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ITALIAN INSTITUTE FOR FOREIGN TRADE

Italy in the World Economy

ICE Summary Report 2003-2004

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Coordinator: Paolo Ferrucci.

Editorial Staff: Claudio Colacurcio, Paolo Ferrucci, Cristina Gioffrè, Eleonora Iacorossi, Elena Mazzeo, Roberta Mosca, Marilena Procaccio, Alessia Proietti and Chiara Salabè.

Summary Report: Lelio Iapadre.

English translation: Daniel Dichter.

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

The Report was drafted under the supervision of an Editorial Committee chaired by Fabrizio Onida and composed of Sergio de Nardis, Riccardo Faini, Paolo Guerrieri Paleotti, Lelio Iapadre, Giuseppe Pennisi and Salvatore Rossi.

The following also collaborated: Alessia Amighini, Paola Anitori, Giorgo Barba Navaretti, Davide Castellani, Stefano Chiarlone, Giuliano Conti, Sabrina Ciaralli, Marco Cucculelli, Alessandra D'Intinosante,Tiziana Fabbris, Anna Ferragina, Fabio Giorgio, Giorgia Giovannetti, Ugo Girardi, Domenico Guardabascio, Pierluigi Montalbano, Carmine Pappalardo, Mariangela Paradisi, Gianfranco Piras, Federica Saliola, Graziano Severini, Sergio Sgambato and Gianfranco Viesti.

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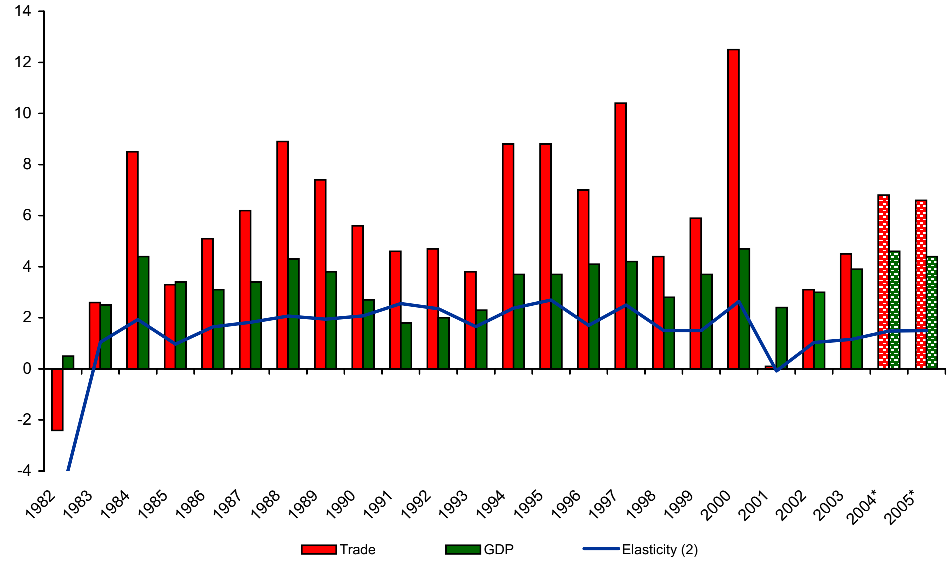
ITALIAN FIRMS IN INTERNATIONAL MARKETS: DECLINING EXPORTS, GROWING PRODUCTION ABROAD

1. International trade and investment flows

The world economy has picked up pace.

The world economy has picked up pace and appears to have surmounted the crisis of 2001. World output grew by 2.7% in 2003 and is expected to increase by close to 4% in 2004.[1] International trade in goods and services, particularly hard hit in 2001 by the simultaneous slowdown of the largest economies and the crisis in the information and telecommunication sector, has steadily accelerated, rising by 4.5% in real terms in 2003 and by 7% this year. The ratio of trade growth to output growth, which roughly gauges the speed of international economic integration, has risen with respect to 2001 but is still below its average level for the nineties and, notably, that of the previous

WORLD TRADE AND OUTPUT (1)
(percentage change in volume)



(1) Goods and services.
(2) Ratio of change in trade to change in GDP.

* Estimates and forecasts

Source: Based on IMF data.

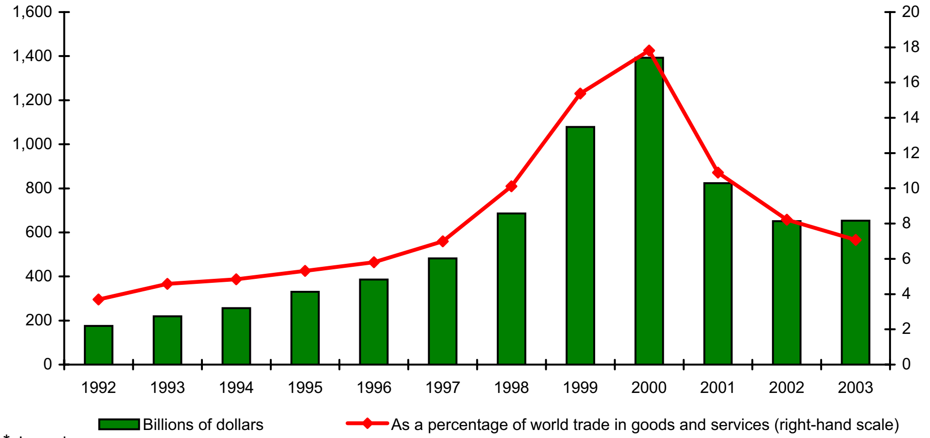
[1] See International Monetary Fund, *World Economic Outlook*, Statistical Appendix, April 2004, http://www.imf.org/external/pubs/ft/weo/2004/01/pdf/appendix.pdf. The growth rates mentioned refer to the volume of world output, obtained by aggregating the GDP figures of the individual countries after converting them into dollars at market exchange rates. If exchange rates at purchasing power parities are used instead, the increase in world GDP is larger (4% in 2003), owing to the greater weight thereby attributed to the developing countries, whose growth rates are generally higher.

upturn, in 1994-95. Clearly, the tensions and imbalances that continue to mark the international political and economic environment are still keeping the impulses of growth from coming through completely and from spreading.

Evidence of this is the rate of growth in foreign direct investment (FDI), a variable very sensitive to firms' confidence about the outlook for the world economy. After collapsing in 2001 and 2002, following the remarkable growth recorded in the nineties, world FDI flows remained virtually unchanged in 2003. However, expectations point to recovery.[2]

In contrast with developments in the two previous years, in 2003 the growth of trade in services was less robust than that in merchandise trade (12% as against 16% per cent in current dollars). In particular, tourism was adversely affected by the international political climate and by the health problems that arose in some countries of the Far East. In merchandise trade, pronounced disparities arose as a consequence of divergent price movements: sharply rising for raw materials and stable for manufactures overall, but with a further fall in the prices of ICT products. The growth of trade in industrial goods was driven by chemicals, motor vehicles and electronics.

WORLD FLOWS OF FOREIGN DIRECT INVESTMENT *



* Inward.

Source: Based on UNCTAD data.

[2] A cautious optimism emerges from the UNCTAD surveys of the leading multinational corporations. See United Nations Conference on Trade and Development, *Prospects for FDI Flows and TNC Strategies*, 2004-2007, DITE-GIPA-2004-3, http://www.unctad.org/sections/dite_dir/docs/survey3_tncs_en.pdf.

South-East Asia is the main engine of the recovery in imports, which are also growing strongly in North America and Central and Eastern Europe.

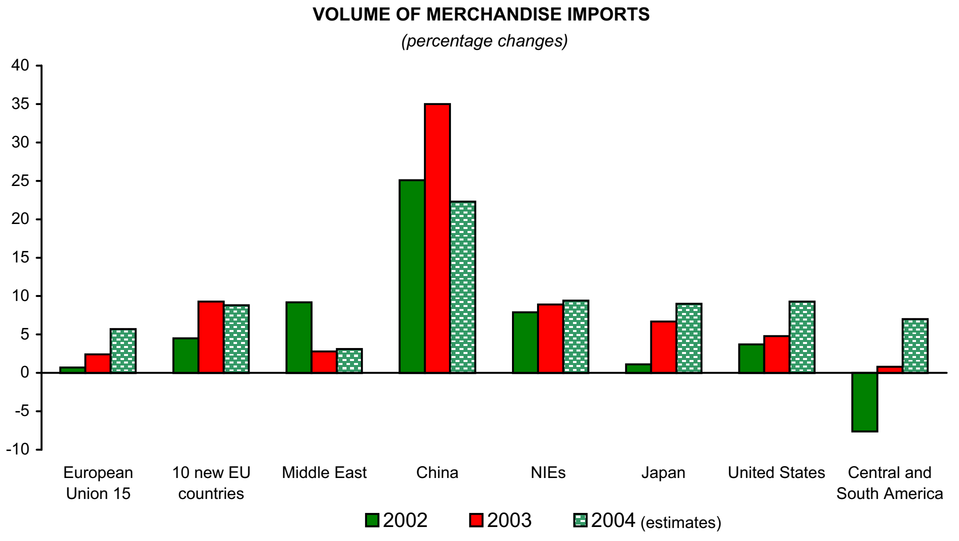
South-East Asia is the main engine of the recovery under way. Including Japan, the region's share of world imports was about 22% in 2001, but in the last two years it has accounted for more than half of the growth in imports in real terms. Almost half of this contribution is attributable to China and India and a significant share also came from the newly-industrialized economies or NIEs (Hong Kong, Singapore, South Korea and Taiwan) and from Australia. In 2003 a powerful additional impulse came from Japan, which appears finally to have left the protracted stagnation of the nineties behind. The intensification of intra-regional trade in Asia, driven more by the integration of production than by preferential trade agreements (still relatively rare and ineffective), has been a major factor of the region's dynamism, which is likely to continue in the coming years. In 2004 imports are forecast to grow by more than 16% in the developing countries of Asia as a group and at very high rates in Japan and the NIEs as well.

North America's contribution to the recovery of world demand has been very substantial (greater than 20% in 2002-03) but proportionate to its initial share. Despite the depreciation of the dollar, US imports are accelerating and are expected to rise by more than 5% in 2004; Canada's are expanding at a similar pace.

The European Union, albeit with a lag, is participating in the revival of world demand, but its contribution to the global increase only became significant in 2003 (14%) and this was still smaller than its share of world imports (36% in 2001). Up to now the recovery in EU imports has been concentrated in just a few countries (Germany and Spain accounted for more than three quarters of the total increase in 2003), but it is likely to spread and intensify during the current year.

Import growth has been vigorous for some years now in the countries of Central and Eastern Europe, especially those that just joined the European Union. In 2001 the accession countries accounted for 2.6% of world imports, but in the last two years they contributed more than 4% of the growth in imports. In 2004 the imports of the region as a whole (including the Balkans) are expected to grow by more than 10%, slowing slightly with respect to 2003. The growth rates in the region encompassing Russia and the other countries of the Community of Independent States are a little lower.

The other regions of the world so far have participated to a very limited extent in the recovery in world demand. However, the short-term prospects are brighter. Latin America, having overcome the most acute phase of the crisis, is expected to return to import growth of about 7% in 2004. In Africa, where the impact of the crisis of 2001 was muted, imports picked up in the last two years and are forecast to grow by more than 6% again in 2004. The least dynamic region is expected to be the Middle East, where, despite the boost to the growth and purchasing power of the oil-producing countries from the rise in oil prices, the severe political crisis has braked imports, whose rate of expansion is likely to remain close to 3%. The emerging countries' overall share of world demand, which had been sharply curtailed by the crises of the second half of the nineties, has begun to grow again, returning to a level comparable to that of 1996 (37% of world imports at constant prices).



Sources: Based on IMF, World Economic Outlook *(April 2004), and European Commission,* Spring Forecast *(April 2004).*

The emerging countries are also continuing to advance in exports.

The distribution of exports shows even more pronounced changes. Over the span of the decade from 1994 to 2003, the share of the advanced economies (excluding the NIEs) fell from 65% to 58% of the world total at constant prices, with the losses equally divided among Japan, the United States and the European Union. This was almost exclusively to the benefit of South-East Asia, whose share rose from 17% to 23%, and Central and Eastern Europe.

Exchange rate fluctuations have only marginal effects on these underlying trends, which are essentially due to the changes in the international division of labor. The real effective exchange rate of the dollar, calculated on the producer prices of manufactures, weakened by 7% in the two years 2002-03, but this did not prevent a further slippage, from 10% to 9%, in the US's share in world merchandise exports at constant prices.

Exchange rate variations have not attenuated external current account imbalances.

External current account imbalances generally grew more pronounced in 2003. In particular, the US deficit, expanding as the economy recovered, rose to 5% of GDP and in the process raised concern over the increasing extent to which it was being financed by purchases of US Treasury securities on the part of central banks. Brisk growth also drove up current account deficits in Central and Eastern Europe, where they reached an average of 4% of GDP. Correspondingly, the external accounts of the developing countries tended to improve, especially those of the producers of oil and other raw materials whose prices were rising. The surpluses of Japan and the NIEs rose again, while those of China, India and above all the European Union diminished. Estimates for the current year indicate a moderate curbing of the US deficit, mainly at the expense of the developing countries.

The geographical distribution of foreign direct investment flows adapt to the growth differentials between countries, helping to reinforce them. The stabilization of the world total in 2003 was the consequence of an increase in direct investment flows into China and the United States, offset by a further decline in those to most other recipients, Latin America above all. Short-term forecasts indicate that the expected recovery in 2004 and 2005 will be concentrated in Asia and Central and Eastern Europe. More in general, in every region the inflows are tending to be concentrated in a limited number of countries (China, Brazil, Poland, South Africa and the United States).

FDI inflows are tending to be concentrated in a limited number of countries.

2. International trade negotiations

The changes under way for years now in the distribution of global output and trade are also reflected at institutional level and are the underlying cause of the failure of the Cancún ministerial conference, which brought the first phase of the new round of negotiations within the World Trade Organization (WTO), the Doha Development Agenda, to a negative conclusion in September 2003. The outcome in Cancún demonstrated the breakdown of the traditional model of negotiations based on the hegemony of the United States and the European Union, a model that had ensured the success of the previous rounds of trade talks held under the aegis of the General Agreement on Tariffs and Trade (GATT) but that had already shown signs of crisis at the Seattle ministerial conference in 1999.

The failure of the Cancún conference confirms the more important role played by the developing countries in the WTO.

New actors and new coalitions came to the fore. The G-20 countries, with Brazil, China and India in the lead, displayed unexpected unity and determination in opposing the positions of the United States and the Europe Union. Other groupings of developing countries similarly took a strong stand, demanding that the negotiations effectively be oriented in favor of their interests, as promised in Doha. This new turn of events can be partly explained by the progress already made in international economic integration. By increasing the openness of markets, trade liberalization has augmented the importance of the decisions made within the WTO, which no longer only concern the trade barriers in place at national borders but also extend to domestic policies and regulations that can affect them. As a consequence, the governments of the developing countries, which in the past had kept to a rather passive role in international trade talks, have been led to take more vigorous action in defense of their countries' interests.

The developed countries have not yet completely grasped and accepted this new stance and the alteration in the balance of power that it implies. Within the short time frame of the ministerial conference, their governments were unable to propose a compromise solution that would be acceptable to all. However, the failure in Cancún harms the developing countries above all, for they are potentially the principal beneficiaries of the implementation of the Doha Agenda and stand to gain most from the proper functioning of multilateral governance of trade.

The strongest disagreements concern agriculture and the extension of the negotiating agenda to new issues.

The strongest disagreement concerns agriculture, a sector in which widespread, intense protectionism severely harms the interests both of developing countries that enjoy a comparative advantage and of countries that depend on imports for the safety of their food supply. The negotiating positions in Cancún remained far apart on all the main issues, which include export subsidies, domestic support mechanisms, import barriers, preferential treatment for the developing countries, and the non-commercial aspects of agricultural activities. An issue that took on great real and symbolic importance during the conference was that of cotton. Production subsidies, granted above all by the United States, tend to depress international cotton prices, making the output of the poor countries uncompetitive or unremunerative. For this reason Brazil had appealed to the WTO's disputes resolution mechanism and recently received an initial favorable verdict. It is an important precedent and other countries could follow suit. This would generate a wave of agricultural trade disputes, which are no longer blocked by the "peace clause" that expired last year.

However, it was not on agriculture that the Cancún conference foundered but on a set of questions, known as the "Singapore issues", which the European Union and some other countries wanted to include in the negotiating agenda, encountering the tenacious refusal of many developing countries. The Singapore issues include such important matters as the regulation of foreign direct investment and the links between trade policies and competition policies, areas in which the developing countries too could benefit from an international agreement. However, the political impasse was evident even before the conference and perhaps should have suggested different negotiating tactics than those employed.

Signs of greater flexibility are emerging …

Encouraging signs of greater flexibility on the part of governments on both the Singapore issues and agriculture have subsequently emerged. The understanding reached before the conference on another issue of immense real and symbolic value - the international rules on intellectual property in lifesaving medicines - demonstrated that compromise still can be achieved notwithstanding the strong institutional limits of the mechanism for reaching consensus within the WTO. On the other hand, the differences to be bridged remain considerable and the election campaign under way in the United States does not make the search for an agreement any easier. It will be very important that the commitments already undertaken regarding the textile and clothing sector be seriously maintained. The last protections ensured by the Multifiber agreement are slated to lapse in January and the sector will face the consequent problems of adjustment, especially in countries such as Italy that specialize in these products. It is essential to surmount the present disagreements and bring the negotiations to a successful conclusion, not only for the economic benefits that they could generate but also for the political value of the institutional system that regulates international trade.

…while regional integration agreements are continuing to develop.

There is complex interdependency between the progress of the negotiations within the WTO and the strengthening of regional preferential trade agreements. While the latter can eliminate incentives to reaching a multilateral agreement, they can also facilitate it by making it possible to calibrate the intensity of integration according to geographical proximity and to coordinate negotiating positions. The trade effects of preferential agreements are not easy to evaluate, but in the last decade the relative intensity of intra-regional trade appears to have increased slightly in the European Union and Latin America. The financial turbulence that has recently affected some emerging countries has had differing impact on their intra-regional trade: in ASEAN the intensity of intra-regional trade has increased following the Asian crisis, while in Mercosur it has diminished in the wake of the crises of Brazil and Argentina.

3. The European Union's external trade

The EU is growing slowly but is being enlarged to include a group of dynamic countries.

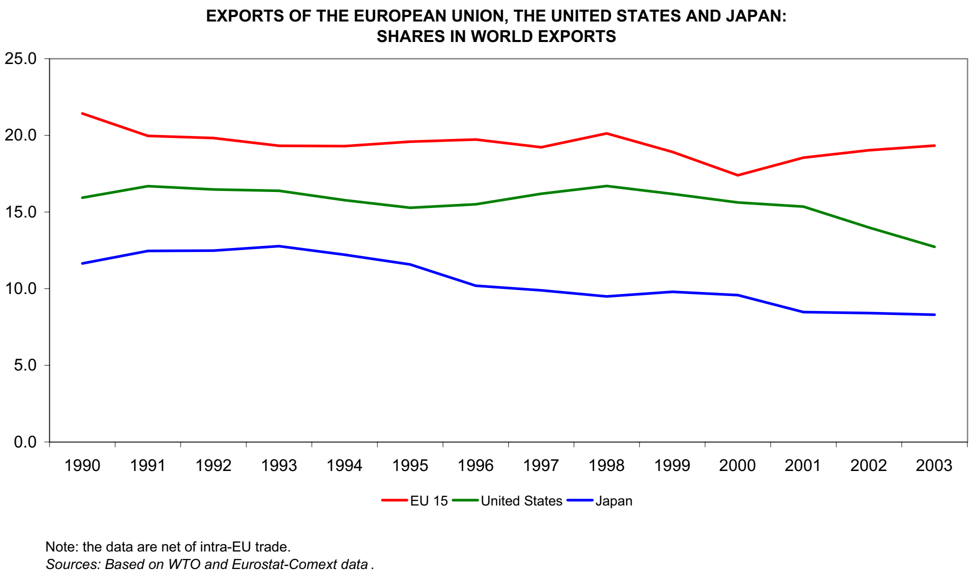
This year marks a turning-point in the history of the European Union, with an enlargement of the Union that is major in both its scale and its challenges - considering the number of new members, the size of their population and the magnitude of their development gaps vis-à-vis the European average - and the understanding just reached on the text of a Constitution. However, these innovations come during a phase of economic difficulty for the fifteen countries that were already members of the European Union (EU-15).

Signs of the changes under way for years in the distribution of world production and trade are easily discernible in the weakness of economic activity in the European Union, which continues to grow at moderate rates, underperforming both world GDP and the other advanced economies. As elsewhere, in Europe the most dynamic economies are those of the emerging countries, both those that have just joined the Union and those that still are not members. A complex set of demographic and economic factors explains this tendency. Some of the causes are structural, connected with the convergence of less affluent areas toward higher levels of development; the orientations of economic policy also play a part.

In the last two years the appreciation of the euro adversely affected the growth of EU-15 exports of goods and services, which increased by an average of 0.6% per year, while helping to sustain imports, which rose by an average of 1.1% per year but whose expansion was curbed by the weakness of economic activity (GDP growth averaged 1.3% per cent per year). As noted earlier, cyclical developments are expected to be more favorable in 2004, albeit against the background of the underlying trends just mentioned.

The EU's comparative advantages are mainly in mechanical engineering, transport equipment and chemicals.

The geographical distribution of EU-15 foreign trade is continuing to shift. Trade with Central and Eastern Europe and the Far East has gained in importance, partly as a consequence of the increasing integration of production. The strong points of the EU-15's model of trade specialization remain mechanical engineering products (notably toward Asia and Central and Eastern Europe), transport equipment and chemical products (above all toward North America), with particularly high specialization in pharmaceuticals. The comparative disadvantages are in energy, agriculture, textiles and clothing, and some research-intensive sectors (two thirds of imports of information and telecommunication products come from East Asia).



In the Union's external trade policy a high priority is assigned to relations within the WTO, where, apart from the general issues examined earlier, the outstanding development in recent months has been the progress in bilateral negotiations for Russia's entry into the WTO. But preferential relationships are also continuing to be developed with other regions, close to the EU either geographically (as in the case of the Balkans) or by virtue of ties dating back to colonial times (Latin America).

The new enlargement spotlights the EU's relationships with the countries lying on the Union's new external borders, particularly those of the Mediterranean basin. The volume of trade between the EU and that region is judged to be still well below its potential level and has even fallen slightly in recent years, despite the start made on a process to achieve closer integration.

4. Italy's position

The Italian economy's stagnation has not prevented Italy's current account from deteriorating …

The problems of the European economy are replicated in particularly intense fashion in Italy. In recent years Italian GDP growth has been lower than the euro-area average. The weakness of domestic demand, especially the investment component, has been coupled with a negative contribution of exports, whose expansion has been curbed in part by exchange-rate developments and by faster rising costs than those of the country's main European competitors.

Thus the stagnation of the Italian economy has not prevented a further deterioration in the current account deficit, which in 2003 rose from €10 billion to €18 billion (1.4% of GDP), and in the country's foreign debt, which is now close to 6% of GDP, raising the risk of a rigidification of the external constraints on the economy's recovery in the future. While it is true that Italy still has a very substantial surplus on trade with non-euro-area countries and that the adoption of the euro shelters Italy from the danger of currency crises, the growing deficit on the overall current account signals that total expenditure is outpacing output, a situation that could create problems of sustainability at some point in the future.

…despite an anomalous fall in import penetration.

On the other hand, the share of domestic demand covered by imports fell in the last three years from 28.7% to 27.4% at constant prices, interrupting a rising trend that had lasted for many years. It should be stressed that the appreciation of the euro was not large enough to impede this decline, partly because foreign suppliers of manufactures appear to have exploited it mainly in order to increase their unit profits rather than as an opportunity to gain competitiveness in the Italian market. Changes in the structure of demand, and particularly the weakness of the components incorporating a high proportion of imported intermediate goods, such as investment and exports, may have contributed to the decline in import penetration. But the long-term trend toward increasing international integration, which has lost impetus at the global level as well, is destined to regain momentum in the coming years.

The critical aspect is the decline in exports …

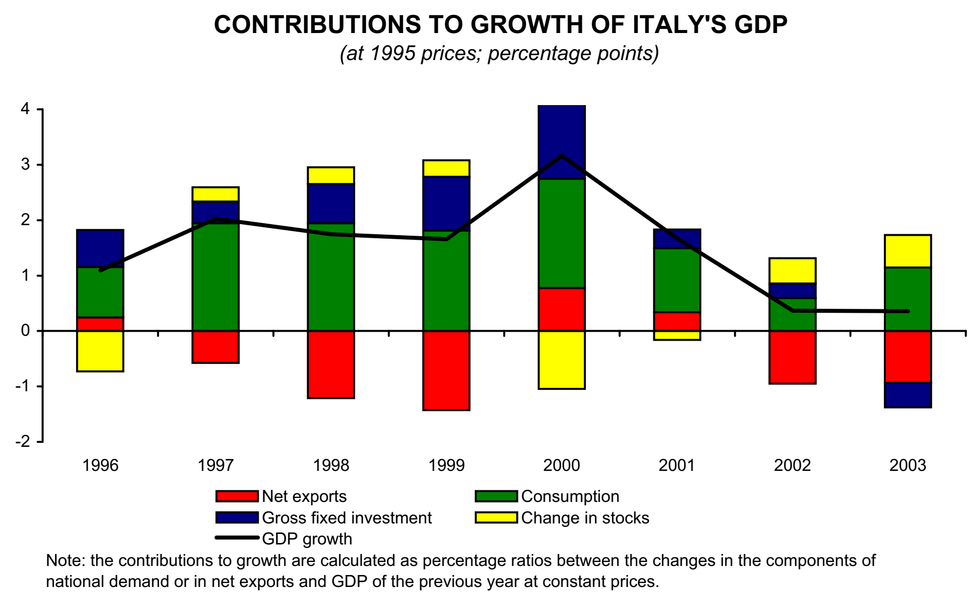
Nevertheless, the most critical aspect of Italy's economic situation is the negative performance of exports of goods and services. In 2003 it intensified with a contraction of 3.9% in exports at constant prices in spite of the recovery of world trade.[3] Italy lost export share in real terms not only to the benefit of the emerging countries but also with respect to the rest of the euro area, particularly Germany and Spain, extending a negative trend that began in 1996.

… but their share of the value of world exports has stabilized.

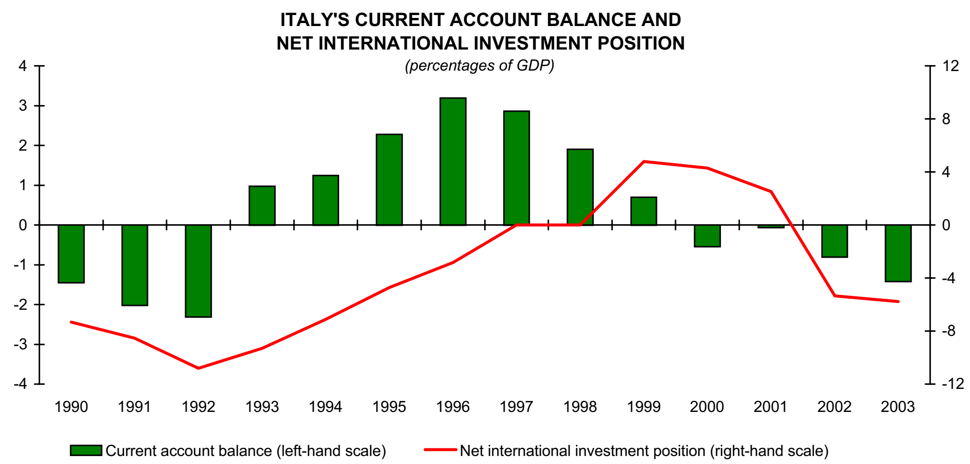
However, Italy's share of merchandise exports at current prices, after staging a mild recovery in 2001, has stabilized since then at 3.9 %, demonstrating greater resilience than exports at constant prices. The divergence between the two measures of market share reflects a high rate of growth in the relative unit values of Italian exports and is not easy to read. It involves, in the first place, the nominal impact of the appreciation of the euro, which is generally stronger than its substitution effects on the volumes exported, as

[3] In assessing the growth rates of exports in 2003, it is necessary to bear in mind that the national accounts data referring to goods and services reflect those on merchandise trade, for which the National Institute for Statistics, Istat, compares the provisional data of the last year with the final data of the previous year. Such comparison generally involves considerable underestimation of the growth rate of exports, especially those to the rest of the European Union, since the provisional data do not include a series of transactions that are recorded only when the final data are released.

can be observed for different periods and currencies. In other words, the share in value terms tends to rise when there is a loss of competitiveness, because the appreciation of the euro translates into an increase in relative prices that outweighs the consequent decline in the share in volume terms.



Source: Based on ISTAT data.



Sources: Based on Bank of Italy and ISTAT data.

The prices of exports increased …

This trend can be either reinforced or curbed by firms' pricing policies. The increase in the unit values of Italian exports was more accentuated in EU markets, where it was in line with the average rise in producer prices; it was more moderate in non-EU markets, where Italian firms sought to limit the loss of competitiveness due to the appreciation of the euro. Nonetheless, on average the unit values of Italian exports rose more than those of other euro-area countries' exports, reflecting, among other things, faster-rising labor costs and slower productivity growth.

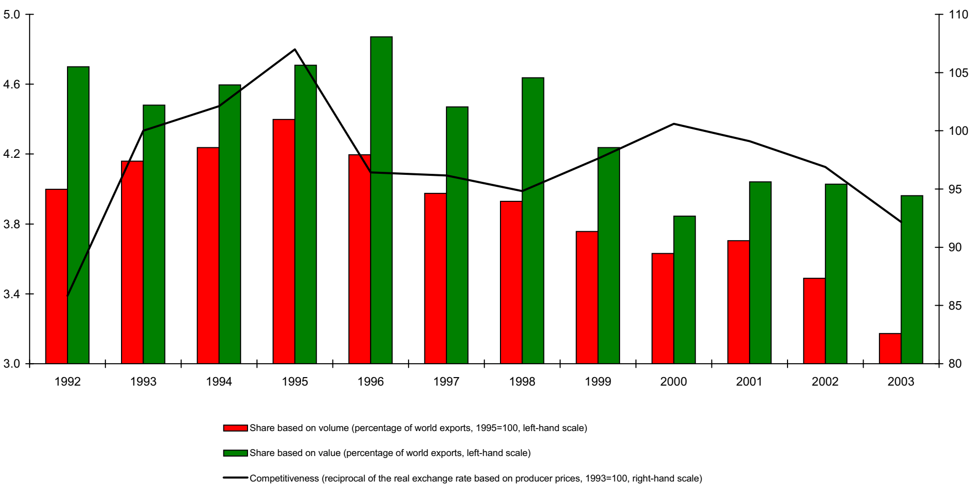
…and firms shifted toward products of higher quality.

In addition, it appears likely that the euro's appreciation gave a further boost to long-term trends in the qualitative composition of Italian exports: firms shifted toward products having a higher unit value and exporters of low-end goods exited the markets.[4]

Exports were penalized by their product specialization in slow-growing sectors of world demand.

Composition effects are also very important for an understanding of the trend of market shares, shedding light on the links between the structural characteristics of models of specialization and success in international trade. In many cases Italian exports have been penalized by the fact that their comparative advantages are concentrated in relatively slow-growing sectors of world demand, and this "dynamic inefficiency" of the Italian model appears

ITALIAN MERCHANDISE EXPORTS:
COMPETITIVENESS AND WORLD MARKET SHARES



Sources: Based on Bank of Italy, European Commission, IMF and WTO data.

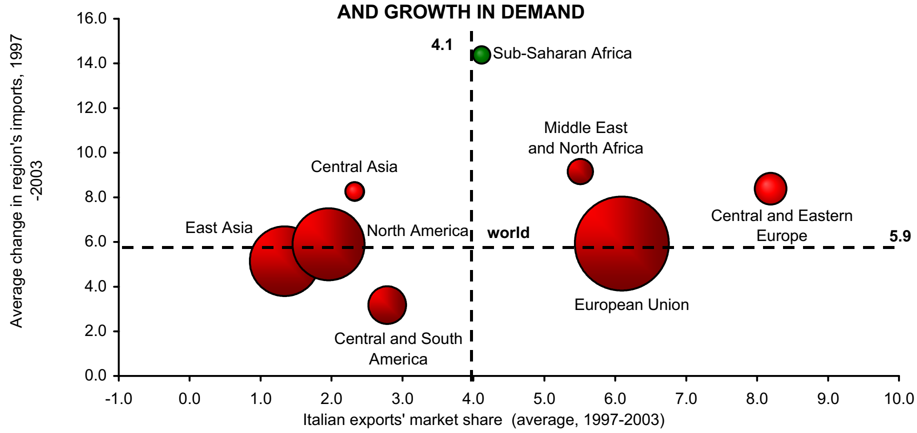
[4] In evaluating these developments, it should be borne in mind that Istat recently modified the method it uses for calculating the indices of unit value of foreign trade. For the period 1997-2002, these changes imply an appreciable upward revision of the average annual increase in export unit values, from 1.7% to 3.7%, and a corresponding reduction in the rate of increase in volumes.

to have become more accentuated, with a higher incidence of specialization precisely in the slower sectors. Overall, around one third of Italian exports' loss of world market share and two thirds of their loss with respect to euro-area competitors can be attributed to these structural effect.[5] Prominent among the drivers of world trade in 2003 were motor vehicles, chemicals and energy products, i.e. all sectors in which Italy is relatively weak.

Evaluation of the demand-side geographical composition effect is less clear-cut. Examining the figures at constant prices, Italian exports no doubt have been braked by their relative weakness in the more dynamic markets, such as North America and East Asia. But if one looks at market shares in value terms the effect appears to have been reversed in the last three years, because in this case the nominal impact of the appreciation of the euro also lent greater weight to the dynamics of the European market, where Italian exports enjoy a more favorable position.

In the first quarter of 2004 Italy too registered a moderate acceleration in economic activity: GDP increased by 0.8% with respect to the corresponding quarter of 2003, thanks primarily to the contribution of domestic demand. Exports of goods and services swung back to slightly positive

ITALIAN MERCHANDISE EXPORTS' MARKET SHARES AND GROWTH IN DEMAND



The size of the circle represents Italian exports' average share in the region's imports in the period 1997-2003. A red (green) circle indicates a decrease (increase) in share between 1997 and 2003.

Sources: Based on IMF-DOTS, WTO, Eurostat and National Institutes for Statistics data.

[5] The results of the statistical decomposition using constant-market-shares analysis on which this assessment is based are presented in Table 2.3 of the Statistical Appendix. An analogous analysis limited to the non-EU markets, published in a contribution to the Report, produces similar results.

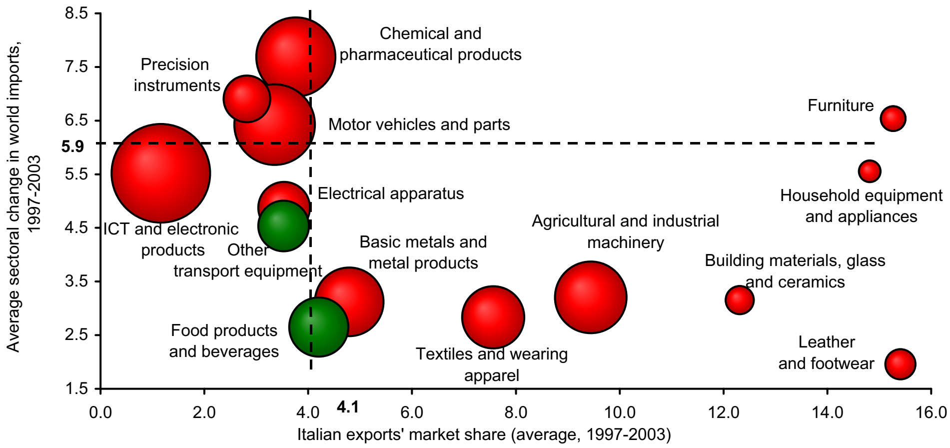
twelve-month rates of growth of 0.4%, far lower however than the estimated expansion in world trade. Import penetration continued to decline.

Recent data referring to merchandise exports alone show brisker growth: a twelve-month increase in value terms of 7.6% in April and, for exports to non-EU markets, 10.5% in May.

In 2004 exports and imports appear to be recovering.

The consensus forecast for the current year points to a moderate acceleration in all the main variables. Exports of goods and services are expected to grow by 1.8% in real terms, catching the updraft of the expansion in world trade. Imports are likely to increase even more, by 2.6%, inverting the anomalous drop in their penetration. The gap between export and import volumes is expected to be compensated for by a fresh improvement in the terms of trade and the current account deficit to be broadly unchanged.

ITALY'S MARKET SHARES BY SECTOR



The size of the circle represents Italian exports' average share in world exports for the sector in the period 1997-2003.
A red (green) circle indicates a decrease (increase) in Italy's sectoral share between 1997 and 2003

Sources: Based on Eurostat and National Institutes for Statistics data.

Geographical regions and countries

Central and Eastern Europe and the Far East account for a growing share of Italy's foreign trade.

Reflecting global trends, the geographical distribution of Italian foreign trade has shifted increasingly toward the emerging regions, though it continues, inevitably, to be affected by the disparities in trade costs due to distance and trade barriers. Central and Eastern Europe took about 6% of Italian exports in 1994; last year the share was close to 11%. Over the same period, the region's share of Italian imports rose from 7% to 10%. East Asia's gain in share of Italian imports was slightly smaller, rising from 7% to 9% largely owing to China, while its share in Italian exports decreased from 8.5% in 1994 to 7% in 2003, having not yet made good the collapse provoked by the region's crisis of 1997-98.

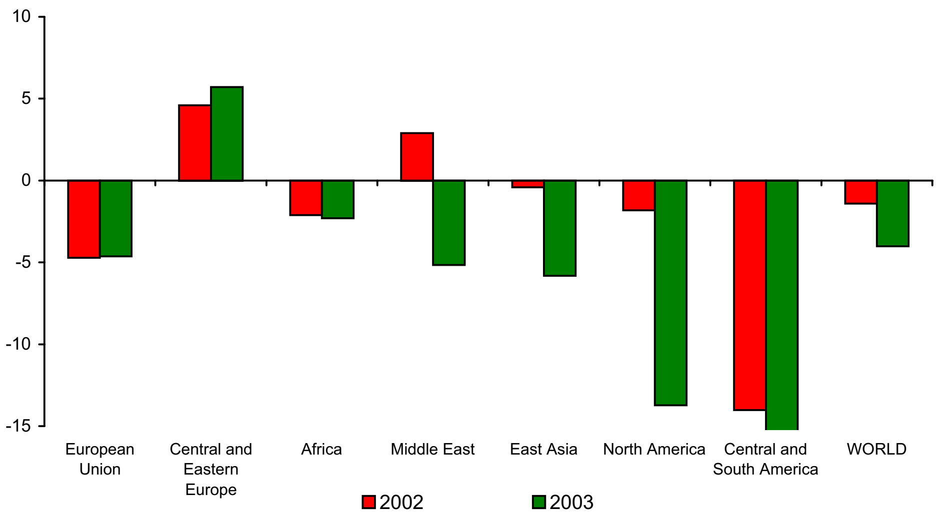
Most of the reduction in Italian exports in 2003 is attributable to the sharp drop in sales to the European Union (4.6%) and North America (13.7%). Imports from those regions also diminished. It is worth noting in particular that merchandise imports from the United States plummeted not only in value but also in volume (by 18% and 14% respectively), notwithstanding the depreciation of the dollar.[6]

Market shares fell in America and Asia, were stable in the European Union and rose in the regions close to Italy, where firms are relocating production.

Regional market shares in Italian exports at current prices moved in different directions: generally declining in the more distant markets of America and Asia, stable in the European Union, rising in Central and Eastern Europe and the Mediterranean. These divergences appear to be related to the pricing strategies adopted by Italian firms in response to the appreciation of the euro. As mentioned earlier, the unit values of exports decreased in markets such as the United States and Japan, where firms felt a greater need to stem the loss of competitiveness (without succeeding, however, in averting a decline in their market shares). By contrast, they rose considerably in the euro area, where Italian firms presumably enjoy more market power.

ITALIAN MERCHANDISE EXPORTS BY WORLD REGION

(percentage changes in value in euros)



Source: Based on ISTAT data.

[6] The bulk of the fall in imports from the United States was due to the halving of those of the aeronautics industry, but there were large declines in nearly every sector.

In addition, the fact that for some years now export shares have increased almost exclusively in the world trading regions where Italian firms are tending to transfer production (through outward processing arrangements and agreements with local partners as well as by means of direct investment) could be read as indirect evidence of the changes in their strategies of internationalization: on the one hand production abroad has the effect of partially substituting exports from Italy, on the other it stimulates complementary export flows to the countries to which production has been transferred. This phenomenon is especially evident in the case of the Balkans.

The available data for the first four months of 2004 show a more marked upturn in Italian exports to the European Union (3.4%) than to the other regions. Among the EU-I5 markets, the recovery is modest in Germany (1.7%); it is stronger in Spain (5.7%) and several smaller markets. In the rest of the world, a further fall in exports to the United States, Japan and the NIEs contrasts with rather rapid expansion in sales to Central and Eastern Europe, the Middle East, China and the Mercosur countries.

Sectors

The deterioration in the trade balance involved many sectors, but not mechanical engineering.

The deterioration in the trade balance in 2003 involved nearly every sector, with the notable exception of mechanical machinery and equipment, imports of which fell sharply owing in part to the fall in investment. The decline in the value of exports was widespread and pronounced in a good number of Italy's sectors of specialization, such as textiles and clothing (7%), leather and footwear (9%), furniture (9%), and jewellery, gold and silver products (23%), leading generally to significant losses in market shares. This development was accompanied by very substantial increases in the unit values of exports, which to some extent signal a further shift in the composition of exports toward higher-quality products in response to the pressure of competition. Better results were reported for motor vehicles, with exports up by 2.5%, mechanical machinery and equipment, where the loss was limited to 1.7%, and food products (down by 2.7%).

Export product specialization is moving toward intermediate and capital goods ...

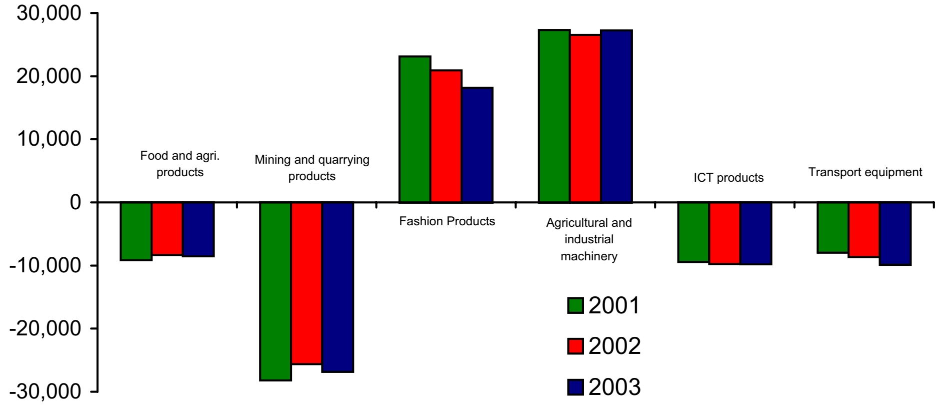
The export recovery in the first four months of 2004 has been concentrated in transport equipment, at least as far as non-EU markets are concerned. The overall results for intermediate and capital goods have been fairly positive, while exports of consumer goods have contracted further.

Over a longer time horizon as well, the most marked contraction in shares have involved typical Italian finished products, while those of intermediate goods (for example, yarns and textiles) and of capital goods for making such products have gained. This too is a sign of the model of trade specialization moving in a direction that involves the transfer abroad of some phases of production processes.

… and upgrading the quality of typical Italian products …

There is much concern about the ability of the Italian model to withstand the competitive pressure of the emerging countries, and these worries have been heightened by the prospects created by the enlargement of the European Union. In reality, on close inspection the specialization of Italian exports exhibits significant differences with respect to those of the EU's new members in terms of product quality bracket. This suggests that the Union's enlargement should be seen more as an opportunity for integration than as a competitive threat. However, in some cases the difference in quality between Italian products and those of the new member countries appears to be diminishing.

ITALY'S SECTORAL TRADE BALANCES
(millions of euros)



Source: Based on ISTAT data.

Analogous observations are also valid with regard to China. The qualitative advantage of Italian products in the sectors of specialization in common between the two countries is evident, albeit declining. On the other hand, the Chinese market offers enormous growth prospects even for Italy's typical export products. But if these opportunities are to be adequately exploited, Italian firms will have to establish a stronger direct production presence in China than they have so far.

… but remains weak in the research-intensive sectors.

A characteristic problem of the Italian model remains its weakness in research-intensive sectors, which has grown more acute in the past few years. One particular aspect of this problem is reflected in the technology balance of payments, which measures trades in respect of production-ready know-how not embodied in capital goods (patents, licenses, technological services, etc.). In this sector Italy runs a structural trade deficit, although the size of the shortfall decreased in 2002.

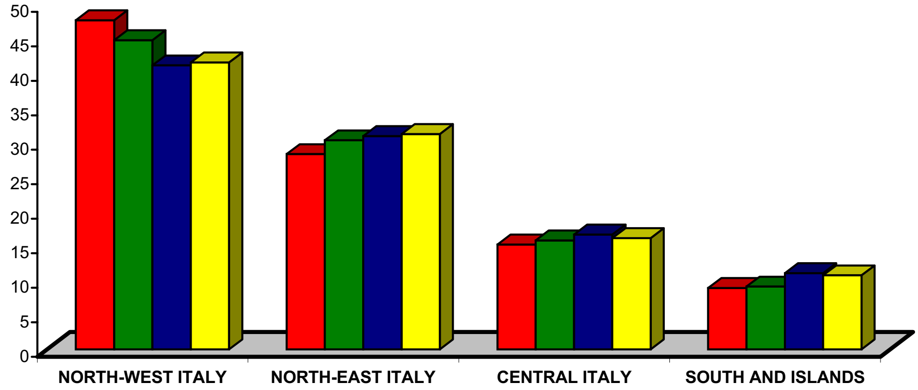
The exports of the Italian regions

Export results varied widely among the Italian regions.

It is difficult to grasp the general trends in the territorial distribution of Italian exports in 2003. At first sight the differing results for Italy's twenty regions do not depend on the extent to which industrial districts are present or on other easily identifiable characteristics.

The sharpest declines were registered by regions such as Veneto (8.5%), Friuli-Venezia Giulia (9.4%), Tuscany (7.1%), Lazio (12.2%) and Campania (14.9%), which have highly diversified industrial structures. In some cases this may have been partly due to the transfer of production segments abroad; in others it reflected sectoral problems, such as those of the aeronautics industry in Lazio and Campania. The results were better for the regions of the North-West, where Piedmont only recorded a slight decrease of 0.4%, thanks to the automobile sector, and for those of the Adriatic seaboard between Emilia Romagna and Puglia, where the Marches' electrical home appliance industry led that region to export growth of 1.9%. The increase from 2.6% to 2.9% in Sicily and Sardinia's combined share of total Italian exports is entirely due to the rise in prices of refined petroleum products, in which both regions are highly specialized.

MERCHANDISE EXPORTS BY ITALIAN MACRO-REGION
(percentage shares in value at current prices)



Source: Based on ISTAT data.

The initial data for 2004 show an upswing in exports for Tuscany, Campania and Friuli-Venezia Giulia and continuing growth for other Adriatic regions. A decline in exports of energy products is reflected in the results for Sicily and Sardinia and also has visible repercussions on the overall share of the Mezzogiorno (South and Islands) in the national total.

The Mezzogiorno shows little openness to international markets.

The Italian regions' propensity to export varies widely. Setting the national average equal to 100, in 2003 the ratio of exports to value added ranged from a high of 136 in Friuli-Venezia Giulia to a little more than 50 in most of the regions of the South, with a low of 8 in Calabria.

Compared with that of the Center and North, the Mezzogiorno's model of specialization is less disadvantaged in high-technology products. Indeed, the number of southern provinces specializing in such goods has increased in recent years. However, indicators based on spending on innovation and on patents show that the South and Islands still have much ground to recoup even with respect to the lackluster national average.

Industrial districts are in transformation, shifting portions of their production abroad and moving toward capital goods and machinery for making typical "made in Italy" products.

An important example of the changes under way in industrial districts' models of specialization is offered by the footwear industry of the Marches. In the nineties the firms of that region stepped up their vertical specialization. In order to increase the flexibility of production in the face of the fluctuations of demand and reduce the costs of the more labor-intensive processes, the different phases of production were parceled out among different firms, first within industrial districts and subsequently abroad, with repercussions on internal employment. The last few years have brought a readjustment and a partial return to more integrated forms of organization, but the boundaries of production systems now extend beyond the traditional local ambits.

More in general, various signs confirm that industrial districts' models of international specialization are increasingly moving toward intermediate goods and machinery used for making typical "made in Italy" consumer products and household goods. Part of the production of these typical products is being relocated in other countries.

Firms' international activities

The stability of exporters is increasing, but the number of new entrants in foreign markets is falling.

The number of exporting firms has increased since 1998, independently of exchange-rate fluctuations, even if their incidence on the total number of firms in operation has remained almost unchanged. However, in 2003 the rise in the number of exporters (1.3%) came exclusively from the better staying power of firms already active in foreign markets, while the number of new exporters fell by 5.8%. It is likely that the appreciation of the euro made it even harder to sustain the sunk costs of entry into international markets.

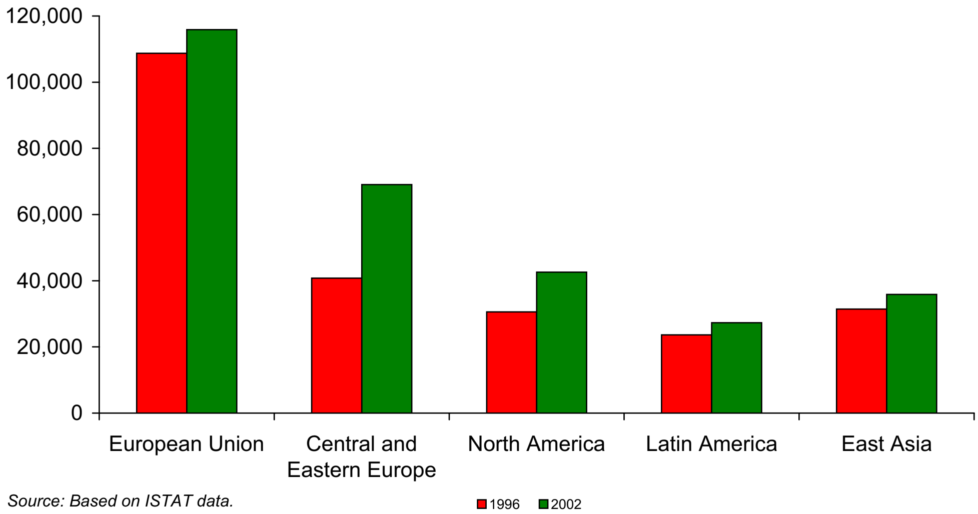
The structure of exports by size of firm is slowly changing.

In the period 1996-2002 the structure of Italian exports by size class of firm saw an increase in the incidence of large firms (at least 250 workers), whose share of the total value of exports rose from 40.8% to 42.6%, but also of the smallest firms (up to 9 workers), whose share rose from 9.6% to 10.8%, to the detriment of the intermediate size classes. But in 2003 it was the exports of firms belonging to the highest category according to turnover that fell the most.

The geographical diversification of exports is increasing.

The geographical diversification of exports has increased steadily, whether measured by the average number of outlet markets per firm or, more significantly, by the average number of geographical regions in which firms have a marketing presence. The latter figure rose from 2.42 to 2.53 between 1996 and 2002. The more distant markets are relatively more important for large firms: Central and Eastern Europe is the second-leading outlet region for small firms, while North America ranks second for large ones. In reality, around 44% of Italian exporters sell in just one foreign market, but in the last ten years the number of firms that export to at least 40 countries more than doubled to exceed 3,300. Diversification of markets can play an important role in stabilizing the exports of a firm by reducing its vulnerability to crises affecting individual countries.

NUMBER OF ITALIAN EXPORTING FIRMS BY GEOGRAPHICAL REGION



Source: Based on ISTAT data.

A more detailed analysis of a sample of enterprises confirms that exporters' persistence in foreign markets is influenced by their size and by their distance from the markets. Italian exporters' persistence in France and Germany has diminished since the introduction of the euro; this suggests that the trade-creation effects of monetary union so far have been limited. Their persistence in the United States has been adversely affected by the recent strengthening of the euro.

Production abroad by Italian firms is increasing ...

Albeit more slowly than in the past, Italian firms' production presence abroad has continued to grow in recent years, bucking the international trend toward a sharp decline in foreign direct investment. Counting only controlling interests, at 1 January 2003 Italian companies' affiliates abroad numbered more than 12,000 with more than 860,000 employees and total turnover in 2002 of around €211 billion, equal to 68% of Italy's exports of goods and services. The manufacturing sector accounted for around 79% of this employment and 56% of the turnover.

Firms that set up production facilities abroad achieve significant turnover and productivity gains, without negative impacts on their own staffing levels. However, the effect on employment in the industrial districts to which they belong remains uncertain.

In 2002 the turnover of Italian firms' foreign affiliates fell by more than 6% as a consequence of specific problems in the food products, electronics and telecommunications sectors. Net of these sectors, its rate of growth was appreciably higher than that of exports.

... with a growing contribution from small and medium-sized multinationals.

Large firms continue to account for the vast majority of Italian equity investments abroad, but the contribution of small and medium-sized firms to production abroad has increased in the last decade, their share of total employment in foreign affiliates rising from 4% to 17%. The geographical distribution of investments abroad, like that of exports, has seen an increase in the shares going to Central and Eastern Europe and to Asia. However, investments abroad tend to be concentrated in a limited number of countries within each region of the world. The ability of firms based in the South of Italy to produce abroad remains modest – they account for only 2% of employment in Italian firms' subsidiaries abroad – but has grown in the past few years.

Italy's ability to attract foreign investment remains weak, especially in the Mezzogiorno.

By contrast, the South and Islands' share of employment in the Italian affiliates of foreign firms has decreased from 6% to 5.4% in the last three years. Despite a few success stories, the structural problems that limit Italy's ability to attract foreign investment are even more acute in the Mezzogiorno.

Italian firms controlled by foreign multinational corporations numbered around 5,500 at 1 January 2003, with 785,000 employees and turnover of almost €283 billion. In the last three years the growth of foreign shareholdings has slowed and the presence of multinationals in research-intensive sectors has weakened further.

5. Concluding remarks

The declining trend of Italy's share of world exports over the last decade or so is an aspect of a more general rebalancing of the international economy that is likely to continue in the coming years. The untapped demographic and economic potential of the large emerging countries of South-East Asia, the leading actors in this process, is enormous and the incentives to exploit it are very great. The integration of the European region, which has just reached a highly significant goal with the entry of ten new members into the European Union, is giving rise to new energies and opportunities in the countries on its eastern and southern borders. Other areas of the planet are entrusting their hopes of progress to more intense participation in international trade and are forcefully demanding trade policies better suited to achieving these aims.

The process should not cause alarm. On the contrary, it should be encouraged, not only on grounds of fairness, but also for the great opportunities for development that it offers all countries, including those that feel threatened by it. Its implications for the distribution of income within countries need to be addressed with appropriate social policies, not with trade protectionism.

However, Italy's problem also entails other aspects and therefore demands additional explanation.

The exchange-rate movements of the last three years have adversely affected the competitiveness of euro-area products, but the consequent substitution effects on trade volumes are limited, considering that US exports are also continuing to lose world market share and that import penetration in Italy has steadily diminished since 2001. Moreover, Italy's participation in the euro shelters the country from the danger of currency crises that otherwise would arise in an economy that, even if growing slowly, is accumulating a substantial foreign debt.

Italy's share of world exports at current prices has remained unchanged in the last two years, buoyed precisely by the nominal impact of the strengthening of the euro. In addition, in some markets firms appear to have adopted pricing strategies geared more to safeguarding their unit profits than to defending the competitiveness of their products. At the same time they have presumably upgraded their supply toward goods that have a higher unit value and for which demand is less elastic to prices. Exporters positioned at the lower end have been induced to exit markets. Last year the number of first-time exporters diminished, as the appreciation of the euro made export trade less remunerative. These factors help to explain why Italy's share of world exports has performed better in value than in volume terms.

By contrast, Italy's share of both the volume and the value of euro-area exports has continued to decline, but mainly for reasons other than the nonetheless important problems of the erosion of firms' competitiveness by unfavorable relative changes in costs and productivity. As emphasized earlier, the sharp fall in share with respect to 1997 depends largely on the model of specialization of Italian exports, i.e. on their increasing concentration in sectors where the growth in world demand is sluggish.

Other structural features of the Italian economy are often held responsible for the problems that have appeared in international markets. The industrial structure is characterized by its well-known fragmentation; it includes a higher proportion of small firms than is found on average in the other major European countries. The attendant problems have been more than compensated for by the competitive advantages deriving from specialization and concentration in local production systems - industrial districts - featuring a close web of fruitful relations between firms and the social and economic context in which they operate. But in the past few years the weakness of small firms in the phases downstream from production (distribution and post-sales assistance), where they are often subject to the greater market power of foreign intermediaries, has become ever more evident. For that matter, large Italian companies themselves have encountered growing difficulty in international oligopolistic competition.

One possible response to these problems is the internationalization of production. Italian firms were late to take this path and their share of world FDI remains well below their share of production or trade. But the gap is tending to narrow and small and medium-sized companies are also becoming multinationals in increasing numbers and different ways. Excluding all the forms of international fragmentation of production based on agreements between firms without direct investment, for lack of reliable data, and narrowing the field further to encompass only controlling interests, it is nonetheless significant that the turnover of Italian firms' foreign affiliates is now equal to more than two thirds of the value of Italian exports of goods and services.

Hence, a reasonable hypothesis, and one abundantly supported by anecdotal evidence, is that Italian exports have been at least partly replaced in some markets by products turned out by foreign affiliates of Italian firms or by other firms connected with them. If this is true, the problem of the Italian economy's international position is posed in somewhat different terms than in the past. Firms producing abroad are strengthening their competitiveness, safeguarding the jobs that remain in Italy. The employment problem concerns jobs in related activities and, more in general, in the part of industry that does not succeed in taking more advanced paths of internationalization. The tendency of Italian firms to establish a growing international presence also underscores the importance of steadily improving and refining the real assistance and financial services that firms themselves expect to be delivered by the network of public institutions responsible for providing support for Italy's internationalization.

On the other hand, the Italian economy is still finding it hard to attract a larger inflow of foreign direct investment, an inflow whose beneficial effects could also extend to exports, as the experience of many emerging countries demonstrates. The reasons are numerous and complex; it is sufficient to recall that Italy's entire industrial system has been penalized by the high costs of intermediate services produced in sectors where privatization and liberalization have not yet generated an adequate degree of competition, in part owing to the restrictions placed on foreign producers.[7]

This lends additional weight to the necessity of restoring the momentum of international trade and investment liberalization. A greater opening up of Italy's markets would not only contribute to the global recovery but would also serve the country's interests.

[7] See Autorità Garante della Concorrenza e del Mercato, *Relazione annuale*, 22 June 2004.

STATISTICAL TABLES

WORLD TRADE AND FOREIGN DIRECT INVESTMENT
(billions of dollars)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
					MERCHANDISE TRADE (1)					
Value	4,204	5,051	5,304	5,506	5,384	5,579	6,286	6,023	6,289	7,370
					ANNUAL PERCENTAGE CHANGE IN INDICES					
Volume	10.1	9.7	6.6	10.9	4.7	5.7	13.2	-0.5	3.1	5.2
Average unit values	2.6	9.4	-1.4	-6.5	-6.2	-1.5	-	-3.5	0.9	11.6
					TRADE IN SERVICES (1)					
Value	1,080	1,225	1,324	1,381	1,400	1,439	1,533	1,536	1,628	1,858
Percentage ratio to trade in goods and services	20.4	19.5	20.0	20.1	20.6	20.5	19.6	20.3	20.6	20.1
					FOREIGN DIRECT INVESTMENT (2)					
Value	256	334	385	482	686	1,079	1,393	824	651	653
Percentage ratio to trade in goods and services	4.8	5.3	5.8	7.0	10.1	15.4	17.8	10.9	8.2	7.1

(1) Average of exports and imports
(2) Net inward flows. For 2003, estimated.

Sources: Based on IMF data for goods and services and UNCTAD data for foreign direct investment.

Table 1.1

CONTRIBUTIONS TO THE GROWTH OF WORLD IMPORTS
(at 2001 prices)

	% share 2001	2002	2003
Advanced economies	75.2	64.5	62.4
European Union	36.2	6.8	14.2
Austria	1.2	0.1	1.0
Belgium	2.8	1.4	2.2
Denmark	0.7	1.4	-0.1
Finland	0.5	0.5	0.2
France	5.2	2.3	0.3
Germany	7.7	-3.8	7.1
Greece	0.4	0.0	0.0
Ireland	0.8	0.1	-1.2
Italy	3.8	-1.3	-0.9
Luxembourg	0.2	-0.2	0.0
Netherlands	3.3	-1.2	0.5
Portugal	0.6	-0.6	-0.5
United Kingdom	5.3	7.0	1.0
Spain	2.5	1.2	3.6
Sweden	1.0	-0.2	1.0
Australia	1.1	4.6	2.4
Canada	3.6	1.8	2.7
Japan	5.6	3.6	7.5
Iceland	0.0	-0.1	0.0
Norway	0.5	0.3	0.0
New Zealand	0.2	0.6	0.5
United States	18.8	27.9	20.9
Switzerland	1.3	-1.1	0.0
NIEs	7.8	20.0	14.0
Developing countries	19.7	30.2	34.3
Africa	2.2	4.2	3.0
Asia	8.5	33.3	28.9
China and India	4.8	26.6	25.6
Middle East	2.7	8.1	1.6
Central and South America	6.3	-15.4	0.9
New EU members	2.6	3.8	4.7
WORLD	100.0	100.0	100.0

Sources: Based on IMF, WTO and European Commission data.

Table 1.2

WORLD MERCHANDISE TRADE: TOP 20 EXPORTERS IN 2003

Rank 2003		Value of exports (billions of dollars)	% change 2002-2003	Percentage share 2002	2003
1	Germany	748	21.5	9.5	10.0
2	United States	724	4.5	10.7	9.7
3	China (1)	529	32.6	6.2	7.1
	of which: Hong Kong re-exports	*91*	*23.0*	*1.1*	*1.2*
4	Japan	472	13.2	6.4	6.3
5	France	385	16.0	5.1	5.1
6	United Kingdom	304	8.5	4.3	4.1
7	Netherlands	293	20.2	3.8	3.9
8	Italy	290	14.1	3.9	3.9
9	Canada	272	7.8	3.9	3.6
10	Belgium	255	17.8	3.3	3.4
11	South Korea	194	19.6	2.5	2.6
12	Mexico	165	2.9	2.5	2.2
13	Spain	152	20.8	1.9	2.0
14	Taiwan	151	11.5	2.1	2.0
15	Singapore	144	15.1	1.9	1.9
16	Hong Kong (2)	138	7.4	2.0	1.8
17	Russia	135	26.2	1.7	1.8
18	Sweden	101	24.0	1.3	1.3
19	Malaysia	101	8.0	1.4	1.3
20	Switzerland	101	14.4	1.4	1.3
	Total 20 countries	5,182	5.5	75.8	69.3
	World	**7,482**	**15.5**	**100.0**	**100.0**

(1) Includes Hong Kong re-exports originating from China.
(2) Excludes re-exports originating from China.

Sources: Based on WTO, Eurostat and National Institutes for Statistics data.

Table 1.3

WORLD MERCHANDISE TRADE: TOP 20 IMPORTERS IN 2003

Rank 2003		Value of exports (billions of dollars)	% change 2002-2003	Percentage share 2002	2003
1	United States	1,306	8.8	17.9	16.8
2	Germany	602	22.7	7.3	7.7
3	China	413	39.9	4.4	5.3
4	France	388	18.0	4.9	5.0
5	United Kingdom	388	12.1	5.2	5.0
6	Japan	383	13.6	5.0	4.9
7	Italy	289	17.0	3.7	3.7
8	Netherlands	261	19.1	3.3	3.4
9	Canada	246	8.0	3.4	3.2
10	Belgium	234	17.8	3.0	3.0
11	Hong Kong	233	11.8	3.1	3.0
12	Spain	200	21.2	2.5	2.6
13	Mexico	179	1.3	2.6	2.3
14	South Korea	179	17.5	2.3	2.3
15	Singapore	128	9.8	1.7	1.6
16	Taiwan	127	13.1	1.7	1.6
17	Austria	98	24.8	1.2	1.3
18	Switzerland	96	15.1	1.2	1.2
19	Australia	89	21.9	1.1	1.1
20	Sweden	82	23.1	1.0	1.1
	Total 20 countries	5,920		78.9	78.6
	World	**7,765**	**15.6**	**100.0**	**100.0**

Sources: Based on WTO, Eurostat and National Institutes for Statistics data.

Table 1.4

OUTWARD FOREIGN DIRECT INVESTMENT: MAIN INVESTOR COUNTRIES

(millions of dollars)

Rank*		Average 1991-1996	Average 1997-2002	1980	1990	2000	2001	2002	Percentage of world total: Average 1991-1996	2002	1990	2002
		FLOWS		STOCKS					FLOWS		STOCKS	
1	Belgium-Luxembourg	7,264	85,462	6,037	40,636	179,773	181,460	294,759	2.6	25.9	2.3	4.3
2	United States	67,057	133,716	215,375	430,521	1,293,431	1,381,674	1,501,415	23.9	18.5	24.4	21.9
3	France	24,303	90,670	24,281	110,125	445,091	489,441	652,105	8.7	9.7	6.2	9.5
4	United Kingdom	28,331	124,861	80,434	229,294	902,087	906,474	1,033,003	10.1	6.1	13.0	15.0
5	Japan	20,943	29,043	19,610	201,440	278,445	300,115	331,596	7.5	4.9	11.4	4.8
6	Canada	8,163	31,123	23,783	84,837	235,512	244,638	273,719	2.9	4.4	4.8	4.0
7	Netherlands	17,573	44,519	42,116	106,899	307,760	329,383	355,652	6.3	4.1	6.1	5.2
8	Germany	27,908	60,621	43,127	148,456	483,946	553,315	577,849	9.9	3.8	8.4	8.4
9	Spain	3,871	29,978	1,931	15,652	164,791	189,418	216,051	1.4	2.9	0.9	3.1
10	Hong Kong	16,960	24,861	148	11,920	388,380	352,602	370,296	6.0	2.7	0.7	5.4
11	Italy	6,662	13,409	7,319	57,261	180,275	182,375	194,498	2.4	2.6	3.2	2.8
12	Switzerland	10,086	23,923	21,491	66,087	233,371	247,807	297,570	3.6	1.8	3.7	4.3
13	Sweden	5,294	19,500	3,572	50,720	123,125	122,053	145,382	1.9	1.7	2.9	2.1
14	Finland	1,654	11,893	737	11,227	52,109	56,055	69,468	0.6	1.5	0.6	1.0
15	Australia	3,603	4,586	2,260	30,507	83,232	91,343	91,249	1.3	1.1	1.7	1.3
16	Austria	1,417	3,763	530	4,273	24,820	28,511	40,220	0.5	0.9	0.2	0.6
17	Norway	2,257	4,462	561	10,884	33,505	32,771	38,308	0.8	0.9	0.6	0.6
18	Taiwan	2,683	5,094	97	12,888	49,187	54,667	59,553	1.0	0.8	0.7	0.9
19	Denmark	2,535	11,414	2,065	7,342	65,881	69,766	74,605	0.9	0.7	0.4	1.1
20	Portugal	510	4,586	512	900	17,170	23,491	31,983	0.2	0.5	0.1	0.5
	Total 20 countries	251,810	672,023	489,947	1,591,235	5,362,119	5,655,899	6,354,523	89.8	95.4	90.3	92.5
	World	**280,550**	**802,715**	**563,997**	**1,762,963**	**5,991,756**	**6,318,861**	**6,866,362**	**100.0**	**100.0**	**100.0**	**100.0**

* Ranking based on flows in 2002.

Source: Based on UNCTAD data.

Table 1.5

INWARD FOREIGN DIRECT INVESTMENT: MAIN RECIPIENT COUNTRIES

(millions of dollars)

Rank*		Average 1991-1996	Average 1997-2002	1980	1990	2000	2001	2002	Percentage of world total: Average 1991-1996	2002	1990	2002
		FLOWS		STOCKS					FLOWS		STOCKS	
1	Belgium-Luxembourg	10,777	79,206	7,306	58,388	195,219	203,580	307,480	4.2	22.1	3.0	2.9
2	China	25,476	44,771	6,251	24,762	348,346	395,192	447,892	10.0	8.1	1.3	5.5
3	France	18,444	41,775	25,927	86,845	259,775	289,015	401,305	7.3	7.9	4.4	4.1
4	Germany	4,790	61,277	36,630	119,618	470,938	413,556	451,589	1.9	5.8	6.1	5.8
5	United States	46,834	174,871	83,046	394,911	1,214,254	1,321,063	1,351,093	18.4	4.6	20.2	18.5
6	Netherlands	9,086	38,337	19,167	68,731	246,643	285,387	314,569	3.6	4.5	3.5	4.0
7	United Kingdom	16,463	68,186	63,014	203,894	435,422	552,062	638,561	6.5	3.8	10.4	7.8
8	Spain	9,512	20,329	5,141	65,916	144,803	164,754	217,769	3.7	3.3	3.4	2.3
9	Canada	6,571	29,207	54,163	112,882	205,129	209,464	221,468	2.6	3.2	5.8	2.9
10	Ireland	1,469	15,159	32,461	34,208	118,550	138,266	157,298	0.6	2.9	1.8	1.9
11	Brazil	3,633	24,705	17,480	37,143	196,884	219,342	235,908	1.4	2.5	1.9	3.1
12	Italy	3,307	9,339	8,892	57,985	113,047	107,921	126,481	1.3	2.2	3.0	1.5
13	Australia	6,238	7,942	13,173	73,644	109,263	105,391	128,696	2.5	2.1	3.8	1.5
14	Hong Kong	6,057	25,024	177,755	201,652	455,469	419,348	433,065	2.4	2.1	10.3	5.9
15	Mexico	7,351	15,605	8,105	22,424	97,170	140,376	154,003	2.9	2.1	1.1	2.0
16	Sweden	6,066	22,959	2,852	12,636	93,970	92,243	110,482	2.4	1.7	0.6	1.3
17	Japan	890	7,175	3,270	9,850	50,323	50,319	59,646	0.3	1.4	0.5	0.7
18	Czech Republic	1,177	5,206	….	1,363	21,644	27,092	38,450	0.5	1.4	0.1	0.4
19	Switzerland	1,940	10,786	8,506	34,245	86,804	89,269	118,139	0.8	1.4	1.8	1.3
20	Finland	796	4,939	540	5,132	24,272	26,267	35,509	0.3	1.4	0.3	0.4
	Total 20 countries	186,877	706,798	573,678	1,626,231	4,887,926	5,249,907	5,949,401	73.5	84.7	83.2	73.7
	World	**254,326**	**852,499**	**699,415**	**1,954,152**	**6,146,812**	**7,122,506**	**7,882,506**	**100.0**	**100.0**	**100.0**	**100.0**

*Ranking based on flows in 2002.

** The stocks in 2003 are calculated by summing the stock in 2002 with the estimated flows in 2003, data for which are only available for the main economies. For Belgium-Luxembourg, the figure for 2003 was obtained by summing only Luxembourg's flows.

Source: Based on UNCTAD data.

Table 1.6

SHARES IN WORLD MERCHANDISE TRADE AND TRADE BALANCES

(percentage shares and amounts in billions of ecus/euros)

	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003
World(1)										
Exports	1,941	2,961	3,217	3,751	3,644	4,016	5,411	5,313	5,237	5,029
Imports	2,019	3,048	3,329	3,878	3,790	4,194	5,687	5,609	5,484	5,274
European Union(1)										
Share in exports	21.4	19.6	19.7	19.2	20.1	18.9	17.4	18.5	19.0	19.3
Share in imports	22.4	18.1	17.7	17.3	18.7	18.6	18.2	18.3	18.0	18.7
Trade balance	-37.2	28.3	45.9	48.6	22.9	-19.6	-91.4	-42.6	7.9	-13.0
Normalized trade balance(2)	-4.3	2.5	3.8	3.5	1.6	-1.3	-4.6	-2.1	0.4	-0.7
United States										
Share in exports	15.9	15.3	15.5	16.2	16.7	16.2	15.6	15.4	14.0	12.7
Share in imports	20.1	19.6	19.7	20.4	22.2	23.7	24.0	23.5	23.1	21.9
Trade balance	-97.0	-143.9	-157.2	-185.5	-233.9	-344.0	-517.5	-500.4	-536.1	-514.3
Normalized trade balance(2)	-13.6	-13.7	-13.6	-13.2	-16.1	-20.9	-23.4	-23.5	-26.8	-28.7
Japan										
Share in exports	11.6	11.6	10.2	9.9	9.5	9.8	9.6	8.5	8.4	8.3
Share in imports	9.2	8.5	8.4	7.7	6.6	7.0	7.2	6.9	6.5	6.4
Trade balance	41.0	82.9	49.3	72.5	95.8	101.4	107.9	60.7	84.1	78.7
Normalized trade balance(2)	10.0	13.8	8.1	10.8	16.1	14.8	11.6	7.2	10.5	10.4
Total EU. US and Japan										
Share in exports	49.0	46.4	45.4	45.3	46.3	44.9	42.6	42.4	41.4	40.4
Share in imports	51.7	46.2	45.8	45.5	47.6	49.3	49.4	48.7	47.7	47.0

(1) Excludes intra-EU trade.
(2) Percentage ratio of the trade balance to exports plus imports.

Sources: Based on WTO and Eurostat data.

Table 1.7

ITALIAN BALANCE OF PAYMENTS: CURRENT ACCOUNT

(millions of euros)

	1998	1999	2000	2001	2002	2003
GOODS (FOB-FOB)	**32,584**	**22,044**	**10,368**	**17,405**	**14,049**	**8,788**
SERVICES	**4,386**	**1,125**	**1,167**	**18**	**-3,043**	**-3,032**
transport	-2,586	-3,898	-4,158	-3,859	-4,190	-5,291
	-534					
travel	10,964	10,852	12,893	12,427	10,396	9,386
	-1,405					
other services	-3,992	-5,829	-7,568	-8,550	-9,249	-7,127
INCOME	**-9,869**	**-10,392**	**-13,099**	**-11,635**	**-15,396**	**-17,002**
from investment	-9,804	-10,063	-12,626	-11,567	-14,496	-15,876
from labor	-65	-329	-473	-68	-900	-1,127
TRANSFERS	**-6,658**	**-5,085**	**-4,742**	**-6,527**	**-5,624**	**-7,117**
private	-926	-906	-698	-2,764	-4,567	-1,553
emigrants' remittances	-117	-195	-199	-390	-478	-913
other	-810	-711	-499	-2,374	-4,089	-640
public	-5,732	-4,179	-4,044	-3,763	-1,057	-5,564
EU accounts	-5,940	-4,685	-4,905	-5,634	-5,727	-6,289
other	209	506	861	1,871	4,670	725
CURRENT ACCOUNT	**20,444**	**7,692**	**-6,305**	**-740**	**-10,014**	**-18,363**

Source: Bank of Italy.

Table 2.1

ITALY'S MERCHANDISE TRADE

	1997	1998	1999	2000	2001	2002	2003
Exports FOB							
millions of euros (1)	211,297	220,105	221,040	260,413	272,990	269,064	258,188
% change	5.2	4.2	0.4	17.8	4.8	-1.4	-4.0
Imports CIF							
millions of euros (1)	184,678	195,625	207,015	258,507	263,757	261,226	257,091
% change	11.3	5.9	5.8	24.9	2.0	-1.0	-1.6
Balance							
millions of euros (1)	26,619	24,480	14,025	1,906	9,233	7,838	1,096
value change	-8,293	-2,139	-10,455	-12,119	7,327	-1,395	-6,742
Normalized balance (2)	6.7	5.9	3.3	0.4	1.7	1.5	0.2
Exports: average unit values, % change	3.2	3.4	2.7	8.0	3.6	1.4	0.8
Imports: average unit values, % change	1.7	-1.6	1.7	16.3	2.7	-0.5	0.0
Export: volume, % change	2.0	0.7	-2.6	9.0	1.5	-2.9	-4.7
Imports: volume, % change	9.5	7.6	3.9	7.5	-0.6	-0.6	-1.2
Terms of trade (3), % change	1.5	5.0	1.0	-7.1	0.9	1.9	0.9
Real cover ratio (4), % change	-6.9	-6.4	-6.3	1.4	2.1	-2.3	-3.5

(1) For years before 1999, amounts have been converted at the fixed exchange rate of 1 euro = 1936,27 lire.
(2) Percentage ratio of the trade balance to the sum of exports and imports.
(3) Ratio of export prices to import prices, calculated on average unit values.
(4) Ratio of export volumes to import volumes

Source: Based on ISTAT data.

Table 2.2

CONSTANT-MARKET-SHARES ANALYSIS OF ITALY'S SHARE IN "WORLD" IMPORTS (1)(2)

	1997	1998	1999	2000	2001	2002	2003	1997-2003
Italy's market share	3.97	4.16	3.82	3.37	3.50	3.51	3.49	
value change		0.18	-0.34	-0.45	0.13	0.01	-0.02	-0.48
Competitiveness effect		0.01	-0.14	-0.08	0.01	-0.04	-0.03	-0.28
Structural effect:		0.18	-0.20	-0.36	0.14	0.05	0.02	-0.17
sectoral		0.12	-0.10	-0.25	0.11	0.06	-0.02	-0.09
geographical		0.11	-0.12	-0.14	0.05	0.00	0.03	-0.07
residual		-0.05	0.02	0.04	-0.03	0.00	0.01	-0.01
Adaptation effect		0.00	0.00	-0.01	-0.01	0.00	-0.01	-0.03

CONSTANT-MARKET-SHARES ANALYSIS OF ITALY'S SHARE IN "WORLD" IMPORTS FROM THE EURO AREA (1)(2)

	1997	1998	1999	2000	2001	2002	2003	1997-2003
Italy's market share	12.71	12.45	12.00	11.74	11.60	11.33	11.13	
value change		-0.27	-0.44	-0.26	-0.14	-0.28	-0.20	-1.58
Competitiveness effect		-0.06	-0.19	0.07	-0.11	-0.22	0.00	-0.52
Structural effect:		-0.18	-0.23	-0.29	0.01	0.00	-0.15	-0.83
sectoral		-0.09	-0.23	-0.34	0.03	0.05	-0.09	-0.67
geographical		-0.06	0.04	0.05	0.03	-0.02	-0.03	0.01
residual		-0.03	-0.05	0.00	-0.04	-0.03	-0.02	-0.17
Adaptation effect		-0.03	-0.02	-0.04	-0.04	-0.06	-0.05	-0.24

(1) The "world" consists of the EU-15 plus Brazil, Canada, China, Japan, Malaysia, Mexico, Russia, South Korea, Switzerland, Turkey and the United States.
(2) The competitiveness effect is the weighted average of the changes in the single shares; presumably, it reflects changes in relative prices and in other factors affecting competitiveness. The structural effect depends on the degree of conformity of the geographical and sectoral specialization of the country whose share is analyzed with the changes in the composition of demand of the market in question. The adaptation effect measures flexibility with respect to such changes.

Sources: Based on Eurostat and National Institutes for Statistics data.

Table 2.3

ITALY'S MERCHANDISE TRADE BY GEOGRAPHICAL REGION AND COUNTRY IN 2003

(millions of euros)

	EXPORTS			IMPORTS			BALANCE	
	value	% share	% change	value	% share	% change	2002	2003
European Union	138,217	53.5	-4.6	146,355	56.9	-2.7	-5,570	-8,138
France	31,660	12.3	-4.3	28,692	11.2	-4.0	3,174	2,968
Germany	35,621	13.8	-4.4	45,857	17.8	-2.1	-9,581	-10,236
United Kingdom	17,885	6.9	-4.8	12,163	4.7	-9.2	5,391	5,722
Spain	17,987	7.0	3.6	12,189	4.7	0.7	5,252	5,798
Central and Eastern Europe	28,026	10.9	5.7	26,119	10.2	3.7	1,333	1,907
Russia	3,847	1.5	1.2	8,248	3.2	4.2	-4,113	-4,401
Other European countries	17,385	6.7	7.7	14,682	5.7	-2.0	1,157	2,703
Switzerland	9,992	3.9	6.7	9,048	3.5	-7.0	-368	944
North Africa	6,627	2.6	-0.3	13,068	5.1	5.8	-5,704	-6,441
Other African countries	3,119	1.2	-6.4	3,889	1.5	-14.3	-1,205	-770
North America	24,391	9.4	-13.7	11,515	4.5	-16.5	14,477	12,876
United States	21,971	8.5	-14.8	10,273	4.0	-18.1	13,255	11,698
Central and South America	7,231	2.8	-16.7	6,207	2.4	-0.5	2,439	1,024
Mercosur	2,140	0.8	-12.3	3,335	1.3	-1.3	-939	-1,195
Middle East	9,586	3.7	-5.1	7,450	2.9	3.9	2,933	2,136
South and Central Asia	1,951	0.8	4.7	3,121	1.2	-4.5	-1,403	-1,170
East Asia	17,861	6.9	-5.8	22,957	8.9	7.7	-2,360	-5,096
China	3,853	1.5	-4.1	9,547	3.7	14.9	-4,290	-5,694
Japan	4,335	1.7	-3.6	5,277	2.1	-0.8	-826	-942
DAEs (1)	8,598	3.3	-7.8	6,395	2.5	5.6	3,274	2,203
Oceania	2,727	1.1	4.0	1,441	0.6	-13.1	965	1,286
WORLD	**258,188**	**100.0**	**-4.0**	**257,091**	**100.0**	**-1.6**	**7,838**	**1,097**
New EU members	15,557	6.0	7.0	9,228	3.6	3.6	5,636	6,329

(1) Hong Kong, Malaysia, Singapore, South Korea, Taiwan e Thailand.

Source: Based on ISTAT data.

Table 2.4

ITALIAN MERCHANDISE EXPORTS' MARKET SHARES BY GEOGRAPHICAL REGION AND COUNTRY

(at current prices)

	ITALY'S MARKET SHARE		MARKET'S INCIDENCE ON WORLD IMPORTS		MARKET'S IMPORT GROWTH RATE	
	(percentages)				*(percentage change in imports from the world)*	
	2002	2003	2002	2003	2002	2003
European Union	5.7	5.7	37.3	38.2	-1.6	-0.6
France	9.4	9.5	5.2	5.3	-5.1	-1.0
Germany	7.0	6.9	7.8	8.2	-4.3	2.4
United Kingdom	5.0	5.3	3.5	3.7	2.3	4.3
Spain	9.7	10.0	2.6	2.7	0.6	2.3
Central and Eastern Europe	8.4	8.7	3.3	3.7	7.8	7.6
Russia	6.3	6.3	0.6	0.7	8.8	12.2
Other European countries	7.9	8.5	2.6	2.7	1.1	-0.1
Switzerland	9.3	10.3	1.3	1.3	-5.4	-3.8
North Africa	11.4	12.1	0.7	0.7	-0.4	-5.9
Other African countries	3.8	3.7	1.1	1.2	-2.5	3.6
North America	2.0	1.9	21.9	20.5	-3.7	-9.4
United States	2.2	2.1	18.4	17.2	-3.6	-9.4
Latin America	2.5	2.3	5.3	4.8	-10.8	-13.5
Middle East	5.5	5.4	2.1	2.2	1.4	-1.2
South and Central Asia	2.1	2.2	0.8	0.9	5.9	9.1
East Asia	1.3	1.2	22.2	22.6	0.2	-1.0
China	1.4	1.0	4.7	5.6	14.1	17.2
Japan	1.4	1.4	5.3	5.2	-8.4	-5.2
Oceania	2.9	2.9	1.4	1.5	8.8	1.9
Unidentified countries	-	-	1.1	1.1	-	-
WORLD	3.9	3.9	100.0	100.0	-1.7	-3.0
New EU members	8.7	9.2	2.2	2.4	6.6	4.2

Sources: Based on IMF-DOTS, WTO, Eurostat and National Institutes for Statistics data.

Table 2.5

ITALY'S EXPORTS IN 2003: TOP 20 COUNTRIES OF DESTINATION

		Rank	Value (millions of euros)	Percentage change	Percentage share	
		2002	2003	2002-03	2002	2003
1	Germany	1	35,621	-4.4	13.8	13.8
2	France	2	31,660	-4.3	12.3	12.3
3	United States	3	21,971	-14.8	9.6	8.5
4	Spain	5	17,987	3.6	6.4	7.0
5	United Kingdom	4	17,885	-4.8	7.0	6.9
6	Switzerland	6	9,992	6.7	3.5	3.9
7	Belgium	7	6,896	-16.8	3.1	2.7
8	Netherlands	8	6,100	-12.4	2.6	2.4
9	Austria	9	5,906	-1.6	2.2	2.3
10	Greece	10	5,546	-3.1	2.1	2.1
11	Turkey	13	4,730	16.0	1.5	1.8
12	Poland	12	4,578	7.0	1.6	1.8
13	Japan	11	4,335	-3.6	1.7	1.7
14	Romania	16	3,873	7.1	1.3	1.5
15	China	14	3,853	-4.1	1.5	1.5
16	Russia	15	3,847	1.2	1.4	1.5
17	Portugal	17	3,112	-8.0	1.3	1.2
18	Hungary	19	2,870	5.4	1.0	1.1
19	Hong Kong	18	2,703	-12.7	1.2	1.0
20	Sweden	20	2,549	-2.0	1.0	1.0
	Others		62,174	-3.4	23.9	24.1
	WORLD		**258,188**	**-4.0**	**100.0**	**100.0**

Source: Based on ISTAT data.

Table 2.6

ITALY'S IMPORTS IN 2003: TOP 20 COUNTRIES OF ORIGIN

		Rank	Value (millions of euros)	Percentage change	Percentage share	
		2002	2003	2002-03	2002	2003
1	Germany	1	45,857	-2.1	17.9	17.8
2	France	2	28,692	-4.0	11.4	11.2
3	Netherlands	3	14,807	-4.1	5.9	5.8
4	Spain	6	12,189	0.7	4.6	4.7
5	United Kingdom	4	12,163	-9.2	5.1	4.7
6	Belgium	7	10,947	-4.4	4.4	4.3
7	United States	5	10,273	-18.1	4.8	4.0
8	China	9	9,547	14.9	3.2	3.7
9	Switzerland	8	9,048	-7.0	3.7	3.5
10	Russia	10	8,248	4.2	3.0	3.2
11	Austria	11	7,121	-1.3	2.8	2.8
12	Japan	12	5,277	-0.8	2.0	2.1
13	Libya	13	5,216	6.3	1.9	2.0
14	Algeria	14	4,794	12.7	1.6	1.9
15	Ireland	16	3,928	8.1	1.4	1.5
16	Romania	15	3,895	2.1	1.5	1.5
17	Sweden	17	3,417	-3.1	1.4	1.3
18	Turkey	18	3,337	13.5	1.1	1.3
19	Poland	19	2,694	12.5	0.9	1.0
20	South Korea	20	2,574	6.6	0.9	1.0
	Others		53,067	-0.2	20.4	20.6
	WORLD		**257,091**	**-1.6**	**100.0**	**100.0**

Source: Based on ISTAT data.

Table 2.7

IITALY'S MERCHANDISE TRADE BY SECTOR IN 2003

(millions of euros)

	EXPORTS			IMPORTS			BALANCE	
	Value	% share	% change	Value	% share	% change	2002	2003
AGRICULTURAL AND FISHERY PRODUCTS	4,089	1.6	-2.0	9,088	3.5	0.4	-4,876	-4,999
MINING AND QUARRYING PRODUCTS	673	0.3	-1.5	27,496	10.7	4.6	-25,598	-26,823
Energy products	*253*	*0.1*	*21.2*	*24,736*	*9.6*	*6.7*	*-22,963*	*-24,483*
MANUFACTURED PRODUCTS	249,165	96.5	-4.7	213,958	83.2	-2.9	41,079	35,207
Food products, beverages and tobacco	14,609	5.7	-2.7	18,129	7.1	-1.7	-3,440	-3,519
Textiles and wearing apparel	25,672	9.9	-7.1	13,696	5.3	-1.4	13,743	11,976
Textiles	*14,476*	*5.6*	*-8.1*	*6,754*	*2.6*	*-5.1*	*8,627*	*7,722*
Wearing apparel	*11,196*	*4.3*	*-5.8*	*6,941*	*2.7*	*2.6*	*5,115*	*4,254*
Footwear and leather products	12,350	4.8	-9.0	6,164	2.4	-3.4	7,197	6,186
Footwear	*7,397*	*2.9*	*-7.8*	*3,364*	*1.3*	*3.7*	*4,776*	*4,033*
Wood and cork products (excluding furniture)	1,286	0.5	-12.5	3,292	1.3	-1.9	-1,886	-2,006
Paper and paper products, printing and publishing	5,871	2.3	-4.6	6,142	2.4	-6.3	-399	-270
Refined petroleum products	5,353	2.1	20.2	4,711	1.8	-6.6	-591	642
Chemical and pharmaceutical products	25,721	10.0	-4.4	35,144	13.7	-0.4	-8,372	-9,424
Basic chemical products	*8,120*	*3.1*	*-5.4*	*15,562*	*6.1*	*-2.4*	*-7,369*	*-7,442*
Pharmaceutical products	*9,656*	*3.7*	*-4.8*	*10,679*	*4.2*	*3.9*	*-140*	*-1,023*
Rubber and plastic products	9,568	3.7	-2.9	5,444	2.1	-1.2	4,344	4,123
Glass, ceramics and non-metallic construct, material	8,543	3.3	-7.5	2,797	1.1	-5.4	6,276	5,745
Basic metals and fabricated metal products	21,208	8.2	-1.9	23,469	9.1	-3.4	-2,661	-2,260
Iron and steel products	*7,635*	*3.0*	*1.9*	*9,911*	*3.9*	*7.9*	*-1,693*	*-2,276*
Non-ferrous metals	*3,120*	*1.2*	*-7.7*	*9,461*	*3.7*	*-13.6*	*-7,565*	*-6,341*
Finished metal products	*10,454*	*4.0*	*-2.8*	*4,097*	*1.6*	*-1.5*	*6,597*	*6,357*
Mechanical machinery and equipment	52,200	20.2	-1.7	19,356	7.5	-6.6	32,407	32,844
General industrial machinery	*22,940*	*8.9*	*-0.1*	*10,407*	*4.0*	*0.5*	*12,616*	*12,533*
Specialized industrial machinery	*21,799*	*8.4*	*-3.3*	*7,074*	*2.8*	*-18.2*	*13,895*	*14,725*
Household equipment and appliances	*6,856*	*2.7*	*-3.3*	*1,598*	*0.6*	*8.2*	*5,613*	*5,259*
ICT products, electrical and medical/scientific instruments	23,234	9.0	-7.1	32,922	12.8	-5.3	-9,741	-9,689
ICT products	*8,571*	*3.3*	*-12.9*	*18,323*	*7.1*	*-6.4*	*-9,734*	*-9,752*
Electrical machinery and apparatus	*8,564*	*3.3*	*-4.7*	*7,239*	*2.8*	*-1.5*	*1,641*	*1,326*
Medical and precision instruments	*6,098*	*2.4*	*-1.2*	*7,361*	*2.9*	*-5.9*	*-1,648*	*-1,262*
Transport equipment	28,714	11.1	-5.9	38,577	15.0	-1.4	-8,608	-9,863
Motor vehicles and parts	*20,914*	*8.1*	*2.5*	*32,338*	*12.6*	*1.3*	*-11,511*	*-11,423*
Other transport equipment	*7,800*	*3.0*	*-22.9*	*6,239*	*2.4*	*-13.5*	*2,902*	*1,561*
Other manufactures	14,835	5.7	-12.5	4,115	1.6	-0.6	12,811	10,720
Furniture	*8,473*	*3.3*	*-8.6*	*1,090*	*0.4*	*2.2*	*8,200*	*7,383*
Jewellery, gold and silver	*3,855*	*1.5*	*-23.4*	*788*	*0.3*	*-3.5*	*4,215*	*3,067*
OTHER PRODUCTS	4,261	1.7	58.4	6,549	2.5	20.0	-2,767	-2,289
TOTAL	**258,188**	**100.0**	**-4.0**	**257,091**	**100.0**	**-1.6**	**7,838**	**1,097**

Source: Based on ISTAT data.

Table 2.8

MARKET SHARES OF ITALIAN EXPORTS BY SECTOR
(at current prices)

	SHARE IN WORLD EXPORTS		SHARE IN EURO-AREA EXPORTS *(percentage ratios)*		SECTOR'S SHARE IN WORLD EXPORTS	
	2002	2003	2002	2003	2002	2003
AGRICULTURAL AND FISHERY PRODUCTS	2.4	2.4	8.6	8.5	2.6	2.6
MINING AND QUARRYING PRODUCTS	0.2	0.1	2.7	2.7	6.9	7.3
MANUFACTURED PRODUCTS	4.6	4.6	13.2	12.9	86.3	85.4
Food products, beverages and tobacco	4.4	4.5	10.6	10.5	5.2	5.2
Textiles and wearing apparel	7.3	7.3	29.1	28.6	5.8	5.6
Textiles	*8.3*	*8.2*	*28.8*	*28.5*	*2.9*	*2.8*
Wearing apparel	*6.4*	*6.3*	*29.6*	*28.8*	*2.8*	*2.8*
Footwear and leather products	15.1	14.9	44.7	44.2	1.4	1.3
Footwear	*15.4*	*15.2*	*43.0*	*43.3*	*0.8*	*0.8*
Wood and cork products (excluding furniture)	2.3	2.2	8.2	7.5	1.0	1.0
Papaper and paper products, printing and publishing	3.7	3.7	8.6	8.4	2.6	2.5
Refined petroleum products	2.9	3.3	10.4	12.0	2.4	2.5
Chemical and pharmaceutical products	3.8	3.7	8.5	8.1	10.2	10.4
Basic chemical products	*2.6*	*2.4*	*6.8*	*6.3*	*4.4*	*4.6*
Pharmaceutical products	*5.3*	*5.0*	*9.4*	*9.2*	*2.9*	*3.0*
Rubber and plastic products	6.3	6.3	15.7	15.3	2.4	2.4
Glass. ceramics and non-metallic construc, material	11.8	11.5	25.1	24.2	1.2	1.2
Basic metals and fabricated metal products	4.8	4.8	14.0	13.8	6.8	7.0
Iron and steel products	*5.0*	*4.8*	*12.7*	*12.5*	*2.3*	*2.5*
Finished metal products	*7.6*	*7.8*	*19.1*	*18.7*	*2.1*	*2.1*
Mechanical machinery and equipment	9.7	9.9	23.0	23.2	8.4	8.3
General industrial machinery	*8.9*	*9.3*	*21.0*	*21.3*	*3.9*	*3.9*
Specialized industrial machinery	*9.7*	*9.7*	*22.8*	*22.8*	*3.6*	*3.6*
Household equipment and appliances	*14.0*	*14.0*	*34.9*	*35.2*	*0.8*	*0.8*
ICT products, electrical and medical/scientific instruments	1.7	1.7	7.4	7.3	21.9	21.3
ICT products	*1.0*	*1.0*	*5.1*	*5.0*	*14.5*	*13.9*
Electrical machinery and apparatus	*3.4*	*3.4*	*11.3*	*11.0*	*4.0*	*3.9*
Medical and precision instruments	*2.8*	*2.8*	*9.2*	*9.0*	*3.4*	*3.4*
Transport equipment	3.3	3.3	7.9	7.5	14.1	13.8
Motor vehicles and parts	*3.0*	*3.2*	*7.1*	*7.2*	*10.2*	*10.2*
Other transport equipment	*4.0*	*3.5*	*10.2*	*8.6*	*3.9*	*3.5*
Other manufactures	8.4	8.0	29.9	29.2	3.1	2.9
Furniture	*14.2*	*13.5*	*39.0*	*37.4*	*1.0*	*1.0*
Jewellery, gold and silver	*8.6*	*7.6*	*33.0*	*34.3*	*0.9*	*0.8*
OTHER PRODUCTS	1.7	2.2	3.7	4.1	4.2	4.6
TOTAL	**3.9**	**3.9**	**12.4**	**12.1**	**100.0**	**100.0**

Sources: Based on Eurostat and National Insitutes for Statistics data.

Table 2.9

VOLUME AND PRICES OF ITALIAN EXPORTS AND IMPORTS BY SECTOR IN 2003

(percentage changes on previous year in indices, base year = 2000)

	EXPORTS		IMPORTS	
	volume	average unit values	volume	average unit values
AGRICULTURAL AND FISHERY PRODUCTS	-9.8	8.7	0.8	-0.4
MINING AND QUARRYING PRODUCTS	-4.4	3.1	3.2	1.4
MANUFACTURED PRODUCTS	-5.5	0.8	-2.7	-0.2
Food products, beverages and tobacco	-4.9	2.4	-1.0	-0.7
Textiles and wearing apparel	-9.9	3.1	0.5	-1.9
Footwear and leather products	-11,5	2,8	3,8	-6,9
Footwear	*-11,7*	*4,4*	*6,9*	*-3,1*
Wood and cork products (excluding furniture)	-14.1	1.8	-1.4	-0.5
Paper and paper products, printing and publishing	-3.5	-1.2	-4.4	-2.0
Refined petroleum products	12.3	7.0	-15.2	10.1
Chemical and pharmaceutical products	-0.3	-4.1	-1.5	1.1
Basic chemical products	*-5.3*	*-0.1*	*-4.1*	*1.8*
Pharmaceutical products	*7.5*	*-11.4*	*1.0*	*2.9*
Rubber and plastic products	-4.0	1.1	-1.0	-0.2
Glass, ceramics and non-metallic construc. material	-8.2	0.8	-6.3	1.0
Ceramic tiles	*-4.6*	*-1.1*	*-2.5*	*-4.3*
Basic metals and fabricated metal products	-3.6	1.7	-3.9	0.5
Iron and steel tubes and pipes	*-8.5*	*3.9*	9.9	4.5
Mechanical machinery and equipment	-5.2	3.6	-7.8	1.3
Agricultural machinery	*-7.3*	*1.6*	13.0	0.2
Household equipment and appliances	*-2.7*	*-0.6*	9.3	-1.0
ICT products, electrical and medical/scientific instruments	-7.4	0.3	-3.1	-2.2
Electronic components	*4.8*	*-11.5*	-0.5	-7.4
Lamps and lighting fittings	*-12.7*	*5.7*	-0.6	2.3
Transport equipment	-5.7	-0.2	-1.9	0.5
Motor vehicles	*2.4*	*-1.3*	1.6	-0.1
Other manufactures	-5.6	-7.3	1.3	-1.9
Furniture	*-6.2*	*-2.6*	3.4	-1.1
TOTAL	-4.7	0.8	-1.6	0.0

Source: Based on ISTAT data.

Table 2.10

MERCHANDISE EXPORTS OF THE ITALIAN REGIONS
(values in millions of euros, percentage changes and percentage shares)

	VALUES and CHANGES	SHARES					
	2003	1998	1999	2000	2001	2002	2003
NORTH-WEST ITALY	**107,395** ***-2.0***	**42.6**	**41.9**	**41.2**	**41.6**	**40.7**	**41.6**
Piedmont	29,686 *-0.4*	12.2	11.9	11.4	11.2	11.1	11.5
Valle d'Aosta	395 *7.6*	0.1	0.1	0.2	0.1	0.1	0.2
Lombardy	73,697 *-2.7*	28.9	28.6	28.2	28.7	28.1	28.5
Liguria	3,616 *-0.8*	1.3	1.3	1.3	1.5	1.4	1.4
NORTH-EAST ITALY	**80,556** ***-5.5***	**31.0**	**31.6**	**30.9**	**31.0**	**31.7**	**31.2**
Trentino Alto Adige	4,690 *4.5*	1.7	1.8	1.7	1.6	1.7	1.8
Veneto	36,402 *-8.5*	13.9	14.6	14.3	14.4	14.8	14.1
Friuli Venezia Giulia	8,241 *-9.4*	3.7	3.5	3.4	3.4	3.4	3.2
Emilia Romagna	31,223 *-2.1*	11.7	11.8	11.5	11.5	11.9	12.1
CENTRAL ITALY	**41,640** ***-6.5***	**16.0**	**16.2**	**16.6**	**16.2**	**16.6**	**16.1**
Tuscany	20,168 *-7.1*	8.0	8.0	8.3	8.2	8.1	7.8
Umbria	2,394 *-4.1*	0.9	0.9	0.9	0.9	0.9	0.9
Marches	8,694 *1.9*	3.1	2.9	2.9	3.1	3.2	3.4
Lazio	10,383 *-12.2*	4.1	4.4	4.6	4.1	4.4	4.0
SOUTH AND ISLANDS	**27,724** ***-3.8***	**10.3**	**10.2**	**11.0**	**10.9**	**10.7**	**10.7**
SOUTH	**20,180** ***-7.1***	**8.0**	**7.9**	**8.0**	**8.1**	**8.1**	**7.8**
Abruzzo	5,363 *-2.5*	1.9	1.8	2.0	2.0	2.0	2.1
Molise	517 *-6.1*	0.2	0.2	0.2	0.2	0.2	0.2
Campania	6,825 *-14.9*	3.0	3.0	3.0	3.1	3.0	2.6
Puglia	5,642 *-3.4*	2.3	2.3	2.3	2.3	2.2	2.2
Basilicata	1,522 *0.1*	0.4	0.5	0.4	0.4	0.6	0.6
Calabria	309 *6.3*	0.1	0.1	0.1	0.1	0.1	0.1
ISLANDS	**7,544** ***6.3***	**2.3**	**2.3**	**3.0**	**2.8**	**2.6**	**2.9**
Sicily	5,096 *2.7*	1.6	1.6	2.1	1.9	1.8	2.0
Sardinia	2,448 *14.8*	0.7	0.7	0.9	0.8	0.8	0.9
ITALY	**258,188** ***-4.0***	**100**	**100**	**100**	**100**	**100**	**100**

Source: Based on ISTAT data.

Table 2.11

DEGREE OF EXPORT OPENNESS OF THE ITALIAN REGIONS (*)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
NORTH-WEST ITALY	**116.7**	**115.0**	**112.0**	**108.9**	**109.1**	**107.0**	**109.0**	**107.9**	**110.8**
Piedmont	127.0	123.8	118.3	113.8	111.9	108.6	109.6	111.1	117.0
Valle d'Aosta	124.4	92.4	76.1	89.7	89.7	108.1	95.0	83.3	97.3
Lombardy	115.1	114.2	111.8	109.9	111.2	109.5	111.8	109.9	111.6
Liguria	80.9	79.5	83.0	69.3	66.9	65.7	72.0	67.6	70.5
NORTH-EAST ITALY	**115.6**	**116.3**	**116.9**	**120.5**	**121.6**	**118.4**	**119.7**	**122.4**	**120.3**
Trentino Alto Adige	115.7	101.9	102.9	103.1	105.2	101.4	97.9	99.2	109.6
Veneto	120.6	122.2	119.4	122.2	126.8	125.2	128.5	132.6	126.1
Friuli Venezia Giulia	137.8	137.6	140.3	161.9	152.1	152.4	152.9	148.4	136.3
Emilia Romagna	105.3	107.3	111.0	112.4	111.9	106.8	107.0	110.0	112.5
CENTRAL ITALY	**90.0**	**93.4**	**97.1**	**94.7**	**94.8**	**97.2**	**92.9**	**94.1**	**92.4**
Tuscany	118.2	121.2	123.8	117.1	117.2	119.8	117.5	116.3	114.4
Umbria	63.1	64.1	63.9	64.7	62.7	62.1	60.0	62.3	63.3
Marches	99.5	100.5	106.1	108.5	98.2	101.7	105.4	108.4	115.3
Lazio	58.2	63.5	68.7	68.8	74.6	77.3	66.4	70.3	64.4
SOUTH AND ISLANDS	**51.4**	**50.9**	**53.3**	**57.0**	**55.6**	**61.2**	**59.8**	**58.0**	**57.1**
SOUTH	**55.1**	**54.7**	**56.1**	**62.0**	**59.3**	**60.9**	**61.2**	**59.3**	**57.8**
Abruzzo	92.2	91.1	96.8	101.6	89.5	93.9	96.1	98.0	103.4
Molise	53.7	55.8	56.4	55.9	54.4	48.0	48.6	51.7	51.0
Campania	54.4	55.6	57.5	64.6	63.2	64.0	64.5	58.9	51.4
Puglia	57.4	54.4	56.1	57.0	56.3	58.6	59.9	55.7	57.1
Basilicata	31.4	31.1	26.5	58.8	65.1	55.7	57.0	78.7	80.8
Calabria	7.3	9.1	7.6	9.1	8.0	9.3	7.8	7.5	8.5
ISLANDS	**42.0**	**41.4**	**46.6**	**44.5**	**45.8**	**62.0**	**55.9**	**54.2**	**55.3**
Sicily	39.6	39.0	43.9	44.1	44.5	60.5	56.7	55.4	53.5
Sardinia	47.6	47.2	53.1	45.4	49.1	65.7	54.3	51.5	59.5
ITALY	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

(*) Ratio of merchandise exports to value added at base prices in agriculture and industry excluding construction; Italy=100.

Source: Based on ISTAT and Svimez data.

Table 2.12

INTERNATIONALIZATION OF ITALIAN FIRMS

	1999	2000	2001	2002	2002(1)	2003(1)
Number of exporting firms	169,000	188,750	190,982	195,905	180,795	183,134
% change	0.3	3.0	1.2	2.6	-	1.3
Average export earnings (2)	1.26	1.35	1.40	1.36	1.43	1.39
% change		13.8	3.6	-2.5		-2.7
Italian firms with equity investments abroad (at 1 January)	4,406	4,354	4,732	4,973		5,202
% change	-	-	8.7	5.1		4.6
Foreign equity investments in Italian firms (at 1 January)	2,199	5,430	5,684	5,868		5,945
% change		-	4.7	3.2		1.3

(1) Provisional ISTAT data.
(2) Total export earnings divided by number of exporting firms, in millions of euros.

Sources: Based on ISTAT and REPRINT, Politecnico di Milano - ICE data.

Table 2.13

EXPORTING FIRMS BY SIZE CLASS: NUMBER, EMPLOYMENT AND VALUE OF EXPORTS

	1996	1997	1998	1999	2000	2001	2002
				Number of firms			
1-9 workers	95,145	101,005	102,570	102,386	108,318	108,991	110,908
10-49	53,875	53,616	53,986	54,226	54,590	54,584	56,687
50-250	10,366	10,590	10,389	10,566	10,884	11,117	11,181
250-499	1,052	1,026	1,043	1,071	1,119	1,143	1,153
500+	733	710	705	751	802	839	938
Total	**161,171**	**166,947**	**168,693**	**169,000**	**175,713**	**176,674**	**180,867**
				Employment			
1-9 workers	369,998	377,513	379,988	378,699	388,978	390,169	382,511
10-49	1,097,453	1,093,959	1,104,217	1,110,588	1,118,169	1,115,955	1,135,863
50-250	1,030,610	1,038,119	1,022,241	1,041,875	1,074,433	1,094,825	1,096,043
250-499	358,264	351,686	357,862	369,972	383,630	391,726	393,244
500+	1,796,478	1,631,313	1,748,050	1,612,839	1,843,590	1,820,921	2,039,747
Total	**4,652,803**	**4,492,590**	**4,612,358**	**4,513,973**	**4,808,800**	**4,813,596**	**5,047,408**
				Percentage share of employment in active firms			
1-9 workers	5.4	5.7	5.3	5.2	5.3	5.2	5.1
10-49	36.4	37.5	36.5	36.0	35.5	34.9	34.2
50-250	61.3	62.6	58.6	58.3	56.8	56.4	55.7
250-499	64.3	64.6	61.3	62.3	61.4	58.6	58.5
500+	80.1	72.6	76.6	69.8	75.8	72.0	79.7
Total	**32.4**	**32.2**	**31.3**	**30.1**	**31.1**	**30.3**	**31.4**
				Value of exports (millions of euros)			
1-9 workers	18,122	20,174	20,638	20,019	28,163	28,054	28,626
10-49	42,351	44,784	45,312	45,595	50,635	52,725	52,226
50-250	50,986	55,983	57,225	58,073	67,763	71,250	70,826
250-499	18,055	19,949	21,318	22,994	26,719	28,250	29,355
500+	58,634	63,540	64,888	66,778	77,359	81,894	83,060
Total	**188,148**	**204,429**	**209,382**	**213,459**	**250,640**	**262,172**	**264,093**

Source: Based on ISTAT data.

Table 2.14

metrotipo spa

Finito di stampare nel mese di agosto 2004