 2002: TOP 20 COUNTRIES OF ORIGIN

		Ranking	Million euros	Percentage change	Percentage shares	
		2001	2002	2001-02	2001	2002
1	Germany	1	45.613	-3,1	17,8	17,8
2	France	2	28.987	-2,2	11,2	11,3
3	Netherlands	3	15.080	-9,1	6,3	5,9
4	United Kingdom	4	12.868	-5,0	5,1	5,0
5	United States	5	12.507	-3,0	4,9	4,9
6	Spain	7	11.762	5,2	4,2	4,6
7	Belgium	6	11.203	-3,0	4,4	4,4
8	Switzerland	8	9.725	1,3	3,6	3,8
9	China	10	8.307	11,0	2,8	3,2
10	Russia	9	7.915	-7,3	3,2	3,1
11	Austria	11	6.921	6,9	2,5	2,7
12	japan	12	5.321	-15,2	2,4	2,1
13	Lybia	13	4.908	-10,2	2,1	1,9
14	Algeria	14	4.254	-20,4	2,0	1,7
15	Romania	17	3.815	13,2	1,3	1,5
16	Ireland	15	3.550	-1,2	1,4	1,4
17	Svezia	16	3.440	-2,3	1,3	1,3
18	Turkey	18	2.941	-2,9	1,1	1,1
19	Poland	22	2.395	8,9	0,8	0,9
20	South Korea	20	2.387	1,1	0,9	0,9
	Others		52.988	-1,9	20,5	20,6
	World		**256.887**	**-2,6**	**100,0**	**100,0**

Source: ICE on ISTAT data

Table 2.7

ITALY'S FOREIGN TRADE BY SECTORS
(million euros)

	EXPORTS			IMPORTS			BALANCE	
	2002	% share	% change 2001-02	2002	% share	% change 2001-02	2001	2002
AGRICULTURE, LIVE ANIMALS AND FISHERY PRODUCTS	4.097	1,5	-3,6	8.852	3,4	-1,9	-4.770	-4.755
MINING INDUSTRY PRODUCT	673	0,3	23,2	26.246	10,2	-8,6	-28.172	-25.573
Energy products	*211*	*0,1*	*135,3*	*24.201*	*9,4*	*-8,8*	*-26.445*	*-23.990*
INDUSTRIAL MANUFACTURES	258.329	97,3	-2,7	217.065	84,5	-1,8	44.507	41.265
Food, beverage and tobacco	14.808	5,6	5,7	18.046	7,0	-1,8	-4.364	-3.239
Textil and wearing apparel	27.378	10,3	-4,7	13.764	5,4	0,2	15.000	13.614
Textile	*15.606*	*5,9*	*-7,5*	*7.036*	*2,7*	*-5,8*	*9.393*	*8.571*
Clothing	*11.772*	*4,4*	*-0,8*	*6.728*	*2,6*	*7,4*	*5.608*	*5.043*
Foowear and leather/hides products	13.295	5,0	-8,7	6.334	2,5	-1,8	8.113	6.960
Footwear	*7.911*	*3,0*	*-6,5*	*3.233*	*1,3*	*5,3*	*5.394*	*4.678*
Wood and cork products (excluding furniture)	1.438	0,5	-4,4	3.286	1,3	1,1	-1.743	-1.847
Paper and paper products, printing and publishing	6.058	2,3	-0,4	6.433	2,5	-4,2	-635	-375
Refined petroleum products	4.408	1,7	-12,9	5.032	2,0	8,8	435	-625
Chemical and pharmaceutical products	26.738	10,1	3,8	34.820	13,6	2,4	-8.237	-8.082
Basic chemical products	*8.497*	*3,2*	*-3,7*	*15.692*	*6,1*	*-5,9*	*-7.854*	*-7.195*
Drugs and pharmaceutical products	*10.099*	*3,8*	*13,0*	*10.225*	*4,0*	*19,7*	*399*	*-126*
Rubber and plastic products	9.669	3,6	0,0	5.416	2,1	0,4	4.276	4.253
Glass, ceramic and non-metallic construction materials	9.136	3,4	-2,9	2.892	1,1	-2,1	6.452	6.245
Metals and metal products	21.317	8,0	-3,0	23.892	9,3	-6,9	-3.688	-2.575
Non-ferrous metals	*3.336*	*4,2*	*-3,2*	*10.816*	*4,2*	*-10,3*	*-8.619*	*-7.480*
Metallurgical products	*7.409*	*2,8*	*-3,5*	*8.986*	*3,5*	*-4,6*	*-1.742*	*-1.577*
Finished metal products	*10.572*	*4,0*	*-2,7*	*4.089*	*1,6*	*-2,4*	*6.673*	*6.483*
Mechanical machinery equipment	52.456	19,8	-2,8	20.150	7,8	-2,7	33.250	32.306
General industrial machinery	*22.738*	*8,6*	*-0,8*	*10.026*	*3,9*	*-1,9*	*12.690*	*12.711*
Specialized industrial machinery	*22.221*	*8,4*	*-5,8*	*8.432*	*3,3*	*-6,1*	*14.608*	*13.789*
Home machinery (including electric appliances)	*6.984*	*2,6*	*2,1*	*1.457*	*0,6*	*11,5*	*5.535*	*5.527*
ITC products, electrical and professional/ scientific instruments	24.651	9,3	-10,8	34.114	13,3	-8,5	-9.650	-9.464
ICT products	*9.696*	*3,7*	*-19,1*	*19.146*	*7,5*	*-10,5*	*-9.404*	*-9.450*
Electrical equipment and materials	*8.834*	*3,3*	*-5,9*	*7.260*	*2,8*	*-7,6*	*1.527*	*1.572*
Medical and scientific instrument	*6.121*	*2,3*	*-2,1*	*7.708*	*3,0*	*-3,9*	*-1.772*	*-1.587*
Transport equipment	30.280	11,4	2,2	38.806	15,1	3,4	-7.924	-8.526
Motor vehicles and parts	*20.222*	*7,6*	*-2,9*	*31.669*	*12,3*	*5,1*	*-9.306*	*-11.447*
Other transport	*10.058*	*3,8*	*14,3*	*7.137*	*2,8*	*-3,8*	*1.383*	*2.921*
Other manufactures	16.698	6,3	-4,6	4.080	1,6	-4,8	13.221	12.618
Furniture	*9.108*	*3,4*	*-3,5*	*1.053*	*0,4*	*0,2*	*8.389*	*8.055*
Jewellery, gold and silver	*4.973*	*1,9*	*-7,8*	*800*	*0,3*	*-15,6*	*4.448*	*4.173*
OTHER PRODUCTS	2.266	0,9	-16,1	4.725	1,8	-6,1	-2.331	-2.459
Total	**265.365**	**100,0**	**-2,8**	**256.887**	**100,0**	**-2,6**	**9.233**	**8.478**

Source: ICE on ISTAT data

Table 2.8

ITALY'S MARKET SHARES BY SECTORS

	ITALY'S MARKET SHARES		WEIGHTS ON WORLD EXPORTS	
	2001	2002	2001	2002 (1)
AGRICULTURE, LIVE ANIMALS AND FISHERY PRODUCTS	2,5	2,5	2,6	2,6
MINING INDUSTRY PRODUCTS	0,1	0,2	7,1	6,9
INDUSTRIAL MANUFACTURES	4,5	4,4	85,9	85,8
Food, beverage and tobacco	4,1	4,4	5,1	5,1
Textiles and wearing apparel	7,4	7,3	5,8	5,8
Textile	*8,6*	*8,2*	*2,9*	*2,9*
Clothing	*6,3*	*6,4*	*2,9*	*2,8*
Fotwear and leather/hides products	15,7	15,1	1,4	1,4
Footwear	*15,9*	*15,5*	*0,8*	*0,8*
Wood and cork products (excluding furniture)	2,4	2,3	1,0	1,0
Paper and paper products, printing and publishing	3,6	3,7	2,6	2,6
Refined petroleum products	3,0	2,8	2,5	2,3
Chemical and pharmaceutical products	3,8	3,8	9,5	10,1
Basic chemical products	*2,7*	*2,6*	*4,3*	*4,4*
Drugs and pharmaceutical products	*5,5*	*5,4*	*2,5*	*2,9*
Rubber and plastic products	6,3	6,2	2,3	2,4
Glass, ceramic and non-metallic construction materials	11,9	11,8	1,2	1,2
Metals and metal products	4,8	4,8	6,8	6,7
Metallurgical products	*5,3*	*5,0*	*2,2*	*2,3*
Finished metal products	*7,7*	*7,6*	*2,1*	*2,1*
Mechanical machinery equipment	9,7	9,7	8,4	8,3
General industrial machinery	*8,9*	*8,9*	*3,9*	*3,9*
Specialized industrial machinery	*9,8*	*9,7*	*3,6*	*3,5*
Home machinery (includng electric appliances)	*14,2*	*14,0*	*0,7*	*0,8*
ICT products, electrical and professional/scientific equipment	1,8	1,7	22,5	21,7
ICT products	*1,2*	*1,0*	*14,9*	*14,4*
Electrical equipment and materials	*3,5*	*3,4*	*4,1*	*4,0*
Medical and scientific instruments	*2,8*	*2,8*	*3,4*	*3,4*
Transport equipment	3,2	3,3	13,9	14,1
Motor vehicles and parts	*3,2*	*3,0*	*9,8*	*10,3*
Other transport	*3,2*	*4,0*	*4,2*	*3,8*
Other manufactures	8,8	8,3	3,0	3,1
Furniture	*14,7*	*14,2*	*1,0*	*1,0*
Jewellery, gold and silver	*9,7*	*8,5*	*0,8*	*0,9*
OTHER PRODUCTS	-	-	4,4	4,7
Total	**4,0**	**3,9**	**100**	**100**

(1) Manufactures share is slightly underestimated in 2002, in favour of "other products"

Source: ICE on GTI and WTO data

Table 2.9

QUANTITIES AND PRICES OF EXPORTS AND IMPORTS BY SECTORS

(2002 percentage change for exports and imports, index: 1995=100 for quantities and relative prices)

	EXPORT		IMPORTS		RELATIVE QUANTITIES [1]		TERMS OF TRADE [2]	
	quantities	average unit values	quantities	average unit values	2001	2002	2001	2002
AGRICULTURE, LIVE ANIMALS AND FISHERY PRODUCTS	-6,2	2,8	0,3	-2,2	93,6	87,5	127,0	133,5
MINING INDUSTRY PRODUCTS	26,1	-2,3	-0,2	-8,4	102,0	128,9	55,3	59,0
INDUSTRIAL MANUFACTURES	-0,7	-2,0	1,3	-3,1	90,3	88,4	103,8	105,0
Food, beverage and tobacco	4,1	1,6	3,0	-4,6	107,7	108,8	105,8	112,6
Beverage	*3,5*	*5,1*	*10,1*	*-2,5*	*85,6*	*80,5*	*121,9*	*131,5*
Textiles and wearing apparel	-6,5	1,9	4,2	-3,8	80,2	72,0	106,7	113,0
Footwear and leather/hides products	-9,9	1,3	3,6	-5,2	65,8	57,3	103,7	110,8
Footwear	*-10,6*	*4,6*	*3,0*	*2,3*	*55,3*	*47,9*	*103,0*	*105,4*
Wood and cork products (excluding furniture)	-1,2	-3,3	1,6	-0,4	118,1	114,9	92,5	89,8
Paper and paper products, printing and publishing	9,7	-9,3	5,5	-9,3	139,1	144,6	87,7	87,7
Refined petroleum products	-8,3	-5,0	15,2	-5,5	181,5	144,5	99,1	99,7
Chemical and pharmaceuticals products	24,7	-16,7	15,0	-10,9	109,2	118,4	106,9	99,9
Basic chemical products	*4,2*	*-7,4*	*-4,1*	*0,5*	*107,0*	*116,2*	*99,4*	*91,6*
Drugs and pharmaceuticals products	*75,0*	*-35,5*	*78,9*	*-35,5*	*101,0*	*98,8*	*109,4*	*109,3*
Rubber and plastic products	1,4	-1,4	3,5	-3,0	94,7	92,8	99,6	101,2
Glass, ceramic and non-metallic construction materials	-2,3	-0,6	-0,9	-1,3	90,2	88,9	106,5	107,3
Ceramic tiles	*1,1*	*-0,1*	*3,5*	*0,4*	*121,9*	*119,1*	*97,3*	*96,8*
Metals and metal products	-1,8	-1,3	-5,0	-2,0	101,8	105,2	101,0	101,7
Steel and iron pipes	*-5,3*	*5,3*	*-6,9*	*3,0*	*111,9*	*113,8*	*95,1*	*97,3*
Mechanical machinery equipment	-1,8	-1,0	-2,9	0,2	82,2	83,1	107,3	106,1
Machine tools	*-10,1*	*-3,5*	*-8,7*	*-1,1*	*92,8*	*91,5*	*97,1*	*94,7*
Home machinery (including electric appliances)	*2,1*	*0,0*	*11,6*	*-0,1*	*90,4*	*82,6*	*93,5*	*93,6*
ICT products, electrical and professional/ scientific equipment	-12,3	1,8	-6,6	-2,1	84,8	79,5	104,3	108,4
Office machines and computers	*-19,3*	*-1,2*	*-11,6*	*2,5*	*42,8*	*39,0*	*113,6*	*109,5*
Electric motors, generators and transformers	*-5,8*	*-0,2*	*5,6*	*-5,0*	*119,2*	*106,3*	*93,8*	*98,5*
Electronic parts	*-1,9*	*0,4*	*-14,8*	*-6,4*	*120,0*	*138,2*	*104,5*	*112,1*
Transport equipment	0,2	2,0	-0,7	4,1	68,0	68,6	105,8	103,7
Motor vehicles	*-3,7*	*-1,4*	*4,4*	*0,8*	*62,8*	*57,9*	*100,4*	*98,2*
Other manufactures	-4,4	-0,3	-2,2	-2,7	84,2	82,4	92,3	94,6
Furniture	*-4,4*	*1,0*	*-1,8*	*2,1*	*63,6*	*61,9*	*97,4*	*96,3*
Total	**-0,9**	**-1,9**	**1,0**	**-3,6**	**91,2**	**89,5**	**99,9**	**101,7**

(1) Percentage ratio of indexes of exported quantities to indexes of imported quantities

(2) Percentage ratio of exports' average unit values indexes to imports' average unit values indexes

Source: ICE on ISTAT data

Table 2.10

DISTRIBUTION OF ITALY'S MERCHANDISE EXPORTS BY REGIONS

	1992	1997	1998	1999	2000	2001	2002
NORTH AND CENTRE	**91,1**	**90,3**	**89,7**	**89,7**	**89,0**	**88,8**	**88,9**
NORTH-WEST	**47,7**	**43,7**	**42,7**	**41,9**	**41,4**	**41,6**	**40,8**
Piedmont	14,0	12,7	12,3	11,9	11,4	11,2	11,1
Valle d'Aosta	0,1	0,1	0,1	0,1	0,2	0,1	0,1
Lombardy	31,8	29,3	29,0	28,6	28,3	28,7	28,2
Liguria	1,8	1,6	1,3	1,3	1,3	1,5	1,4
NORTH-EAST	**28,3**	**30,4**	**31,0**	**31,6**	**30,9**	**31,0**	**31,5**
Trentino Alto Adige	1,9	1,7	1,7	1,8	1,7	1,6	1,7
Veneto	12,9	13,9	13,9	14,6	14,3	14,4	14,6
Friuli Venezia Giulia	2,9	3,3	3,7	3,5	3,4	3,4	3,4
Emilia Romagna	10,5	11,5	11,7	11,8	11,5	11,5	11,9
CENTRE	**15,2**	**16,2**	**16,1**	**16,2**	**16,7**	**16,2**	**16,6**
Tuscany	8,0	8,3	8,0	8,0	8,3	8,2	8,1
Umbria	0,7	0,9	0,9	0,9	0,9	0,9	0,9
Marches	2,4	3,1	3,1	2,9	2,9	3,1	3,1
Lazio	4,0	3,9	4,1	4,4	4,6	4,1	4,4
MEZZOGIORNO	**8,9**	**9,6**	**10,3**	**10,2**	**11,0**	**10,9**	**10,8**
SOUTH	**6,1**	**7,2**	**8,0**	**7,9**	**8,0**	**8,1**	**8,1**
Abruzzo	1,2	1,9	1,9	1,8	2,0	2,0	2,1
Molise	0,1	0,2	0,2	0,2	0,2	0,2	0,2
Campania	2,5	2,6	3,0	3,0	3,0	3,1	3,0
Puglia	2,0	2,2	2,3	2,3	2,3	2,3	2,2
Basilicata	0,1	0,2	0,4	0,5	0,4	0,4	0,6
Calabria	0,1	0,1	0,1	0,1	0,1	0,1	0,1
ISLANDS	**2,7**	**2,4**	**2,3**	**2,3**	**3,1**	**2,8**	**2,7**
Sicily	1,9	1,6	1,6	1,6	2,1	1,9	1,9
Sardinia	0,8	0,8	0,7	0,7	0,9	0,8	0,8
ITALY	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**

Source: ICE on ISTAT data

Table 2.11

ITALIAN REGIONS' DEGREE OF TRADE AND PRODUCTION INTERNATIONALISATION IN 2002

	Percentage share on Italian goods exports	Export per worker(1)	Degree of openness on international markets(2)	Percentage share on Italian services exports(3)	Foreign partecipated firms(4)	Foreign firms with Italian participation(5)
NORTH and CENTRE	**88,9**	**117,5**	**108,6**	**91,3**	**95,2**	**96,6**
NORTH-WEST	**40,8**	**125,1**	**107,1**	**41,1**	**64,3**	**53,0**
Piedmont	11,1	121,4	107,8	4,9	8,5	14,0
Valle d'Aosta	0,1	81,7	94,4	0,3	0,1	0,0
Lombardy	28,2	130,6	109,3	32,3	53,4	37,7
Liguria	1,4	79,6	72,9	3,5	2,3	1,3
NORTH-EAST	**31,5**	**120,6**	**119,8**	**23,7**	**17,9**	**28,3**
Trentino Alto Adige	1,7	97,1	98,2	2,8	2,1	1,6
Veneto	14,6	124,8	128,4	10,6	6,2	11,2
Friuli Venezia Giulia	3,4	147,7	149,8	5,1	1,8	2,8
Emilia Romagna	11,9	113,7	108,2	5,2	7,8	12,7
CENTRE	**16,6**	**98,2**	**95,1**	**26,5**	**13,0**	**15,3**
Tuscany	8,1	117,8	114,8	8,7	4,0	4,8
Umbria	0,9	61,2	63,8	0,8	0,7	0,4
Marches	3,1	88,9	104,1	0,8	0,7	2,9
Lazio	4,4	89,1	74,8	16,2	7,6	7,2
MEZZOGIORNO	**10,8**	**44,4**	**59,4**	**8,7**	**4,7**	**3,2**
SOUTH	**8,1**	**46,1**	**61,3**	**5,3**	**3,6**	**2,0**
Abruzzo	2,1	95,6	103,7	0,6	1,0	0,5
Molise	0,2	42,9	49,9	0,0	0,1	0,1
Campania	3,0	49,2	62,4	3,0	1,5	0,8
Puglia	2,2	39,9	55,1	1,0	0,6	0,5
Basilicata	0,6	64,6	74,7	0,1	0,3	0,1
Calabria	0,1	4,3	8,1	0,5	0,1	0,0
ISLANDS	**2,7**	**39,7**	**54,4**	**3,4**	**1,1**	**1,2**
Sicily	1,9	39,0	55,4	2,4	0,6	0,5
Sardinia	0,8	41,4	52,0	1,0	0,5	0,7
ITALY	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**

(1) People employed in agriculture and industrial manufactures (excluding construction); Italy=100,
(2) Ratio of regions' degree of openness to Italy's degree of openness on foreign markets. The degree of opennes has been computed as a ratio of exports to the added value at factor costs in agriculture and industrial manufactures (excluding contruction). This index is a measure of regions' orientation to foreign markets.
(3) Excluding trasport services.
(4) Percentage share out of total Italian industrial plants with foreign participation as of 1.1.2002.
(5) Percentage share out of total Italian foreign direct investments as of 1.1.2002, by the holding originating region.

'Source: ICE ISTAT, Database Reprint R&P, Svimez data.

Table 2.12

COMPARISON AMONG ITALY'S INTERNATIONALISATION MODALITIES: OVERVIEW

	1999	2000	2001	2001[1]	2002[1]
Number of exporters	183.250	188.750	190.982	181.056	180.795
% change	0,3	3,0	1,2	-	-0,1
Average export revenues[2]	1,18	1,35	1,40	1,45	1,43
% change	0,3	13,8	3,6	-	-1,3
Italian participations in foreign	4.406	4,730	5.047		
% change	-	7,3	6,7		
Foreign participation in Italian firms	2.199	n.d.	2.321		

(1) Provisional data

(2) Ratio of total exports revenues to the number of exporters, million euros

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

Table 2.13

DISTRIBUTION OF ITALIAN PARTICIPATION IN FOREIGN FIRMS BY GEOGRAPHICAL AREAS[1)]

(percentage shares)

	Participated firms			Employees (%) in participated firms		
	1985	1995	2001	1985	1995	2001
West Europe	47,5	41,8	35,9	38,8	39,2	39,6
Central-Eastern Europe	0,6	20,8	24,4	0,9	17,9	18,4
Africa	10,2	10,9	11,1	10,8	5,5	8,0
North America	14,5	8,2	8,0	9,4	9,0	9,3
latin America	19,4	9,4	9,0	30,9	15,7	12,8
Asia	6,7	8,2	10,9	8,7	12.2	10,9
Oceania	1,1	0,7	0,8	0,4	0,3	1.0
Total number	**697**	**2.827**	**5.047**	**243.650**	**607.799**	**851.281**

(1) Industrial manufactures.

Source: ICE on Reprint - Politecnico di Milano - R&P data

Table 2.14

ICE-MAP PROMOTIONAL ACTIVITY BY SELECTED AREAS AND COUNTRIES IN 2002

(thousand euros)

	Values	% out of total	% out of the area
North America	**22.665**	**25,4**	100,0
of which:			
United States	20.024	22,5	88,4
Canada	1.627	1,8	7,2
Pacific Rim	**21.052**	**23,6**	100,0
of which:			
Japan	9.534	10,7	45,3
China (including Hong Kong)	7.519	8,4	35,7
Singapore	723	0,8	3,4
European Union	**11.843**	**13,3**	100,0
of which:			
France	5.347	6,0	45,2
Germany	3.452	3,9	29,1
Spain	812	0,9	6,9
Netherlands	667	0,7	5,6
United Kingdom	547	0,6	4,6
Sweden	429	0,5	3,6
Eastern Europe	**10.526**	**11,8**	100,0
of which:			
NSI/Russia	7.968	8,9	75,7
Romania	393	0,4	3,7
Poland	340	0,4	3,2
Latin America	**3.937**	**4,4**	100,0
of which:			
Brazil	1.644	1,8	41,7
Mexico	828	0,9	21,0
Argentina	337	0,4	8,6
Other Asian countries	**2.589**	**2,9**	100,0
of which:			
United Arab Emirates	924	1,0	35,7
India	662	0,7	25,6
Iran	462	0,5	17,8
Africa	**2.134**	**2,4**	100,0
of which:			
Algeria	518	0,6	24,3
Tunisia	491	0,6	23,0
Lybia	357	0,4	16,7
Other European countries	**1.085**	**1,2**	100,0
of which:			
Norway	429	0,5	39,5
Turkey	357	0,4	32,9
Other countries n.i.e.	**13.379**	**15,0**	
Total	**89.210**	**100,0**	**100,0**

Source: ICE

Table 2.15