ITALIAN NATIONAL STATISTICAL SYSTEM
ITALIAN INSTITUTE FOR FOREIGN TRADE

# Italy in the World Economy

***Summary***

***ICE Report 2005-2006***

Italian Institute for
Foreign Trade

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## *ICE Summary Report 2005-2006*

*The Report was prepared by a working group of the Research and Statistics Division of the Italian Institute for Foreign Trade (ICE).*

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*The Report is based on information available at 20 June 2006. In all the tables the data for 2005 are provisional.*

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ITALY

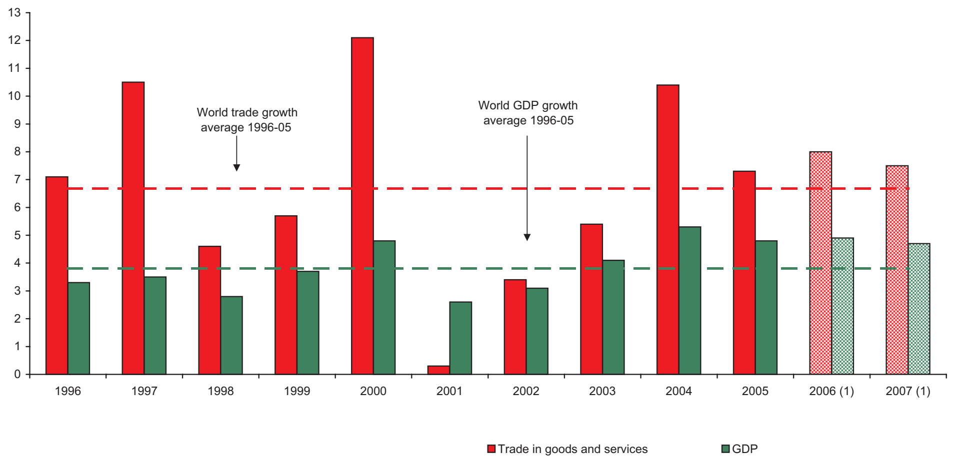
# THE INTEGRATION OF INTERNATIONAL MARKETS, COMPETITIVENESS AND SPECIALIZATION OF ITALIAN FIRMS: SIGNS OF CHANGE

## 1. International trade and investment

*Driven by the strength of growth in Asia, the world economy continues to go through a phase of expansion. Though easing slightly, the pace of growth in world economic output and trade in 2005 was faster than the average for the past few years.*

The world economy continues to go through a phase of vigorous, broad-based expansion, driven above all by the strength of growth in Asia. Though easing slightly, the pace of growth in world economic output and trade in 2005 was still faster than the average for the past few years. Foreign direct investment (FDI) accelerated appreciably. The outlook for the current year remains favorable, despite the braking effect of higher commodity prices and the uncertainty engendered by the accentuation of external imbalances.

**World output and trade**
*(percentage changes in volume)*



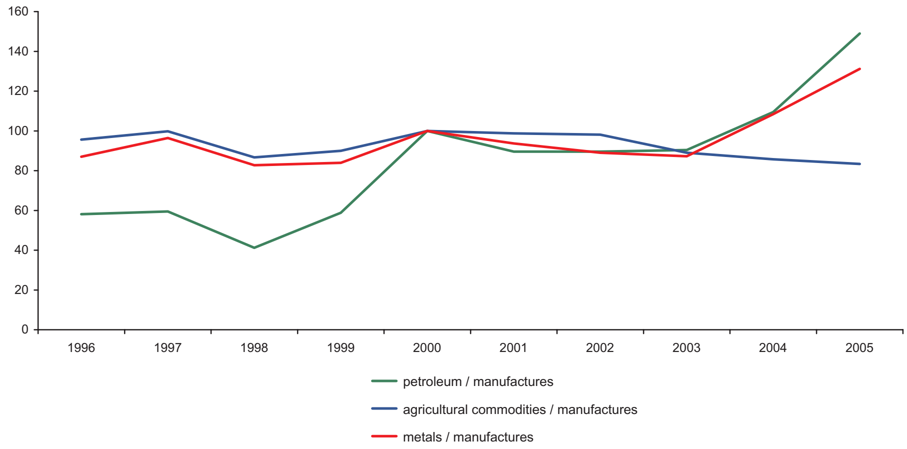

(1) Estimates and forecasts.

*Source: Based on IMF data.*

*The prices of energy products and non-agricultural commodities have risen by more than two thirds in the last two years, owing in part to the emerging countries' rapid growth.*

The prices of energy products and non-agricultural commodities have risen by more than two thirds in the last two years, primarily owing to the demand overhang generated by rapid growth in the emerging countries. This has produced major alterations in the terms of trade and in the sectoral and geographical distribution of trade flows. In contrast with the past, however, the effects of these changes on growth and inflation have so far been limited. The experience gained at the time of the first oil crises led to less energy-intensive consumption patterns and production processes, improved the ability of the financial markets to cope with price volatility, and put macroeconomic policy on guard. Inflation has also been checked by the abundant supply of cheap manufactured goods made available by the development of the emerging countries and increasing international integration.

**Prices of raw materials relative to manufactures**
*(indices, 2000=100)*




*Source: Based on IMF data.*

*External current account imbalances increased: the United States' deficit widened further, while China's surplus expanded.*

External current account imbalances widened again in 2005. In particular, the further growth in the deficit of the United States, due in part to the persistent briskness of domestic demand, was accompanied by another large increase in the surplus of China. Since China's extraordinarily rapid economic growth is essentially driven by exports of manufactures, it has not yet caused that country's current account to deteriorate notwithstanding the rise in the prices of imported raw materials. This contrasts with developments in other emerging countries like India.

In general, the changes in relative prices were reflected in large trade imbalances between importers and exporters of raw materials. The variations in exchange rates were not sufficient to help bring adjustment; for example, the Chinese currency, still subject to control by the monetary authorities, appreciated only marginally. Moreover, in recent years current account balances have been relatively insensitive to exchange rate movements.

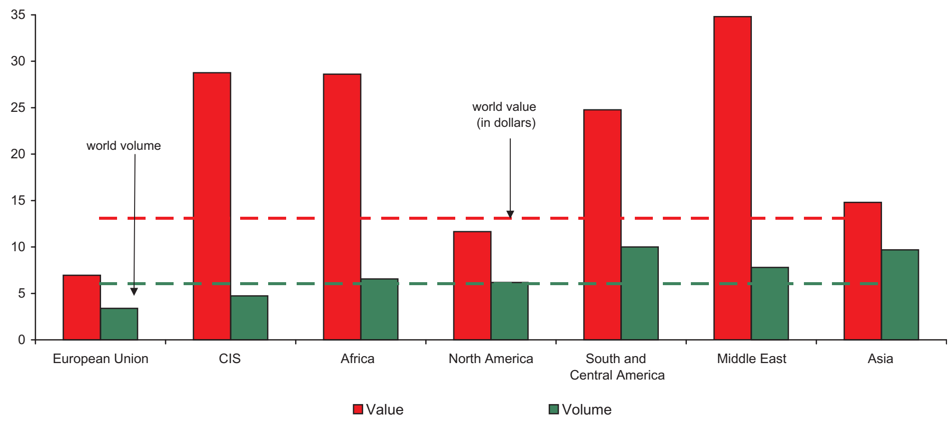
Trade imbalances gave rise to substantial international transfers of income to the benefit of countries with a relatively limited propensity to import. This helps to explain why the ratio between the growth in world trade and the growth in world GDP has been unusually low for the past several years, notably in 2005. An additional factor has been the slowdown, with respect to the torrid pace of the 1990s, in the growth of trade-intensive sectors such as IT and telecommunications equipment.

The sectoral distribution of world trade in 2005 was again strongly affected by changes in relative prices. For the third successive year rising commodity prices led to faster growth in trade in goods than in services. Among manufactures, refined petroleum products, chemicals and basic metals were among the fastest-growing sectors. Growth was relatively slower in transport equipment and the majority of personal and household consumer goods.

*Asia is the main engine of the growth in international trade, led by the imports of China and India and by the recovery in those of Japan. Regional integration in Asia is ever more intense.*

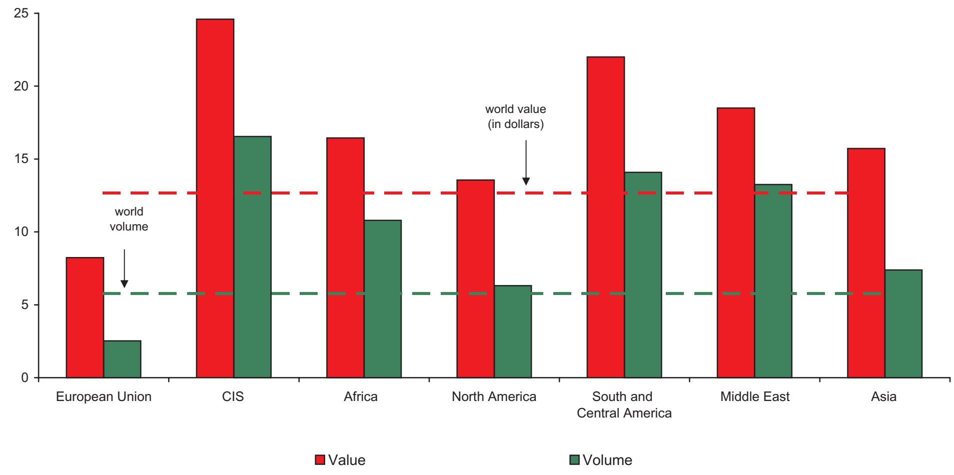
The engine of growth in world trade is now firmly located in Asia. The boom in imports by China and India was accompanied by a solid recovery in those by Japan, but all of South-East Asia returned to rapid rates of trade growth, in part as a consequence of the increasingly intense intra-regional integration of production. In addition, the rise in commodity prices increased the purchasing power of commodity-producing countries in Africa, Latin America, Eastern Europe and the Middle East, and this led to a rise in their share of world imports. Although their propensity to import remains relatively low, in some of them (Russia, Latin America) purchases of foreign products expanded considerably. The United States also continued to make a significant contribution to the growth in world imports, albeit less than its potential. On the other hand, the contribution of the European Union remained modest, despite the positive impulses generated by the Union's enlargement.

**Growth of merchandise exports by world region in 2005**
*(percentage changes on previous year)*




*Source: Based on WTO data.*

**Growth of merchandise imports by world region in 2005**
*(percentage changes on previous year)*



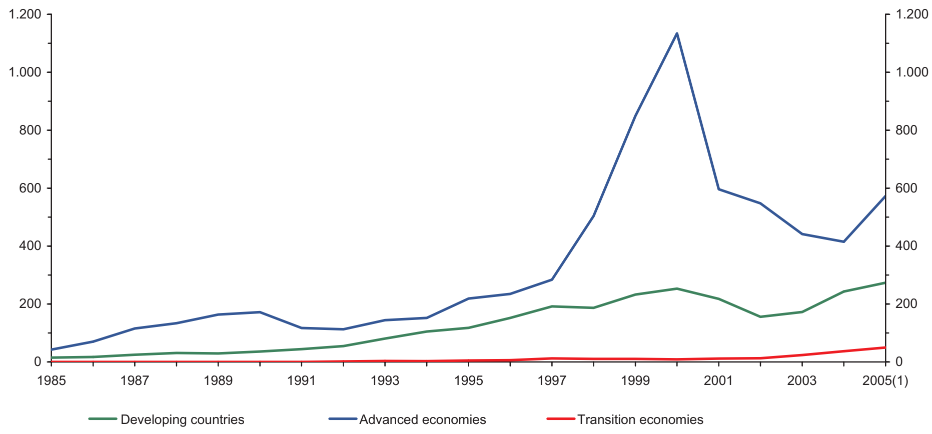

*Source: Based on WTO data.*

The market shares of the main exporters were not greatly affected by the fluctuations of real exchange rates, as they were also influenced by the changes in the geographical and sectoral composition of demand and in the international distribution of production activities. In particular, the rise in the prices of raw materials boosted commodity producers' shares of world exports. China and other emerging countries also gained share, not only on the strength of their enterprises' competitiveness but also thanks to the massive foreign investment they have attracted in their manufacturing sector and to the other forms of international fragmentation of production. This helps explain why the developed countries' shares have often diminished in recent years even when their currencies have depreciated in real terms: the demand-side substitution effect deriving from real depreciations may not completely offset the supply-side losses associated with the relocation of production. More in general, the fact that the shares in value terms often move in the opposite direction to those in volume shows that the nominal impact of exchange rate fluctuations tends to be stronger than their substitution effects, which are also curbed by the increasing qualitative differentiation of products.

*The recovery in FDI inflows, faster in the developed than the emerging countries, was concentrated in mergers and acquisitions. Some emerging countries like India are increasingly able to attract FDI in skilled services.*

The recovery in FDI inflows in 2005 was faster in the developed than the emerging countries and was concentrated in mergers and acquisitions, while the number of green-field investments decreased, especially in Latin America. Among the new features of this recovery was the growing ability of some emerging countries, India in particular, to attract investment in skilled services. The effects of the presence of multinational corporations in the host economies are generally positive, above all in terms of technology transfer in the more knowledge-intensive sectors, but the extent of the benefits to the host economies also depends on their capacity absorption.

**Flows of inward foreign direct investment**
*(in billions of dollars)*




(1) Provisional.

*Source: Based on UNCTAD data.*

Another important sign of the changes under way in the geography of the world economy is the growing assertiveness of multinational corporations based in emerging countries (China, India, the Middle East and Latin America), which are seeking to acquire production capacity, resources and market shares in the developed countries, especially in sectors such as steel, energy and transport services. These attempts sometimes encounter obdurate protectionism wearing the mantle of national security.

## 2. The European Union

*2005 saw a new widening of the European Union's trade deficit, due to the rise in commodity prices, and a decline in its share of world exports at current prices.*

The year 2005 saw a new widening of European Union's trade deficit, due mainly to the rise in commodity prices, and a decline in its share of world exports at current prices (net of intra-Community trade). The EU's share of world exports has remained rather stable in the last ten years, being affected considerably less than those of Japan and the United States by China's advance. The reason for this difference could be that Japanese and US multinationals have rebased export-oriented manufacturing in China to a greater extent than have European corporations.

On the other hand, in recent years German companies, for example, have been using their dense network of production partnerships with the countries of Central and Eastern Europe in a new way: instead of transferring production and export activity abroad, they are having their foreign partners handle phases of processing of products which are subsequently reimported into Germany and then exported. This might account for the better results achieved by Germany (and the European Union) compared with the United States and Japan despite the appreciation of the euro.

The geography of the European Union's external trade is rapidly adjusting to the changes in progress at global level, with an increasing orientation toward emerging countries. By contrast, both inward and outward FDI flows remain concentrated prevalently in developed countries.

Even following the Union's enlargement, the strong points of its model of international specialization remain machinery, motor vehicles and pharmaceuticals, along with financial services and information technology. The weaknesses, apart from energy, lie mainly in traditional consumer goods and electronics and, with regard to services, in the royalties and licenses sector and tourism. Naturally, these assessments refer to the Union as a whole, an average that often conceals very different specialization indices in the individual member countries.

In reality, the enlargement implemented in 2004 and those expected in the coming years are giving institutional formality to a process of trade and production integration that has been unfolding for many years, interwoven with the transition of the Central and Eastern European Countries to the market system. These developments have also resulted in major changes in models of specialization.

## 3. Trade policies

*The international trade negotiations under way within the World Trade Organization under the Doha Development Agenda have reached a critical juncture.*

At the time of writing the international trade negotiations under way within the World Trade Organization (WTO) under the Doha Development Agenda have reached a critical juncture. Following the compromise reached in the ministerial conference in Hong Kong in December 2005, which averted a failure of the round of talks, the negotiations have continued without any significant narrowing of the differences between official positions. The coming weeks appear decisive for the fate of the Doha round.

*In the field of agriculture, disagreements persist on the reduction of domestic support measures and on the extent and manner of the reduction of tariff barriers.*

In the field of agriculture, the agreement reached in Hong Kong on the date for eliminating export subsidies, though important, did not resolve all the problems and disagreements persist on the reduction of domestic support measures and, above all, on the extent and manner of the reduction of tariff barriers. In the talks on manufactured goods the situation is similar. After the technical agreement reached in May 2005 on the conversion of specific duties into *ad valorem* tariffs, discussion continues concerning the details of the tariff reduction formulas, on which the extent of the liberalization depends.

*The talks on services are in the shade, affected by the lack of progress on the other fronts.*

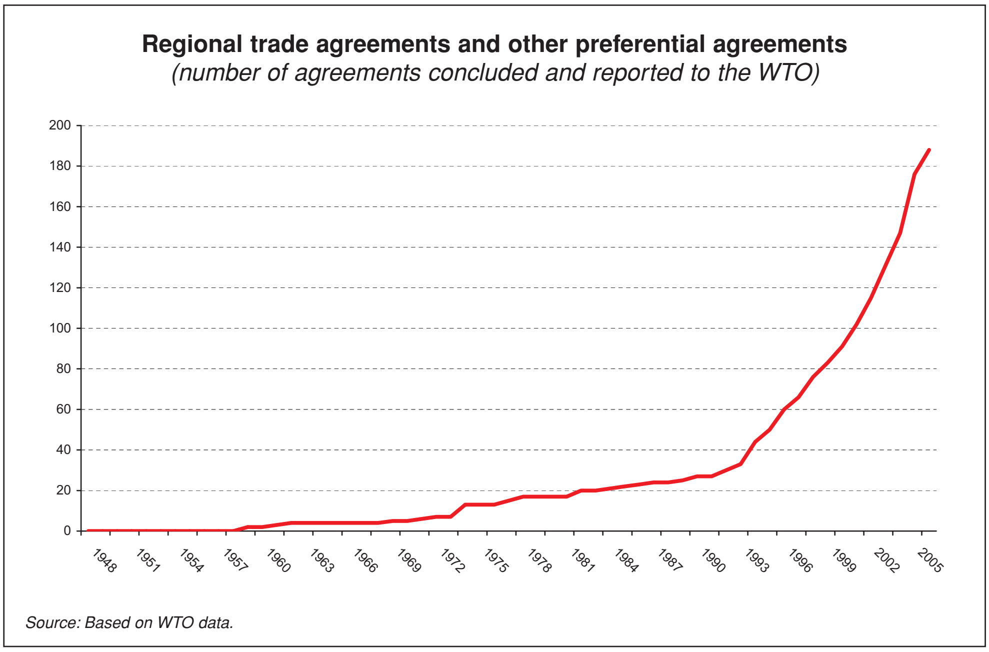
The talks on services are relatively in the shade, affected by the lack of progress on the other fronts. Despite the great benefits all countries stand to reap from greater international openness of the services sector, protectionist resistance is still widespread. In the advanced countries it is fueled by growing nervousness about the relocation of economic activity, a process that has also begun to affect skilled-labor-intensive services, and by political opposition to the international movements of persons who provide services, while in the developing countries commercial interests pushing for a greater opening up of the sector have yet to emerge in strength, apart from some exceptions precisely in the so-called "fourth modality" (based on movements of persons).

The ministerial summit that was convened to break the deadlock ended early, on 1 July, without an agreement. The Director-General of the WTO has now been entrusted with the difficult task of identifying a compromise acceptable to all the protagonists in time to preserve hopes of concluding the round on schedule. Tactical skirmishes aside, the differences between the negotiating positions do not seem unbridgeable, but the political obstacles to be overcome are still considerable and the risk of a failure should not be underestimated.

*Bilateral initiatives and agreements are multiplying, creating problems for the multilateral system and overshadowing regionalism too.*

If no agreement were reached, the international trade system would face a period of dangerous instability. In the last few years the already complex interrelationship between the non-discriminatory multilateral regime and preferential integration agreements on a regional basis has been made even more intricate by the proliferation of bilateral initiatives, which seem to be overshadowing regionalism as well as multilateralism because they frequently involve partners from different regions.

This trend received its initial impetus from the great activism of the United States in promoting bilateral free-trade agreements as a strategic response to the slowness of the WTO negotiations. It has been reinforced by the reaction of the European Union, which after suspending new initiatives outside the context of the WTO negotiations is again tempted to resume expanding its already very rich network of preferential relations. But the phenomenon has rapidly gained ground above all in Asia, where regional integration had been based prevalently on market developments but where the current phase is marked by a sometimes disorderly combination of both intra-regional and extra-regional bilateral deals.




In these conditions, the contagion of bilateralism has spread swiftly, often for predominately political motivations, despite the fact that it creates appreciable problems for the multilateral system and for firms, which are forced to pick their way in a tangle of differentiated tariffs, preferences and rules of origin.

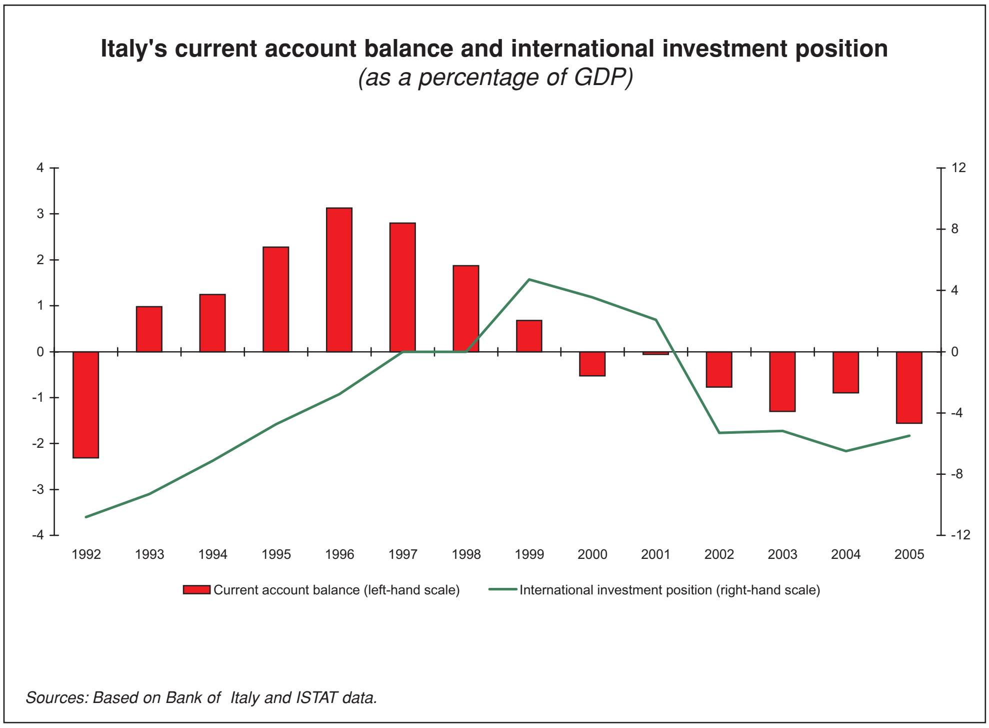
## 4. Italy's position

*In Italy the stagnation that began in 2001 worsened in 2005…*

While in the euro area the last two years have been marked by a moderate growth in economic activity, in Italy the stagnation that began in 2001 worsened in 2005, in part because the contribution of the foreign component of demand turned negative. Signs of recovery have been glimpsed during the current year and the growth gap between Italy and the euro-area average, which began widening again last year, could narrow.

*… but this did not prevent a further widening of Italy's current account deficit, due mainly to the rise in commodity prices.*

In 2005 the stagnation of the economy did not prevent a further widening of Italy's current account deficit, due mainly to the rise in commodity prices. The balance on services also worsened, but the deficit on investment income diminished.




*Italian exports contracted in volume and suffered a further loss of world market share at both constant and current prices.*

Despite the slight real depreciation of the euro against the average of the other currencies, Italian exports contracted by 2.5 per cent in volume terms[1] and suffered a further loss of world market share at both constant and current prices. The success of the emerging countries explains only part of this decline, which also occurred vis-à-vis the other countries of the euro area. By contrast, Italy's share of world exports of services improved a bit, but this came after a decade in which it had contracted even more sharply than Italy's share of merchandise exports.

The limited data now available on 2006 point to an export recovery. The degree of import penetration, which increased in 2005, appears set to rise further as exports gather pace. Exports are in fact one of the demand components requiring the most intensive use of imported inputs, partly as a consequence of the international fragmentation of production.

*In 2005 the unit values of Italian exports again rose more than producer prices on the domestic market. This was due to a combination of causes:*

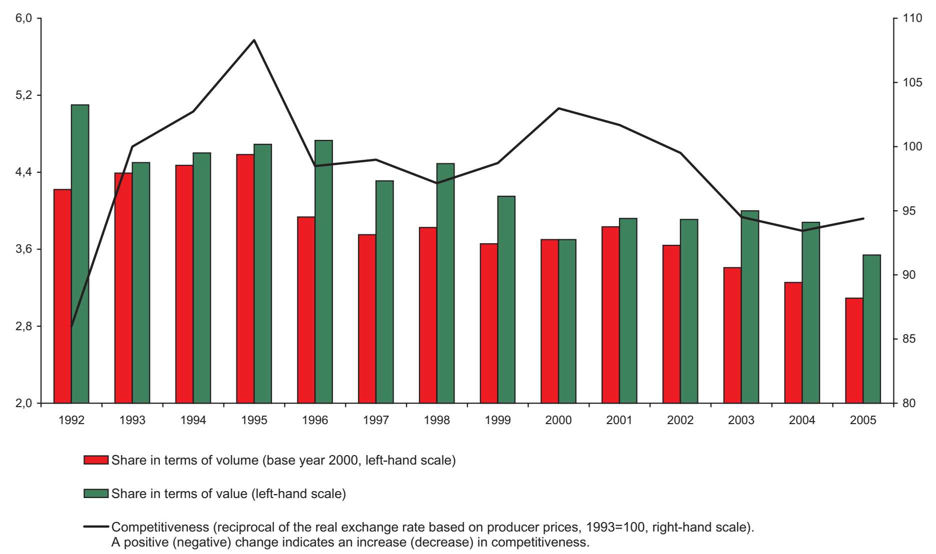
In 2005 the unit values of Italian exports again rose more than producer prices on the domestic market. Given a slight weakening of the euro in effective terms with respect to 2004, this apparent strategy of price discrimination could seem less anomalous than in the preceding years. In the medium term, however, there remains the problem of accounting for

[1] In evaluating the growth rates of merchandise trade in 2005, one must bear in mind that the National Institute for Statistics (ISTAT) compares the provisional data for the last year with the final data for the preceding year. This procedure generally results in a substantial underestimation of the variation in trade flows, particularly with the European Union, since the provisional data do not include a series of transactions, carried out by small companies, that are not recorded until several months after the publication of this *Report*.

the large increase in the unit values of Italian exports notwithstanding the appreciation of the euro and the pressure of competition from the emerging countries. Insofar as unit values reflect prices, the anomaly could be ascribable to an increase in the market power of some Italian firms, based on qualitative factors of competitiveness, in a context in which the growth in foreign demand, substantially stronger than that in domestic demand, may have attenuated the need to defend market shares by compressing profits. The rapid growth in the share of exports billed in euros could be read as confirming the market power of these firms. However, the indices of unit values are difficult to interpret, not least because of statistical problems, and their movements cannot be read merely in terms of price dynamics.

*an increase in the market power of some Italian firms, based on qualitative factors of competitiveness,….*

**Competitiveness and world market shares of Italian exports**




*Sources: Based on Bank of Italy, IMF-DOTS, and Eurostat data.*

In fact, unit values also reflect changes in the mix of exports and their increase may thus reveal different phenomena. Some Italian firms are successfully shifting their exports toward higher categories of product quality that are less vulnerable to the competition of emerging countries. The production of other products, with lower unit values, is probably being moved abroad through direct investment or other forms of internationalization. Lastly, it is likely that trade liberalization is forcing the Italian firms that are more vulnerable to the competition of emerging countries to withdraw from foreign markets, in a virtuous process of selection of the most productive and innovative firms, with a consequent rise in the average value of exports.

*… changes in the mix of exports, targeted to more remunerative market segments, and the exit from foreign markets of the Italian firms that are more vulnerable to the competition of emerging countries.*

The flip side of this increase in unit values, including vis-à-vis the other euro-area countries, is a reduction in relative volumes[2] and, hence, in Italian exports' market share. However, the downtrend in market share at both current and constant prices over the last decade requires explanations other than those based on price and exchange rate movements.

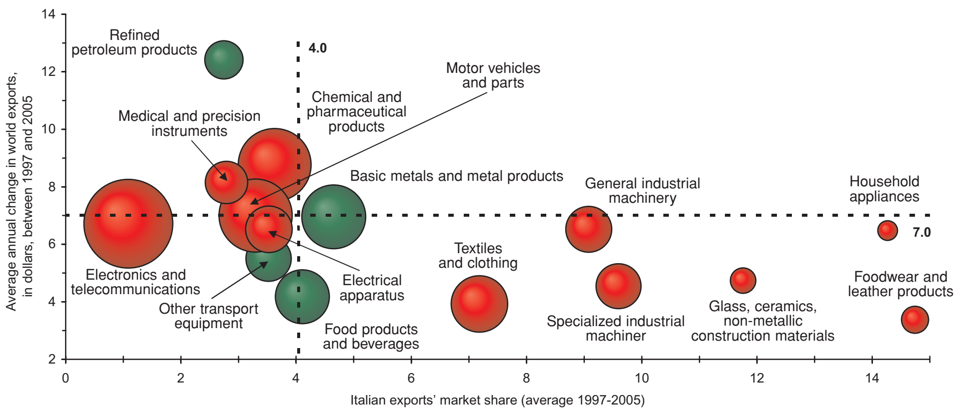
*A continuing factor of Italian exports' loss of market share is the* dynamic inefficiency *of the model of specialization, orientated mainly to sectors and markets where the growth in world demand has been relatively slow.*

A very important role has been played by the structural characteristics of the model of export specialization, orientated mainly to sectors and markets where the growth in world demand has been relatively slow. The statistics presented in the *Report* for the period 1997-2005 show that this "dynamic inefficiency" explains approximately half of Italy's loss of world export market share and 70 per cent of the decline in its share of euro-area exports (at current prices). It is largely a question of the negative correlation between Italy's *initial* comparative advantages and the changes in the sectoral composition of world demand. This effect is enhanced by the increase in the prices of raw materials, whose weight in world trade has grown to the detriment of countries like Italy that specialize in manufactures. A significant contribution to the loss of share has also come from the Italian model's inability to *change* in the same direction as world demand. The effect of the geographical composition of demand has also been slightly negative: the fact that in real terms the most dynamic markets in recent years have been those where Italian exports shares are lowest has been partially offset by the appreciation of the euro, which between 2001 and 2004 increased the European markets' share of the value of world trade.[3]

[2] The ambiguity of the unit value indices also affects the measurement of export volumes. If, owing to the qualitative changes discussed in the text, the changes in unit values underestimate the increase in export prices, the change in volumes will be underestimated proportionately.

[3] In the case of Italy's share of euro-area exports the demand-side geographical composition effect is basically neutral, since the geographical composition of the exports of the other euro-area countries is similar.

**Italy's market shares of world exports by sector**




The size of the circle represents the sector's average share of world exports in the period 1997-2005.
Red (green) circles identify sectors in which Italy's share decreased (increased) between 1997 and 2005.

*Source: Based on data published by Eurostat and national statistical institutes.*

Net of these demand-side composition effects, Italy's market shares would have been appreciably higher. The moderate decline that they would have nonetheless recorded with respect to 1997 (0.4 percentage points of world exports and 0.6 points of euro-area exports) can be traced to different factors of competitiveness, including, not least, the negative trend of labor productivity over the last several years.

*The weakening of the Italian economy's position on international markets is also the result of its scant ability to attract foreign investment.*

The Italian economy's weakness on international markets is also the result of its scant ability to attract foreign direct investment. The problem does not primarily concern investments motivated by the search for low labor costs, a factor in which Italy cannot compete with emerging countries and which is a key to the success of their imports. Multinational corporations' lack of interest in Italy also extends to investments aimed at gaining better access to European markets or acquiring technological know-how. The causes of the problem are many and tend to coincide with the same set of structural factors that also restrain domestic investment, but a specific role is played by protectionist barriers, which in Italy, as in other countries, limit foreign investment, especially in the service sector.

## *Regions and countries*

*Italy's trade balance deteriorated primarily vis-à-vis regions from which it imports raw materials (North Africa, the Middle East, Eastern Europe) and Asia.*

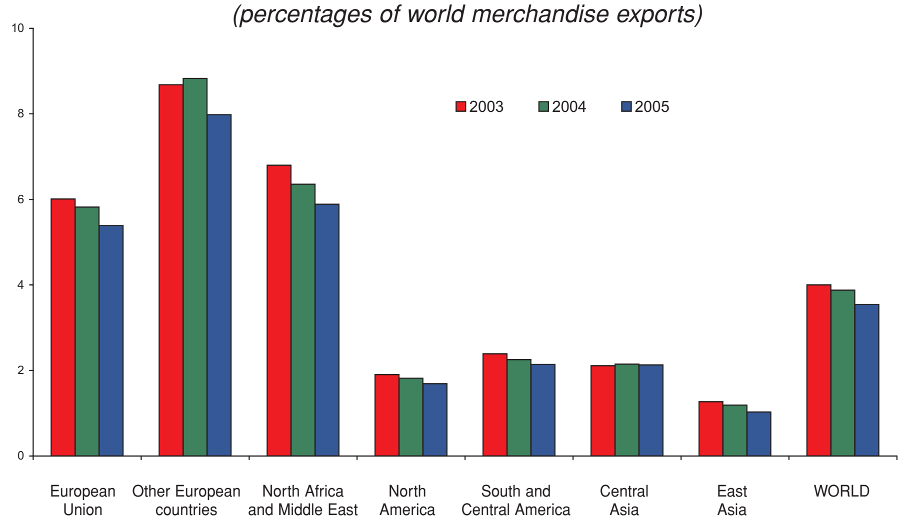
The deterioration in Italy's trade balance in 2005 was primarily vis-à-vis regions from which it imports raw materials (North Africa, the Middle East, Eastern Europe) and Asia, while the balance with the Americas improved slightly as did that with the European Union, despite a worsening of those with Germany and the new member countries.

Among Italian imports, there was a further rise in the shares supplied by commodity producers (Africa, the Middle East and Russia), Asia and the new EU countries.

The growth rate of Italian exports differed markedly across regions: high in Latin America, the Middle East, Eastern Europe, South and Central Asia and Sub-Saharan Africa, fairly good in North America and quite modest in the European Union and East Asia. By contrast, their market share declined across in the board (among the main countries an exception was Russia, where the share remained unchanged), with an especially sharp contraction in the European Union, the Middle East and North Africa. It is worth noting, however, that the leading industrial countries also suffered similar erosion of share in the different regions, giving up ground both to China and other emerging countries and to the commodity producers.

*The growth rate of Italian exports was high in Latin America, the Middle East, Eastern Europe, and South and Central Asia, but very modest in the European Union and East Asia.*

**Italy's market shares by world region**
*(percentages of world merchandise exports)*




*Source: Based on IMF-DOTS data.*

Italian investments in foreign companies are concentrated in the pre-enlargement members of the European Union. However, the sharpest increase in the sales revenues of foreign affiliates came in Central and Eastern Europe and in East Asia, where the goods produced by Italian affiliates are presumably marketed not only locally but also, perhaps mainly, in developed countries, with possible substitutions effects on Italian exports. Moreover, purchases from these affiliates, including those by their parent companies, may have contributed to the rapid rise in imports from the same regions. The multinational corporations present in Italy are based prevalently in other developed countries (Western Europe, North America, Japan). Still, sales revenues achieved in Italy by multinationals based in the emerging countries of East Asia have grown considerably, confirming their recent capacity for expansion.

### *Sectors*

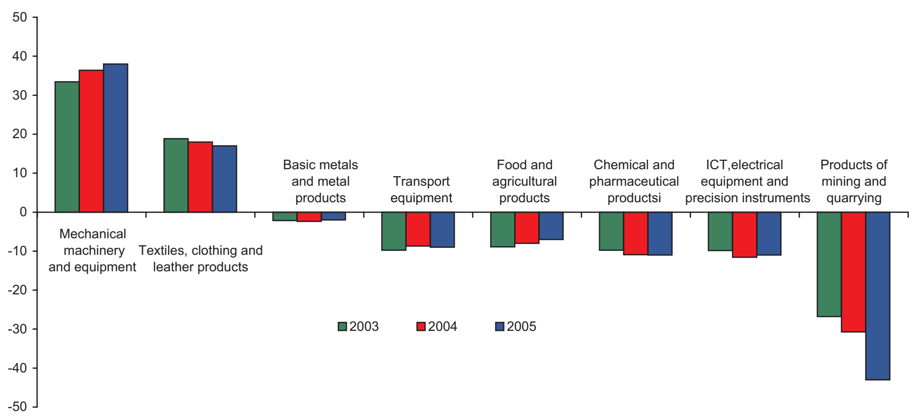
*The first signs of change can be seen in Italian export's model of specialization.*

*The crisis under way for many years in traditional branches of manufacturing and in tourism persists. The comparative advantages are increasingly concentrated in specialized machinery.*

In 2005, as in the previous year, the bulk of the deterioration in Italy's trade balance was due to the increase in the energy deficit, which exceeded €40 billion.

As a whole, the variations in the sectoral balances suggest that steps are being taken toward a reconfiguration of the Italian economy's model of international specialization. Given the crisis under way for many years in traditional branches of manufacturing and in tourism, the comparative advantages are increasingly concentrated in specialized machinery, while the trade difficulties of some knowledge-intensive sectors of industry and services with large economies of scale appear to have eased somewhat. Some intra-sectoral changes are also afoot, reflected in the fact that the index of trade imbalance intensity shows a decrease when calculated at sectoral level but an increase if the computation is made at a more detailed level.

**Italy's sectoral balances**
*(billions of euros)*




*Source: Based on ISTAT data.*

*There was a sharp decline in the volume of imports of refined petroleum oil products, machinery, basic metals and other intermediate goods. By contrast, imports of personal consumer goods and household goods rose.*

The stagnation of economic activity led to a decline in the volume of imports, which was sharpest in oil refining, machinery, basic metals and other sectors that produce intermediate goods. By contrast, imports of personal consumer goods and, above all, household goods expanded considerably. It is reasonable to hypothesize that some of these products were turned out by Italian firms' affiliates abroad or by foreign companies linked to Italian firms by industrial cooperation agreements. It is also worth noting that the growth in imports of textiles and clothing (2.9 per cent year on year) fell far short of what one might have been led to expect by the alarm set off by the initial effects of the dismantling of the Multifiber Agreement; the temporary safeguards adopted by the European Union played a role in this.

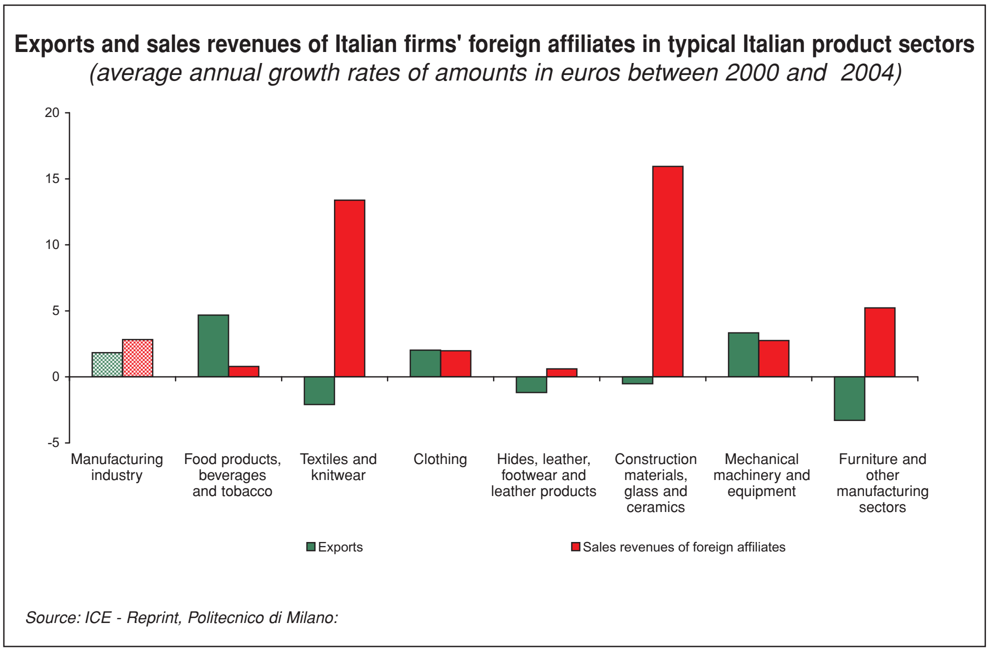
The contraction in export volumes involved nearly every sector, most notably clothing, household appliances, furniture and footwear. Bucking the trend, exports increased in food products, pharmaceuticals, refined petroleum products and some other sectors with a greater incidence of large companies (iron and steel tubes and pipes and part of the electronic industry).

*The contraction in export volumes involved nearly every sector, most notably clothing, household appliances, furniture and footwear.*

In 2005 the average unit values of Italian exports again rose more than producer prices. This trend was most striking in the leather and footwear sector and in textiles and clothing, but it was also seen in other sectors, notably machinery and electronics.

In contrast with developments in the previous several years, however, the rapid rise in the average unit values of exports was insufficient to compensate for the corresponding losses in terms of relative volumes. Consequently, Italy's market shares of world exports at current prices suffered further heavy declines in 2005. With some exceptions, it can generally be said that in recent years Italian exports have recorded the sharpest declines for the finished products typically associated with the "made in Italy" label, while they have consolidated their positions in intermediate goods and capital goods connected with those finished products. This is another sign of the evolution of the model of export specialization involving the transfer abroad of some phases of production processes.

In fact, in the key sectors of typically Italian consumer goods the sales of Italian firms' foreign affiliates have grown more rapidly than exports from Italy in recent years, validating the hypothesis that to some extent Italian firms have substituted the former for the latter. What is involved does not appear to be so much a process of direct substitution on the markets in which the foreign investments have been made, where, on the contrary, complementary relationships with exports of intermediate and capital goods might prevail, as cases in which investments have been made in emerging countries that are used as "export platforms" for the markets of the developed countries that before were served directly from Italy.




Also to be noted are the changes afoot in the service sector, where the deterioration in the balance, due essentially to tourism, was accompanied by a gain in Italy's share of world exports. The main contribution to this result came from business services, including those between related firms, presumably in connection with moves toward the international dispersion of production.

### *Italian regions and districts*

*The South and Islands and the North-West accounted for a growing proportion of Italian exports. For the South and Islands, the gain was only the consequence of the presence of oil refineries.*

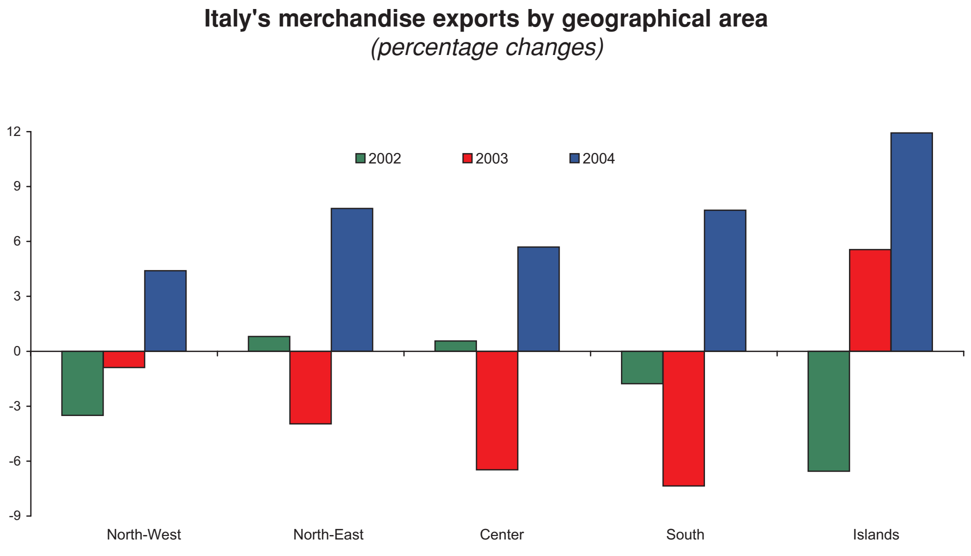
The contribution of the South and Islands and the regions of the North-West to total Italian exports rose significantly in 2005. All of the aggregate gain for the South and Islands came from the latter, which are specialized in oil refining and thus benefited from the soaring prices of crude oil on international markets.

The improvement for the North-West was primarily the result of Lombardy's recovery both in some traditional sectors (footwear and furniture) and in chemicals and electronics. Lombardy also expanded its share of total exports of services.

*By contrast, the so-called "Third Italy", comprising the North-East and the Center, appears to be in difficulty.*

*Veneto's decline may also have reflected the widespread relocation of production processes.*

By contrast, the so-called "Third Italy", comprising the North-East and the Center, appears to be in difficulty. The large losses recorded in the last five years by Veneto and Tuscany in traditional consumer goods and by Lazio in chemicals and electronics have not been fully offset by the gains achieved by Emilia-Romagna, primarily in motor vehicles and mechanical engineering products, including household appliances. Veneto's decline may also have reflected the widespread relocation of production processes, insofar as the products made abroad by the region's firms (or on their behalf) substituted exports flows that used to originate from the region.



Source: Based on Istat data.

Taking a long-term perspective, it is plain that Italy's economic geography is being transformed, with a gradual eastward shift of the axis of exports. This process has only marginally involved the southern part of the country, whose share of exports fell in the ten years 1985-95 and then made up the loss in the following decade. In any event, the ability to export is geographically widespread, reducing the concentration of export flows by province.

In order to gain a better understanding of the geographical structure of exports, it is necessary to overcome the limits imposed by statistical units defined with administrative criteria, like Italy's regions. The phenomenon of industrial districts, which are one of the most original aspects of the Italian economy's development model and have played a decisive role in promoting its internationalization, can be studied only if one moves down to a level of geographical detail that can capture the local socio-economic specificities that account for its evolution.

*In a reversal of trend with respect to the second half of the 1990s, in the last five years the district areas are in difficulty, especially those that produce traditional consumer goods.*

According to a new publication analyzing the internationalization of Italy's industrial districts, released together with this *Report*, in the second half of the 1990s the best export performances were turned in by the provinces with a higher incidence of districts, stemming Italy's loss of share on world markets. In the last five years, however, the trend has reversed and the district areas are in difficulty. Looking more closely, the crisis is most acute in the districts that produce traditional consumer goods for personal use; those specialized in household goods outperformed the others, although their results were not sufficient to stem Italy's losses of market share. In the food products and mechanical engineering sectors instead the districts were decisive in enabling Italy to achieve a slight gain in share.

In the industrial districts, however, there are visible signs of the changes under way in Italian industry's model of international specialization. Many important districts have cut back their activity in final producer goods and are tending to concentrate more and more on producing the corresponding capital goods. This metamorphosis is also being accomplished by transferring abroad phases of production that are no longer sustainable in Italy.

However, with scant exceptions the district areas' ability to attract foreign investment remains modest. This is probably ascribable both to the fact that inward direct investment tends to concentrate on relatively large-scale operations compared with the average size of district companies and in sectors other than those in which the latter specialize, and to the fact that the districts' comparative advantages are based on socio-economic factors that are deeply rooted in local systems and hard for outsiders to capture. It is no coincidence that in recent years foreign investment in Italian firms has developed most strongly in areas such as Lombardy, Lazio and the island regions, where districts play a smaller role and sectors with large economies of scale are relatively more important.

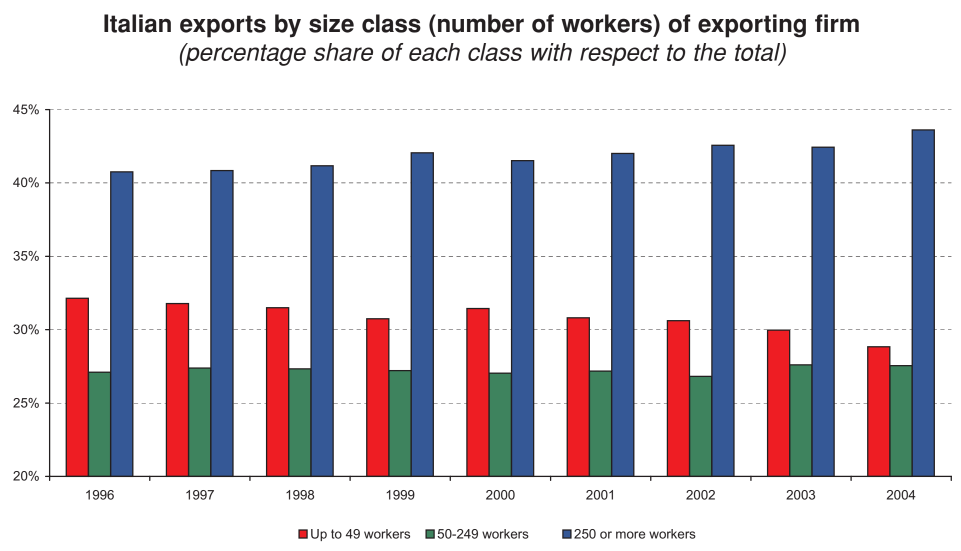
### *Firms*

*In 2005 the number of exporting firms rose by nearly 5 per cent, the highest growth in at least a decade.*

The number of Italian exporting firms has increased every year since 1998, even when the results of their sales abroad have been less than brilliant. In 2005 the number of exporters rose by nearly 5 per cent, the highest growth in at least a decade.

*Small and medium-sized firms' share of Italian exports is tending to decline, but their ability to produce abroad is growing.*

The entrepreneurial base of Italian exports is thus tending to broaden, reflecting the growing integration of international markets. At the same time, there are signs that the firms involved are of increasing size. The figures on the value of exports by firms belonging to the different export sales categories in 2005 confirm the long-term trend toward diminution of the relative importance of small firms. Between 1996 and 2004, the latest year for which statistics are available by firm size as measured by their number of workers, the share of total Italian exports accounted for by firms with fewer than 50 workers shrank by more than three percentage points.




*Source: Based on Istat data.*

By contrast, both small and medium-sized firms increased their respective shares of the internationalization of production between 2000 and 2004. In the last two years the share of the largest companies (at least 5,000 workers) remained preponderant, but these firms sharply reduced the number of their employees abroad, a sign that restructuring prevailed with respect to new ventures.

In addition, smaller firms adopt significant intermediate forms of internationalization that do not involve equity investment but are based on industrial cooperation agreements with foreign partners. According to the rough estimates now available, these arrangements are increasingly common in Italy's typical export product sectors.

The development of small-scale multinationals appears mainly to be a response to problems of competitiveness on international markets. Firms with fewer than 50 workers saw their share of Italian exports decline in all the main geographical areas, while they gained share in terms of the internationalization of production in regions such as East Asia and the Mediterranean, where the establishment of local units is most directly related to the drive to curb costs. The other size classes of firms increased their share of Italian exports both to the developed countries (especially in North America for medium-sized firms) and in the emerging areas (East Asia and North Africa for large companies). As regards the internationalization of production, medium-sized firms maintained a strong relative presence in Central and Eastern Europe while increasing their share in the EU-15, thanks to steps taken to gain better market access. In any event, the geographical diversification of Italian firms' international activities increased as regards both exports and equity investment abroad.

From the sectoral point of view, differentiated trends emerged. The growth of small firms' investments abroad, sharpest in the typical export product sectors, can be read as a possible response to their problems of competitiveness, while the increase in medium-size firms' share of the total work force of Italian companies' affiliates abroad was most pronounced in medium and high-technology sectors, where restructuring by large Italian industrial groups led to a major retrenchment in their presence abroad.

## 5. Public intervention

*The Ministry of Foreign Trade has been revived.*

Pending the drafting of more incisive reform projects and more far-reaching reorganization of the battery of agencies for the support of internationalization, the new legislature has opened with the revival of the Ministry of International Trade, resurrected by splitting off the Internationalization Area of the former Ministry of Productive Activities (now the Ministry of Economic Development).

For real services offered abroad, the project for creating "one-stop shops", with the participation of the Institute for Foreign Trade (ICE), Italian embassies and consulates, the National Tourist Office, the chambers of commerce and other organizations, is slowly making headway. In parallel, in Italy the network of regional offices is continuing to be developed with the participation of the central and regional governments, the ICE, SIMEST, the Export Credit Insurance Agency (SACE), trade associations, the chambers of commerce, the banking system and, more in general , all the entities involved in supporting the regional productive system.

*Subsidized credit for exports grew appreciably in 2005, remaining an important form of financial support for firms.*

Subsidized credit for exports remains an important form of financial support for firms. The amounts granted grew appreciably in 2005, especially as regards buyer credit (loans to the importer's local bank), a procedure characterized by very high transaction amount and used prevalently for larger companies. A fundamental contribution to this expansion came from the inclusion of shipbuilding among the operations eligible for finance, pursuant to an OECD agreement. Among the other forms of intervention by SIMEST, 2005 saw a marked decrease in supplier credit operations, which are used mainly to finance the exports of small and medium-sized firms, and in financing of commercial penetration programs. On the other hand, there was appreciable growth in activities to support the internationalization of Italian firms' production, through the participation of SIMEST and FINEST in direct investments abroad and the formation of joint ventures in non-EU countries. A highlight was the success of the so-called venture capital funds for investment in strategic countries and regions such as the Mediterranean, the Balkans, Russia and China.

*Insurance guarantees granted by SACE grew markedly in 2005, the bulk of the increase coming from medium and long-term commitments.*

The value of insurance guarantees granted by SACE grew markedly in 2005. The bulk of the increase came from medium and long-term commitments, although SACE BT, a separate company, entered the field of short-term (18-month) export credit insurance in June 2004 and that of bonds (at market terms and conditions, with insurance profit margins) in 2005.

*The ICE's promotional spending surpassed the € 100 million mark for the first time in 2005, growing by 13 per cent.*

In the field of real services, the ICE's promotional spending surpassed the €100 million mark for the first time in 2005, growing by 13 per cent. Fairs, autonomous shows and related activities continued to absorb the lion's share of the promotional program's expenditure. In the breakdown of spending by market, the emerging areas' gained mainly to the detriment of Western Europe and North America.

The discrepancy between the sectoral breakdown of promotional spending and the sectoral composition of exports lessened somewhat. However, promotional spending remained heavily tilted toward textiles, clothing, leather and footwear, household goods, food products and jewelry. This specialization is justified by the high incidence of small and medium-sized firms in the traditional sectors, and it also continues to reflect a consolidated model of relationships between the ICE, the Ministry and the different trade associations.

Firms' demand for assistance services is still largely oriented toward simple information tools (assistance for promotional events, organization of business meetings, lists of names), in contrast with the pattern found in other countries where customized technical assistance services prevail. Significant growth was recorded in training activities addressed to young people, entrepreneurs and managers – not only Italians but also from emerging and transition economies.

## 6. Concluding remarks

Although the rise in commodity prices did not generate the combination of recession and inflation that marked the oil crises of the past, it had major effects on the geographical and sectoral distribution of international trade.

For the Italian economy, still in a phase of stagnation, the change in prices brought a worsening of the trade balance and a fresh decline in Italy's share of the value of world merchandise exports, sharper than that in its share of trade in manufactures.

The crisis of Italian exports deepened in volume terms as well. With global demand growing at a very rapid pace, the volume of Italian exports contracted in 2005, and this despite the euro's depreciation, albeit slight, against the average of the other currencies.

The causes of this decline, which began in the middle of the 1990s, lie only in part in the problems of competitiveness deriving from the performance of exchange rates and productivity. More precisely, the fact that total factor productivity has actually fallen in Italy in recent years is grave not so much for its consequences on firms' price competitiveness as for its structural significance: it is a clear indicator of the gap that has opened with respect to other developed countries in the stock of technical knowledge and human skills that are the foundation of economic growth and social progress in today's world. Some of the basic features of the Italian economy's pattern of specialization, which have ancient origins and limit its ability to integrate successfully into the international markets, can be traced to this gap.

The first edition of the *Report* came out twenty years ago, in a different phase of history, when it seemed that sharply declining oil prices could significantly ease the external constraint on the growth of the Italian economy, even then contending with the pressure of competition from emerging countries, and awareness was just dawning of the extraordinary role played by the industrial districts of small and medium-sized firms in the country's economic growth.

Today the terms of many questions are appreciably altered, but some long-term problems remain substantially unchanged. In particular, today, as then, it can be said that the "dynamic inefficiency" of the Italian economy's model of international specialization, i.e. its concentration in products the demand for which shows low elasticity to world income, is the principal factor limiting the growth in its exports, at least by comparison with the other developed countries. And given the signs of difficulty displayed by some industrial districts, it can be argued, today more than back then, that the small size of many Italian firms is among the causes of their limited ability to establish themselves in international markets in positions of strength compared with large-scale traders.

For the rest, the loss of export share by Italy and the other developed countries naturally reflects the expansion of the emerging countries, China in particular. In this case we are dealing with an irreversible trend of the times, one leading the world economy toward a more equitable distribution of income among countries. From this perspective, the recent changes in the prices of raw materials relative to manufactures themselves can be read as a mechanism of international transfer spreading the benefits of Asian growth to other developing regions. The great questions on the distribution of income within countries and on the environmental sustainability of the present growth rates remain open, but on the whole greater international economic integration helps to improve the global system.

The changes under way in the global distribution of production are not so much the fruit of endogenous development in the emerging countries as they are the result of the powerful expansion of international investment. By splitting their own productive activities among different countries, multinational companies large and small are also helping to modify the geography of trade. Some developed countries are not hit hard by the adverse consequences of these processes, because they are able to make up for the loss of unskilled-labor-intensive activities by attracting investments whose aim is better access to markets or the absorption of technological resources and human skills. Italy, alas, lags well behind on this terrain as well.

Italy's scant ability to attract investment from abroad symbolizes the structural problems, ancient and recent, that also brake domestic capital formation, preventing full exploitation of the human and entrepreneurial resources that the country possesses in abundance. These problems, most acute in the Mezzogiorno, concern, as has long been known, the school and university system, incentives for research, infrastructure, public and private services, the quality and transparency of regulation, the certainty of law, the security of firms, a distribution of taxes that penalizes productive investment to the benefit of financial rents. Summing up the problems, the Italian system can be said to suffer simultaneously from a deficit of competition, which impedes selection and development of its best entrepreneurial energies, and public intervention that is not on a par with its functions.

These issues, long under discussion, have been treated in the twenty editions of this Report. Here instead we wish to emphasize the positive signs of transformation that are emanating from the Italian economy and attest to its vitality:

- even if interpretation of the indicators is subject to margins of uncertainty, the pricing and quality strategies of some exporting firms seem to be moving in the direction most likely to enhance their market power and allow them to escape the competitive pressures of low-wage countries;
- signs are also emerging of a strengthening of the size structure of Italian firms, with a decline in the incidence of smaller companies, accompanied in any event by an increase both in the number of exporters and in the geographical diversification of their sales;
- small and medium-sized enterprises are augmenting their ability to produce on markets abroad through direct investments and cooperation agreements with foreign firms;
- although many industrial districts are gripped by crisis, some are demonstrating an ability to differentiate their products and open up more fully to international markets, thanks to the leading role played by medium-sized local companies;
- the model of export specialization is shifting, albeit gradually, with a reduction in the importance of the traditional comparative advantages, a relative strengthening of those in specialized industrial machinery and an attenuation of some weaknesses in the sectors dominated by large corporations.

Although they are certainly important, these positive signals have not been sufficient to reverse the negative trends of recent years. They need to be encouraged and must be supplemented with well-designed policies to increase the competitiveness of markets, aimed at selecting the best firms, and with more effective public action to raise the efficiency of the system in which they operate and tackle the social problems created by opening up to international competition.

It is also necessary to help shift the trade policy of the European Union further toward more courageous positions that can facilitate the success of the negotiations under the Doha Development Agenda. In this way, in addition to creating international conditions more conducive to the progress of all countries, trade policy could help to increase the competitiveness of domestic markets, above all in services.

Signs of a moderate recovery of exports and production have finally appeared in Italy too during the current year. Imports, already expanded by the rise in commodity prices, could show accelerated growth in volume terms too, with the risk of fueling the demand now brewing for protection.

The temptation to sidestep the economic system's structural problems by trying to limit its openness to external competition is always strong, and not just in Italy, as the difficulties of the WTO talks demonstrate. Protectionism, whether in the form of import restrictions, export supports or competitive devaluations, saps innovation and growth and pollutes the climate of international relations. It is based on a distorted idea of competitiveness, on the old mercantilist prejudice according to which a country's welfare should be promoted to the detriment of the others' wellbeing.

Its call must be resisted.

# STATISTICAL TABLES

**World trade and foreign direct investment** (1)
*(values in billions of dollars)*

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | MERCHANDISE TRADE | | | | | |
| Value (2) | 5,401 | 5,589 | 5,499 | 5,713 | 6,451 | 6,184 | 6,484 | 7,572 | 9,191 | 10,393 |
| | | | | | PERCENTAGE CHANGES IN THE INDICES | | | | | |
| Volume index | 5.1 | 10.0 | 4.8 | 4.6 | 10.4 | -0.6 | 3.5 | 5.1 | 9.3 | 6.1 |
| Average unit value index | -0.6 | -6.1 | -5.8 | -0.6 | 2.1 | -3.5 | 1.2 | 11.2 | 11.2 | 6.7 |
| | | | | | TRADE IN COMMERCIAL SERVICES | | | | | |
| | 1,271 | 1,320 | 1,350 | 1,406 | 1,492 | 1,495 | 1,601 | 1,834 | 2,180 | 2,415 |
| | | | | | FOREIGN DIRECT INVESTMENT | | | | | |
| Value | 398 | 485 | 693 | 1,105 | 1,239 | 743 | 652 | 638 | 695 | 897 |
| As a percentage of trade in goods and services | 6.0 | 7.0 | 10.1 | 15.5 | 15.6 | 9.7 | 8.1 | 6.8 | 6.1 | 7.0 |

(1) Exports for trade in goods and services and inflows for FDI. The FDI figure for 2005 is estimated.
(2) Includes Hong Kong re-exports.

*Sources: Based on WTO data for trade in goods and services and UNCTAD data for foreign direct investment.*

Table 1.1

## Regional shares of world merchandise exports

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| European Union | 40.8 | 39.6 | 41.9 | 41.1 | 37.7 | 39.7 | 40.4 | 41.4 | 40.8 | 38.4 |
| *Euro area* | 31.8 | 30.5 | 32.5 | 32.1 | 29.2 | 31.0 | 31.5 | 32.5 | 32.0 | 29.9 |
| *New EU members* | 1.7 | 1.8 | 2.0 | 1.9 | 1.9 | 2.2 | 2.4 | 2.6 | 2.8 | 2.9 |
| Other European countries | 5.2 | 5.1 | 4.8 | 4.7 | 5.0 | 5.0 | 5.4 | 5.6 | 5.8 | 6.2 |
| Africa | 1.6 | 1.6 | 1.9 | 1.9 | 2.4 | 2.2 | 2.2 | 2.3 | 2.4 | 2.9 |
| North America | 15.5 | 16.3 | 16.5 | 16.4 | 16.4 | 16.2 | 14.7 | 13.3 | 12.4 | 12.2 |
| South and Central America | 5.0 | 5.2 | 5.3 | 5.4 | 5.8 | 5.8 | 5.5 | 5.2 | 5.3 | 5.6 |
| Middle East | 3.3 | 3.3 | 2.6 | 3.1 | 3.9 | 3.8 | 3.6 | 3.7 | 4.2 | 4.6 |
| Central Asia | 1.2 | 1.2 | 1.1 | 1.1 | 1.2 | 1.3 | 1.4 | 1.4 | 1.5 | 1.6 |
| East Asia | 25.3 | 25.6 | 24.5 | 25.0 | 26.3 | 24.8 | 25.6 | 25.8 | 26.4 | 26.9 |
| Oceania and other territories | 2.1 | 2.1 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.2 | 1.3 | 1.6 |
| WORLD | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Source: Based on IMF-DOTS data.*

Table 1.2

## Regional shares of world merchandise imports

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| European Union | 38.6 | 37.7 | 40.1 | 39.6 | 37.2 | 37.9 | 38.0 | 39.4 | 39.0 | 37.1 |
| *Euro area* | 29.1 | 27.9 | 29.7 | 29.7 | 27.9 | 28.5 | 28.3 | 29.6 | 29.2 | 27.6 |
| *New EU members* | 2.3 | 2.4 | 2.7 | 2.5 | 2.4 | 2.7 | 2.9 | 3.1 | 3.3 | 3.2 |
| Other European countries | 4.8 | 4.9 | 4.8 | 4.1 | 4.1 | 4.2 | 4.4 | 4.7 | 4.9 | 5.6 |
| Africa | 1.8 | 1.7 | 2.4 | 2.2 | 2.0 | 2.0 | 2.2 | 2.3 | 2.5 | 2.6 |
| North America | 18.7 | 19.9 | 21.1 | 22.1 | 22.8 | 22.3 | 21.8 | 20.2 | 19.2 | 19.1 |
| South and Central America | 5.5 | 6.1 | 6.6 | 6.1 | 6.3 | 6.4 | 5.8 | 5.1 | 5.1 | 5.2 |
| Middle East | 2.6 | 2.5 | 2.5 | 2.5 | 2.3 | 2.7 | 2.8 | 2.9 | 3.1 | 3.3 |
| Central Asia | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.5 | 1.5 | 1.6 | 1.7 | 2.1 |
| East Asia | 24.6 | 23.7 | 19.7 | 20.4 | 22.6 | 21.7 | 22.1 | 22.3 | 23.0 | 23.4 |
| Oceania and other territories | 2.2 | 2.1 | 1.5 | 1.6 | 1.4 | 1.3 | 1.5 | 1.5 | 1.5 | 1.7 |
| WORLD | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Source: Based on IMF-DOTS data.*

Table 1.3

## World merchandise trade: top twenty exporters (1)

| | | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Germany | 9.7 | 9.3 | 10.0 | 9.5 | 8.6 | 9.3 | 9.5 | 9.9 | 10.0 | 9.4 |
| 2 | United States | 11.8 | 12.4 | 12.6 | 12.2 | 12.1 | 11.9 | 10.8 | 9.7 | 9.0 | 8.7 |
| 3 | China | 2.9 | 3.3 | 3.4 | 3.4 | 3.9 | 4.3 | 5.1 | 5.8 | 6.5 | 7.4 |
| 4 | Japan | 7.8 | 7.6 | 7.2 | 7.4 | 7.5 | 6.6 | 6.5 | 6.3 | 6.2 | 5.7 |
| 5 | France | 5.4 | 5.3 | 5.6 | 5.7 | 5.1 | 5.3 | 5.2 | 5.2 | 5.0 | 4.4 |
| 6 | Netherlands | 3.4 | 3.1 | 3.1 | 3.9 | 3.6 | 3.8 | 3.8 | 4.0 | 3.9 | 3.9 |
| 7 | United Kingdom | 4.9 | 5.1 | 5.0 | 4.8 | 4.4 | 4.4 | 4.3 | 4.1 | 3.8 | 3.6 |
| 8 | Italy | 4.7 | 4.3 | 4.5 | 4.2 | 3.7 | 3.9 | 3.9 | 4.0 | 3.9 | 3.5 |
| 9 | Canada | 3.8 | 3.9 | 3.9 | 4.2 | 4.3 | 4.3 | 3.9 | 3.6 | 3.5 | 3.4 |
| 10 | Belgium | 3.2 | 3.1 | 3.3 | 3.1 | 2.9 | 3.1 | 3.3 | 3.3 | 3.4 | 3.2 |
| 11 | Hong Kong | 3.4 | 3.4 | 3.2 | 3.1 | 3.2 | 3.1 | 3.1 | 3.0 | 2.9 | 2.8 |
| 12 | South Korea | 2.6 | 2.6 | 2.5 | 2.5 | 2.7 | 2.5 | 2.5 | 2.6 | 2.8 | 2.7 |
| 13 | Russia | 1.6 | 1.5 | 1.3 | 1.3 | 1.6 | 1.3 | 1.7 | 1.8 | 1.8 | 2.3 |
| 14 | Singapore | 2.4 | 2.3 | 2.0 | 2.0 | 2.2 | 2.0 | 2.0 | 1.9 | 2.0 | 2.0 |
| 15 | Mexico | 1.8 | 2.0 | 2.2 | 2.4 | 2.6 | 2.6 | 2.5 | 2.2 | 2.1 | 1.9 |
| 16 | Taiwan | 2.2 | 2.2 | 2.0 | 2.1 | 2.3 | 2.0 | 2.0 | 1.9 | 1.9 | 1.8 |
| 17 | Spain | 1.9 | 1.9 | 2.0 | 1.8 | 1.7 | 1.8 | 1.8 | 2.1 | 2.0 | 1.8 |
| 18 | Malaysia | 1.5 | 1.4 | 1.4 | 1.5 | 1.5 | 1.4 | 1.5 | 1.4 | 1.4 | 1.6 |
| 19 | Saudi Arabia | 1.1 | 1.1 | 0.7 | 0.9 | 1.2 | 1.1 | 1.0 | 1.2 | 1.2 | 1.5 |
| 20 | Switzerland | 1.5 | 1.4 | 1.5 | 1.4 | 1.3 | 1.3 | 1.4 | 1.3 | 1.3 | 1.2 |
| | Other countries | 22.6 | 22.8 | 22.5 | 22.7 | 23.7 | 24.2 | 24.3 | 24.8 | 25.6 | 27.2 |
| | WORLD | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

(1) Based on the 2005 ranking.

*Source: Based on IMF-DOTS data.*

Table 1.4

## World merchandise trade: top twenty importers (1)

| | | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | United States | 15.2 | 16.1 | 17.1 | 18.0 | 18.8 | 18.5 | 18.1 | 16.8 | 16.1 | 16.0 |
| 2 | Germany | 8.3 | 7.8 | 8.4 | 8.0 | 7.6 | 7.7 | 7.4 | 7.7 | 7.6 | 7.2 |
| 3 | China | 2.6 | 2.5 | 2.5 | 2.9 | 3.4 | 3.8 | 4.5 | 5.3 | 5.9 | 6.1 |
| 4 | Japan | 6.5 | 6.1 | 5.1 | 5.3 | 5.8 | 5.5 | 5.1 | 4.9 | 4.8 | 4.7 |
| 5 | France | 5.1 | 4.9 | 5.3 | 5.4 | 5.0 | 5.1 | 4.9 | 5.1 | 5.0 | 4.6 |
| 6 | United Kingdom | 5.3 | 5.4 | 5.6 | 5.5 | 5.1 | 5.1 | 5.1 | 5.0 | 4.8 | 4.5 |
| 7 | Italy | 3.8 | 3.7 | 3.9 | 3.8 | 3.6 | 3.6 | 3.7 | 3.8 | 3.7 | 3.5 |
| 8 | Netherlands | 3.0 | 2.8 | 2.9 | 3.6 | 3.3 | 3.3 | 3.3 | 3.4 | 3.4 | 3.3 |
| 9 | Canada | 3.5 | 3.8 | 4.0 | 4.1 | 4.0 | 3.8 | 3.7 | 3.4 | 3.2 | 3.2 |
| 10 | Belgium | 3.0 | 2.8 | 3.0 | 2.7 | 2.7 | 2.8 | 3.0 | 2.9 | 3.0 | 3.0 |
| 11 | Hong Kong | 3.7 | 3.7 | 3.3 | 3.1 | 3.2 | 3.2 | 3.1 | 3.0 | 2.9 | 2.8 |
| 12 | Spain | 2.3 | 2.2 | 2.4 | 2.3 | 2.2 | 2.2 | 2.3 | 2.7 | 2.7 | 2.6 |
| 13 | South Korea | 2.8 | 2.6 | 1.7 | 2.1 | 2.4 | 2.2 | 2.3 | 2.3 | 2.4 | 2.5 |
| 14 | Mexico | 1.8 | 2.2 | 2.5 | 2.7 | 3.0 | 3.0 | 2.9 | 2.5 | 2.3 | 2.1 |
| 15 | Singapore | 2.4 | 2.4 | 1.8 | 1.9 | 2.0 | 1.8 | 1.8 | 1.7 | 1.7 | 1.8 |
| 16 | Taiwan | 1.9 | 2.0 | 1.9 | 1.9 | 2.1 | 1.7 | 1.7 | 1.6 | 1.8 | 1.7 |
| 17 | Switzerland | 1.5 | 1.4 | 1.5 | 1.4 | 1.3 | 1.3 | 1.3 | 1.2 | 1.2 | 1.4 |
| 18 | India | 0.7 | 0.7 | 0.8 | 0.8 | 0.8 | 0.9 | 0.9 | 1.0 | 1.1 | 1.3 |
| 19 | Australia | 1.3 | 1.2 | 1.2 | 1.2 | 1.1 | 1.1 | 1.2 | 1.2 | 1.2 | 1.2 |
| 20 | Malaysia | 1.5 | 1.4 | 1.1 | 1.1 | 1.3 | 1.2 | 1.2 | 1.1 | 1.1 | 1.2 |
| | Other countries | 24.1 | 24.3 | 24.2 | 22.3 | 21.6 | 22.4 | 22.8 | 23.4 | 24.3 | 25.8 |
| | WORLD | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

(1) According to the 2005 ranking.

*Source: Based on IMF-DOTS data.*

Table 1.5

**Inward foreign direct investment: main recipient countries (1)**
*(amounts in billions of dollars)*

| | FLOWS (2) | | | | | | STOCKS | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | | | % composition | | | Amount | | % composition | |
| | Mean 99-03 | 2004 | 2005 | Mean 99-03 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 |
| United States | 177 | 96 | 106 | 19.0 | 13.8 | 11.8 | 1.474 | 1.580 | 16.6 | 16.1 |
| United Kingdom | 62 | 78 | 219 | 6.7 | 11.2 | 24.4 | 772 | 991 | 8.7 | 10.1 |
| Luxembourg (3) | 101 | 67 | 13 | 10.8 | 9.7 | 1.5 | 183 | 196 | 2.1 | 2.0 |
| China | 47 | 61 | 60 | 5.0 | 8.7 | 6.7 | 245 | 306 | 2.8 | 3.1 |
| Australia | 9 | 43 | …. | 1.0 | 6.1 | …. | 254 | …. | 2.8 | …. |
| Belgium (3) | 24 | 34 | …. | 2.6 | 4.9 | …. | 259 | …. | 2.9 | …. |
| Hong Kong | 27 | 34 | 40 | 2.9 | 4.9 | 4.4 | 457 | 497 | 5.1 | 5.1 |
| France | 46 | 24 | 49 | 5.0 | 3.5 | 5.4 | 535 | 584 | 6.0 | 6.0 |
| Spain | 32 | 18 | …. | 3.4 | 2.6 | …. | 347 | …. | 3.9 | …. |
| Brazil | 22 | 18 | 16 | 2.4 | 2.6 | 1.7 | 151 | 166 | 1.7 | 1.7 |
| Mexico | 17 | 18 | 17 | 1.8 | 2.6 | 1.9 | 183 | 200 | 2.1 | 2.0 |
| Italy | 13 | 17 | 13 | 1.4 | 2.4 | 1.4 | 221 | 234 | 2.5 | 2.4 |
| Singapore | 12 | 16 | 16 | 1.3 | 2.3 | 1.8 | 160 | 176 | 1.8 | 1.8 |
| Poland | 6 | 13 | 9 | 0.7 | 1.8 | 1.0 | 61 | 70 | 0.7 | 0.7 |
| Russia | 4 | 13 | 26 | 0.4 | 1.8 | 2.9 | 98 | 125 | 1.1 | 1.3 |
| Ireland | 22 | 9 | …. | 2.3 | 1.3 | …. | 229 | …. | 2.6 | …. |
| Japan | 9 | 8 | 9 | 0.9 | 1.1 | 1.0 | 97 | 106 | 1.1 | 1.1 |
| South Korea | 6 | 8 | 5 | 0.6 | 1.1 | 0.5 | 55 | 60 | 0.6 | 0.6 |
| Chile | 5 | 8 | 7 | 0.5 | 1.1 | 0.8 | 54 | 61 | 0.6 | 0.6 |
| Canada | 29 | 6 | …. | 3.1 | 0.9 | …. | 304 | …. | 3.4 | …. |
| **WORLD** | **934** | **695** | **897** | **100.0** | **100.0** | **100.0** | **8.902** | **9.799** | **100.0** | **100.0** |

(1) Ranked by amount of flows in 2004.
(2) The data for 2005 are estimated. Stocks for 2005 calculated by summing the stock in 2004 with the flow in 2005.
(3) The mean refers to the period 2002-2003.

*Source: Based on UNCTAD data.*

Table 1.6

**Outward foreign direct investment: main investor countries (1)**
*(amounts in billions of dollars)*

| | FLOWS | | | | STOCKS | |
|---|---|---|---|---|---|---|
| | Amount | | % composition | | Amount | % composition |
| | Mean 1999-2003 | 2004 | Mean 1999-2003 | 2004 | 2004 | 2004 |
| United States | 146 | 229 | 16.8 | 31.4 | 2,018 | 20.7 |
| United Kingdom | 122 | 65 | 14.0 | 9.0 | 1,378 | 14.2 |
| Luxembourg (2) | 114 | 59 | 13.0 | 8.1 | 176 | 1.8 |
| Spain | 40 | 54 | 4.6 | 7.4 | 333 | 3.4 |
| France | 99 | 48 | 11.4 | 6.5 | 769 | 7.9 |
| Canada | 29 | 47 | 3.4 | 6.5 | 370 | 3.8 |
| Hong Kong | 23 | 40 | 2.6 | 5.4 | 406 | 4.2 |
| Japan | 31 | 31 | 3.5 | 4.2 | 371 | 3.8 |
| Belgium (2) | 25 | 26 | 2.8 | 3.6 | 248 | 2.6 |
| Switzerland | 24 | 25 | 2.7 | 3.5 | 393 | 4.0 |
| Italy | 13 | 19 | 1.5 | 2.6 | 280 | 2.9 |
| Australia | 8 | 16 | 0.9 | 2.2 | 168 | 1.7 |
| Sweden | 20 | 15 | 2.3 | 2.1 | 204 | 2.1 |
| Singapore | 9 | 11 | 1.0 | 1.5 | 101 | 1.0 |
| Russia | 4 | 10 | 0.5 | 1.3 | 82 | 0.8 |
| Brazil | 1 | 9 | 0.1 | 1.3 | 64 | 0.7 |
| Austria | 5 | 7 | 0.6 | 1.0 | 67 | 0.7 |
| Taiwan | 5 | 7 | 0.6 | 1.0 | 91 | 0.9 |
| Portugal | 5 | 6 | 0.6 | 0.8 | 46 | 0.5 |
| South Korea | 4 | 5 | 0.4 | 0.7 | 39 | 0.4 |
| **WORLD** | **871** | **730** | **100** | **100** | **9,732** | **100.0** |

(1) Ranked by amount of flows in 2004.
(2) The mean refers to the period 2002-2003.

*Source: Based on UNCTAD data.*

Table 1.7

## Shares of world trade and trade balances

*(amounts in billions of ecus/euros)*

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | European Union (1) | | | | | | |
| Exports (%) | 19.3 | 19.6 | 19.7 | 19.2 | 20.1 | 18.9 | 17.4 | 18.6 | 19.0 | 19.3 | 18.1 | 17.2 |
| Imports (%) | 18.3 | 18.1 | 17.6 | 17.3 | 18.7 | 18.5 | 18.1 | 18.3 | 18.0 | 18.6 | 18.3 | 18.0 |
| Trade balance | 12.9 | 28.0 | 45.3 | 48.6 | 22.9 | -19.6 | -91.4 | -42.6 | 8.0 | -13.0 | -62.9 | -106.4 |
| Normalized trade balance (2) | 1.2 | 2.5 | 3.8 | 3.5 | 1.6 | -1.3 | -4.6 | -2.1 | 0.4 | -0.7 | -3.1 | -4.7 |
| | | | | | | United States | | | | | | |
| Exports (%) | 15.8 | 15.3 | 15.5 | 16.2 | 16.7 | 16.2 | 15.6 | 15.4 | 14.0 | 12.6 | 12.3 | 11.7 |
| Imports (%) | 20.6 | 19.5 | 19.7 | 20.4 | 22.1 | 23.6 | 23.9 | 23.4 | 23.1 | 21.6 | 21.7 | 21.4 |
| Trade balance | -148.4 | -142.3 | -155.1 | -185.0 | -233.9 | -341.1 | -516.6 | -502.3 | -536.1 | -511.3 | -568.2 | -665.9 |
| Normalized trade balance (2) | -14.7 | -13.7 | -13.6 | -13.2 | -16.1 | -20.7 | -23.4 | -23.6 | -26.8 | -28.5 | -30.1 | -31.4 |
| | | | | | | Japan | | | | | | |
| Exports (%) | 12.2 | 11.6 | 10.2 | 9.9 | 9.5 | 9.7 | 9.6 | 8.5 | 8.4 | 8.2 | 8.5 | 7.7 |
| Imports (%) | 8.2 | 8.5 | 8.4 | 7.7 | 6.6 | 6.9 | 7.2 | 6.9 | 6.5 | 6.3 | 6.5 | 6.4 |
| Trade balance | 102.3 | 82.0 | 48.6 | 72.5 | 95.8 | 101.0 | 107.9 | 60.7 | 84.1 | 78.6 | 89.3 | 64.0 |
| Normalized trade balance (2) | 18.1 | 13.8 | 8.1 | 10.8 | 16.1 | 14.8 | 11.6 | 7.2 | 10.5 | 10.4 | 10.9 | 7.2 |
| | | | | | | China (3) | | | | | | |
| Exports (%) | 3.7 | 3.9 | 3.7 | 4.3 | 4.5 | 4.5 | 5.0 | 5.6 | 6.6 | 7.6 | 8.9 | 9.9 |
| Imports (%) | 3.5 | 3.3 | 3.3 | 3.2 | 3.3 | 3.7 | 4.3 | 4.8 | 5.7 | 6.8 | 8.0 | 8.2 |
| Trade balance | 4.5 | 12.8 | 9.6 | 35.6 | 38.8 | 27.4 | 26.1 | 25.2 | 32.2 | 22.5 | 25.8 | 81.9 |
| Normalized trade balance (2) | 2.3 | 5.9 | 4.2 | 12.4 | 13.4 | 8.1 | 5.1 | 4.4 | 4.9 | 3.0 | 2.8 | 7.2 |
| | | | | | | WORLD (4) | | | | | | |
| Exports | 2,730 | 2,927 | 3,182 | 3,762 | 3,646 | 4,020 | 5,416 | 5,300 | 5,244 | 5,088 | 5,361 | 6,216 |
| Imports | 2,814 | 3,015 | 3,292 | 3,892 | 3,805 | 4,210 | 5,707 | 5,628 | 5,504 | 5,333 | 5,645 | 6,505 |

(1) Excludes intra-EU trade. EU-15 up to 2003. EU-25 starting in 2004.
(2) Trade balance as a percentage of the sum of exports and imports.
(3) Includes Hong Kong re-exports.
(4) The difference between exports and imports is due to statistical discrepancies.

*Sources: Based on WTO and EUROSTAT-COMEXT data.*

Table 1.8

## Italy's balance of payments
## Current account: balances
*(millions of euros)*

| | | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|
| **Goods (FOB-FOB)** | | **32,584** | **22,044** | **10,368** | **17,405** | **14,049** | **9,922** | **8,850** | **72** |
| **Services** | | **4,386** | **1,125** | **1,167** | **18** | **-3,043** | **-2,362** | **1,179** | **-359** |
| | trasport | -2,586 | -3,898 | -4,158 | -3,859 | -4,190 | -4,972 | -4,935 | -5,106 |
| | travel | 10,964 | 10,852 | 12,893 | 12,427 | 10,396 | 9,386 | 12,150 | 10,452 |
| | other services | -3,992 | -5,829 | -7,568 | -8,550 | -9,249 | -6,776 | -6,036 | -5,705 |
| **Income** | | **-9,869** | **-10,392** | **-13,099** | **-11,635** | **-15,396** | **-17,811** | **-14,817** | **-13,595** |
| | labor income | -65 | -329 | -473 | -68 | -900 | -1,126 | -213 | -554 |
| | investment income | -9,804 | -10,063 | -12,626 | -11,567 | -14,496 | -16,685 | -14,604 | -13,042 |
| **Transfers** | | **-6,658** | **-5,085** | **-4,742** | **-6,527** | **-5,624** | **-7,101** | **-7,683** | **-8,172** |
| | private | -927 | -906 | -698 | -2,764 | -4,567 | -1,554 | -865 | 23 |
| | workers' remittances | -117 | -195 | -199 | -390 | -478 | -912 | -1,865 | -2,193 |
| | other | -810 | -711 | -499 | -2,374 | -4,089 | -642 | 1,000 | 2,216 |
| | public | -5,732 | -4,179 | -4,044 | -3,763 | -1,057 | -5,547 | -6,818 | -8,197 |
| | EU accounts | -5,940 | -4,684 | -4,905 | -5,634 | -5,727 | -6,289 | -6,537 | -7,979 |
| | other | 209 | 505 | 861 | 1,871 | 4,670 | 742 | -281 | -218 |
| **Current account** | | **20,444** | **7,692** | **-6,305** | **-740** | **-10,014** | **-17,352** | **-12,471** | **-22,056** |

*Source: Bank of Italy.*

Table 2.1

## Italy's foreign trade (FOB-CIF)

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 (1) |
|---|---|---|---|---|---|---|---|---|
| Exports FOB | | | | | | | | |
| milions of euros | 220,105 | 221,040 | 260,413 | 272,990 | 269,064 | 264,616 | 284,413 | 295,739 |
| % change | 4.2 | 0.4 | 17.8 | 4.8 | -1.4 | -1.7 | 7.5 | 4.0 |
| Imports CIF | | | | | | | | |
| millions of euros | 195,625 | 207,015 | 258,507 | 263,757 | 261,226 | 262,998 | 285,634 | 305,686 |
| % change | 5.9 | 5.8 | 24.9 | 2.0 | -1.0 | 0.7 | 8.6 | 7.0 |
| Balance | | | | | | | | |
| millions of euros | 24,480 | 14,025 | 1,906 | 9,233 | 7,838 | 1,618 | -1,221 | -9,947 |
| change | -2,139 | -10,455 | -12,119 | 7,327 | -1,395 | -6,220 | -2,839 | -8,726 |
| Normalized balance | 5.9 | 3.3 | 0.4 | 1.7 | 1.5 | 0.3 | -0.2 | -1.7 |
| Exports: average unit values | 3.4 | 2.7 | 8.0 | 3.6 | 1.4 | 0.8 | 4.2 | 6.6 |
| Imports: average unit values | -1.6 | 1.7 | 16.3 | 2.7 | -0.5 | -0.3 | 4.8 | 8.9 |
| Exports: volume | 0.7 | -2.6 | 9.0 | 1.5 | -3.1 | -2.5 | 3.2 | -2.5 |
| Imports: volume | 7.6 | 3.9 | 7.5 | -0.6 | -0.5 | 1.0 | 3.6 | -1.7 |
| Terms of trade (2) | 5.0 | 1.0 | -7.1 | 0.9 | 1.9 | 1.1 | -0.6 | -2.1 |
| Real cover ratio (3) | -6.4 | -6.3 | 1.4 | 2.1 | -2.6 | -3.4 | -0.4 | -0.8 |

(1) Provisional data for 2005. ISTAT will release final data after the necessary adjustments and inclusions regarding trade with the EU countries.
(2) Ratio between average unit values of exports and imports.
(3) Ratio between the export volume index and import volume index.

*Source: Based on ISTAT data.*

Table 2.2

## Constant-market-shares analysis of Italy's share of world imports (1)(2)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 1997-2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| Market share | 3.98 | 4.16 | 3.82 | 3.39 | 3.50 | 3.49 | 3.56 | 3.44 | 3.16 | |
| Change | | 0.18 | -0.34 | -0.43 | 0.11 | -0.01 | 0.07 | -0.13 | -0.27 | -0.81 |
| Competitiveness effect | | -0.02 | -0.13 | -0.08 | 0.00 | -0.04 | 0.01 | -0.03 | -0.11 | -0.41 |
| Structure effect | | 0.21 | -0.20 | -0.34 | 0.13 | 0.08 | 0.08 | -0.09 | -0.16 | -0.29 |
| *sectoral* | | *0.12* | *-0.10* | *-0.25* | *0.11* | *0.06* | *-0.01* | *-0.08* | *-0.10* | *-0.27* |
| *geographical* | | *0.15* | *-0.13* | *-0.13* | *0.05* | *-0.01* | *0.08* | *-0.03* | *-0.07* | *-0.10* |
| *interaction* | | *-0.05* | *0.03* | *0.04* | *-0.03* | *0.04* | *0.02* | *0.02* | *0.01* | *0.08* |
| Adaptation effect | | 0.00 | -0.01 | -0.01 | -0.02 | -0.06 | -0.02 | -0.01 | 0.00 | -0.12 |

## Constant-market-shares analysis of Italy's share of world imports from the euro area (1)(2)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 1997-2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| Market share | 12.71 | 12.44 | 12.00 | 11.78 | 11.57 | 11.30 | 11.21 | 11.01 | 10.76 | |
| Change | | -0.27 | -0.44 | -0.22 | -0.21 | -0.27 | -0.10 | -0.20 | -0.25 | -1.95 |
| Competitiveness effect | -0.17 | -0.13 | 0.02 | -0.13 | -0.16 | 0.04 | 0.04 | -0.10 | -0.60 | |
| Structure effect | | -0.05 | -0.26 | -0.18 | -0.02 | 0.19 | -0.05 | -0.21 | -0.16 | -0.75 |
| *sectoral* | | *-0.09* | *-0.23* | *-0.34* | *0.02* | *0.05* | *-0.10* | *-0.17* | *-0.12* | *-0.97* |
| *geographical* | | *0.07* | *0.01* | *0.11* | *-0.02* | *-0.08* | *0.02* | *-0.03* | *-0.01* | *0.07* |
| *interaction* | | *-0.04* | *-0.04* | *0.04* | *-0.02* | *0.22* | *0.02* | *-0.01* | *-0.03* | *0.15* |
| Adaptation effect | | -0.04 | -0.05 | -0.06 | -0.06 | -0.30 | -0.08 | -0.03 | 0.02 | -0.60 |

(1) The "world" consists of the 15 members of the pre-enlargement European Union plus Brazil, Canada, China, Japan, Malaysia, Mexico, Russia, South Korea, Switzerland, Taiwan and the United States. The results of the constant-market-shares analysis differ in part from those published in previous editions of the Report: in the past the European Union was treated as a single market, whereas in the present analysis the individual member countries are taken into account.
(2) The competitiveness effect is the weighted average of the changes in the elementary shares; it can be considered to reflect the changes in relative prices and other factors of competitive success. The structure 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, while the adaptation effect measures flexibility with respect to such changes.

*Sources: Based on data published by Eurostat and national statistical institutes.*

Table 2.3

**Italy's foreign trade by geographical region and with the main countries**
*(millions of euros)*

| | EXPORTS | | | IMPORTS | | | BALANCE | |
|---|---|---|---|---|---|---|---|---|
| | 2005 | % share | % change in value on 2004 | 2005 | % share | % change in value on 2004 | 2004 | 2005 |
| **European Union** | 173,370 | 58.6 | 1.6 | 174,994 | 57.2 | 1.5 | -1,849 | -1.624 |
| *France* | 36,188 | 12.2 | 2.7 | 30,309 | 9.9 | -3.1 | 3,952 | 5,878 |
| *Germany* | 38,768 | 13.1 | 0.0 | 52,516 | 17.2 | 2.3 | -12,558 | -13,748 |
| *Spain* | 21,936 | 7.4 | 5.8 | 12,721 | 4.2 | -4.5 | 7,410 | 9,214 |
| *United Kingdom* | 19,032 | 6.4 | -5.6 | 12,141 | 4.0 | -1.2 | 7,859 | 6,890 |
| *New EU members* | 17,035 | 5.8 | 3.5 | 13,186 | 4.3 | 17.9 | 5,279 | 3,849 |
| **Other European countries** | 37,591 | 12.7 | 7.7 | 37,932 | 12.4 | 9.4 | 217 | -341 |
| *Russia* | 6,064 | 2.1 | 22.2 | 11,789 | 3.9 | 21.3 | -4,753 | -5,725 |
| *Switzerland* | 11,626 | 3.9 | -1.2 | 9,270 | 3.0 | -0.7 | 2,430 | 2,356 |
| **North Africa** | 7,544 | 2.6 | 5.7 | 19,527 | 6.4 | 31.2 | -7,748 | -11,983 |
| **Other African countries** | 3,950 | 1.3 | 20.2 | 5,072 | 1.7 | 17.0 | -1,049 | -1,122 |
| **North America** | 26,372 | 8.9 | 6.4 | 12,107 | 4.0 | 6.8 | 13,459 | 14,265 |
| *United States* | 23,940 | 8.1 | 7.0 | 10,716 | 3.5 | 7.3 | 12,378 | 13,224 |
| **South and Central America** | 8,689 | 2.9 | 12.0 | 7,637 | 2.5 | 7.0 | 625 | 1,052 |
| *Mercosur* | 2,785 | 0.9 | 12.2 | 3,989 | 1.3 | 3.3 | -1,379 | -1,203 |
| **Middle East** | 11,791 | 4.0 | 12.0 | 12,125 | 4.0 | 40.9 | 1,925 | -334 |
| **South and Central Asia** | 2,932 | 1.0 | 22.4 | 5,193 | 1.7 | 34.8 | -1,456 | -2,261 |
| **East Asia** | 19,219 | 6.5 | 1.9 | 29,315 | 9.6 | 9.8 | -7,845 | -10,096 |
| *China* | 4,605 | 1.6 | 3.5 | 14,131 | 4.6 | 19.5 | -7,380 | -9,525 |
| *Japan* | 4,541 | 1.5 | 4.8 | 4,976 | 1.6 | -9.9 | -1,187 | -435 |
| *DAEs (1)* | 9,077 | 3.1 | 1.1 | 8,227 | 2.7 | 10.8 | 1,551 | 850 |
| **Oceania** | 3,027 | 1.0 | 0.3 | 1,507 | 0.5 | 7.4 | 1,616 | 1,520 |
| **WORLD** | **295,739** | **100.0** | **4.0** | **305,686** | **100.0** | **7.0** | **-1,221** | **-9,947** |

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

*Source: Based on ISTAT data.*

Table 2.4

## Size of the markets and Italy's shares

| | SIZE OF MARKET (1) | | ITALY'S MARKET SHARE (2) | | | | |
|---|---|---|---|---|---|---|---|
| | 2001 | 2005 | 2001 | 2002 | 2003 | 2004 | 2005 |
| **European Union** | 39.0 | 38.4 | 5.9 | 5.9 | 6.0 | 5.8 | 5.4 |
| *France* | 5.1 | 4.8 | 9.4 | 9.4 | 9.7 | 9.4 | 8.9 |
| *Germany* | 7.8 | 7.5 | 7.3 | 7.1 | 7.1 | 6.8 | 6.3 |
| *Spain* | 2.5 | 2.8 | 9.8 | 9.7 | 10.2 | 10.0 | 9.4 |
| *United Kingdom* | 5.5 | 4.7 | 4.8 | 5.0 | 5.4 | 5.4 | 4.9 |
| **Other European countries** | 4.5 | 5.6 | 8.8 | 8.6 | 8.7 | 8.8 | 8.0 |
| *Russia* | 0.9 | 1.2 | 6.0 | 6.2 | 5.8 | 6.0 | 6.0 |
| *Switzerland* | 1.5 | 1.4 | 9.6 | 9.4 | 10.2 | 11.5 | 10.3 |
| **North Africa** | 0.8 | 0.9 | 11.6 | 11.4 | 12.2 | 11.2 | 10.2 |
| **Other African countries** | 1.3 | 1.5 | 3.7 | 3.7 | 3.5 | 3.1 | 3.1 |
| **North America** | 21.5 | 18.5 | 2.0 | 2.0 | 1.9 | 1.8 | 1.7 |
| *United States* | 17.9 | 15.4 | 2.1 | 2.2 | 2.0 | 1.9 | 1.8 |
| **South and Central America** | 5.7 | 4.7 | 2.5 | 2.5 | 2.4 | 2.3 | 2.1 |
| **Middle East** | 2.6 | 3.1 | 5.4 | 5.3 | 5.2 | 4.9 | 4.6 |
| **South and Central Asia** | 1.2 | 1.7 | 2.3 | 2.1 | 2.1 | 2.2 | 2.1 |
| **East Asia** | 19.2 | 21.3 | 1.4 | 1.3 | 1.3 | 1.2 | 1.0 |
| *China* | 3.6 | 6.3 | 1.3 | 1.4 | 1.2 | 1.1 | 0.9 |
| *Japan* | 5.2 | 4.5 | 1.3 | 1.4 | 1.4 | 1.3 | 1.2 |
| **Oceania** | 1.3 | 1.4 | 2.7 | 2.9 | 2.9 | 2.9 | 2.6 |
| **WORLD** | **100.0** | **100.0** | **3.9** | **3.9** | **4.0** | **3.9** | **3.5** |

(1) World exports to each market as a percentage of total world exports.
(2) Italy's percentage share of world exports to each market.

*Source: Based on IMF-DOTS data.*

Table 2.5

## Italian exports: top 20 countries of destination in 2005

| | | Value (millions of euros) | Percentage change | Percentage share | |
|---|---|---|---|---|---|
| | | 2005 | 2004-05 | 2004 | 2005 |
| 1 | Germany | 38,768 | .. | 13.6 | 13.1 |
| 2 | France | 36,188 | 2.7 | 12.4 | 12.2 |
| 3 | United States | 23,940 | 7.0 | 7.9 | 8.1 |
| 4 | Spain | 21,936 | 5.8 | 7.3 | 7.4 |
| 5 | United Kingdom | 19,032 | -5.6 | 7.1 | 6.4 |
| 6 | Switzerland | 11,626 | -1.2 | 4.1 | 3.9 |
| 7 | Belgium | 7,957 | 11.8 | 2.5 | 2.7 |
| 8 | Austria | 7,207 | 3.1 | 2.5 | 2.4 |
| 9 | Netherlands | 7,099 | 5.9 | 2.4 | 2.4 |
| 10 | Turkey | 6,167 | 8.4 | 2.0 | 2.1 |
| 11 | Russia | 6,064 | 22.2 | 1.7 | 2.1 |
| 12 | Greece | 5,792 | -10.7 | 2.3 | 2.0 |
| 13 | Poland | 5,465 | 6.1 | 1.8 | 1.8 |
| 14 | Romania | 4,673 | 9.0 | 1.5 | 1.6 |
| 15 | China | 4,605 | 3.5 | 1.6 | 1.6 |
| 16 | Japan | 4,541 | 4.8 | 1.5 | 1.5 |
| 17 | Portugal | 3,196 | -6.5 | 1.2 | 1.1 |
| 18 | Sweden | 3,036 | 6.7 | 1.0 | 1.0 |
| 19 | Hong Kong | 3,013 | 2.2 | 1.0 | 1.0 |
| 20 | Czech Republic | 2,838 | 3.5 | 1.0 | 1.0 |
| | Other countries | 72,596 | 7.9 | 23.7 | 24.5 |
| | **WORLD** | **295,739** | **4.0** | **100.0** | **100.0** |

*Source; Based on ISTAT data.*

Table 2.6

## Italian imports: top 20 countries of origin in 2005

| | | Value (millions of euros) | Percentage change | Percentage share | |
|---|---|---|---|---|---|
| | | 2005 | 2004-05 | 2004 | 2005 |
| 1 | Germany | 52,516 | 2.3 | 18.0 | 17.2 |
| 2 | France | 30,309 | -3.1 | 11.0 | 9.9 |
| 3 | Netherlands | 17,265 | 2.4 | 5.9 | 5.6 |
| 4 | China | 14,131 | 19.5 | 4.1 | 4.6 |
| 5 | Belgium | 13,770 | 8.1 | 4.5 | 4.5 |
| 6 | Spain | 12,721 | -4.5 | 4.7 | 4.2 |
| 7 | United Kingdom | 12,141 | -1.2 | 4.3 | 4.0 |
| 8 | Russia | 11,789 | 21.3 | 3.4 | 3.9 |
| 9 | United States | 10,716 | 7.3 | 3.5 | 3.5 |
| 10 | Libya | 9,732 | 53.1 | 2.2 | 3.2 |
| 11 | Switzerland | 9,270 | -0.7 | 3.3 | 3.0 |
| 12 | Austria | 7,357 | -5.7 | 2.7 | 2.4 |
| 13 | Algeria | 6,179 | 28.1 | 1.7 | 2.0 |
| 14 | Japan | 4,976 | -9.9 | 1.9 | 1.6 |
| 15 | Turkey | 4,366 | 10.0 | 1.4 | 1.4 |
| 16 | Saudi Arabia | 4,187 | 42.7 | 1.0 | 1.4 |
| 17 | Poland | 4,160 | 16.7 | 1.2 | 1.4 |
| 18 | Romania | 4,073 | 0.7 | 1.4 | 1.3 |
| 19 | Ireland | 4,053 | -3.2 | 1.5 | 1.3 |
| 20 | South Korea | 3,941 | 23.6 | 1.1 | 1.3 |
| | Other countries | 68,033 | 12.3 | 21.2 | 22.3 |
| | **WORLD** | **305,686** | **7.0** | **100.0** | **100.0** |

*Source: Based on ISTAT data.*

Table 2.7

## Italy’s foreign trade by sector
*(millions of euros)*

| Settori ATECO | EXPORTS | | | IMPORTS | | | BALANCE | |
|---|---|---|---|---|---|---|---|---|
| | 2005 | % share | % change in value on 2004 | 2005 | % share | % change in value on 2004 | 2004 | 2005 |
| PRODUCTS OF AGRICULTURE AND FISHING | 4,063 | 1.4 | 6.8 | 9,140 | 3.0 | -1.4 | -5,468 | -5,078 |
| PRODUCTS OF MINING AND QUARRYING | 995 | 0.3 | 28.2 | 43,609 | 14.3 | 38.0 | -30,835 | -42,614 |
| *Energy products* | *458* | *0.2* | *60.6* | *41,057* | *13.4* | *39.3* | *-29,186* | *-40,599* |
| MANUFACTURES | 285,224 | 96.4 | 4.2 | 244,482 | 80.0 | 3.7 | 37,976 | 40,742 |
| Food products. beverages and tobacco | 16,098 | 5.4 | 2.6 | 20,011 | 6.5 | 2.1 | -3,905 | -3,913 |
| Textiles and clothing | 25,980 | 8.8 | -1.3 | 15,177 | 5.0 | 4.4 | 11,790 | 10,802 |
| *Textiles* | *13,942* | *4.7* | *-5.4* | *6,986* | *2.3* | *0.0* | *7,758* | *6,956* |
| *Clothing* | *12,037* | *4.1* | *3.9* | *8,191* | *2.7* | *8.4* | *4,031* | *3,846* |
| Footwear and leather products | 1,479 | 4.2 | -2.0 | 6,484 | 2.1 | 5.5 | 6,580 | 5,995 |
| *Footwear* | *7,123* | *2.4* | *-2.7* | *3,605* | *1.2* | *6.6* | *3,936* | *3,518* |
| Wood and cork products (excluding furniture) | 1,326 | 0.4 | -4.0 | 3,489 | 1.1 | -0.5 | -2,126 | -2,163 |
| Paper products. printing and publishing | 6,355 | 2.1 | 2.5 | 6,541 | 2.1 | 2.6 | -172 | -186 |
| Refined petroleum products | 9,719 | 3.3 | 54.7 | 5,535 | 1.8 | 16.6 | 1,535 | 4,184 |
| Chemical and pharmaceutical products | 30,122 | 10.2 | 9.8 | 40,786 | 13.3 | 5.5 | -11,221 | -10,664 |
| *Basic chemical products* | *9,889* | *3.3* | *7.3* | *19,153* | *6.3* | *7.1* | *-8,676* | *-9,264* |
| *Pharmaceutical and medical products* | *11,138* | *3.8* | *15.3* | *12,444* | *4.1* | *8.2* | *-1,842* | *-1,306* |
| Rubber and plastic products | 11,021 | 3.7 | 3.0 | 6,265 | 2.0 | 4.0 | 4,676 | 4,756 |
| Glass. ceramics and non-metallic construction materials | 8,783 | 3.0 | -2.9 | 3,124 | 1.0 | 3.0 | 6,008 | 5,659 |
| Basic metals and fabricated metal products | 29,803 | 10.1 | 8.8 | 31,593 | 10.3 | 6.4 | -2,319 | -1,790 |
| *Iron and steel products* | *12,663* | *4.3* | *13.4* | *15,178* | *5.0* | *7.6* | *-2,936* | *-2,515* |
| *Nonferrous metals* | *4,336* | *1.5* | *12.4* | *11,645* | *3.8* | *5.0* | *-7,228* | *-7,308* |
| *Finished metal products* | *12,803* | *4.3* | *3.5* | *4,770* | *1.6* | *5.5* | *7,845* | *8,033* |
| Mechanical machinery and equipment | 59,078 | 20.0 | 2.2 | 21,437 | 7.0 | 1.2 | 36,621 | 37,640 |
| *General industrial machinery* | *26,715* | *9.0* | *2.1* | *11,579* | *3.8* | *-0.5* | *14,528* | *15,136* |
| *Specialized industrial machinery* | *24,832* | *8.4* | *4.0* | *7,738* | *2.5* | *2.4* | *16,317* | *17,094* |
| *Household equipment and appliances* | *6,916* | *2.3* | *-3.1* | *1,901* | *0.6* | *11.1* | *5,423* | *5,014* |
| Electronics. electrical equipment and precision instruments | 27,254 | 9.2 | 5.3 | 37,898 | 12.4 | 1.3 | -11,525 | -10,643 |
| *Electronics and telecommunications* | *9,196* | *3.1* | *0.4* | *21,262* | *7.0* | *-1.6* | *-12,438* | *-12,066* |
| *Electrical equipment and apparatus* | *10,809* | *3.7* | *7.8* | *8,172* | *2.7* | *4.9* | *2,243* | *2,637* |
| *Medical and precision instruments* | *7,249* | *2.5* | *8.5* | *8,464* | *2.8* | *5.7* | *-1,330* | *-1,215* |
| Transport equipment | 32,312 | 10.9 | 1.8 | 41,052 | 13.4 | 1.9 | -8,569 | -8,740 |
| *Motor vehicles and parts* | *23,347* | *7.9* | *2.7* | *34,934* | *11.4* | *2.2* | *-11,445* | *-11,586* |
| *Other transport equipment* | *8,965* | *3.0* | *-0.3* | *6,118* | *2.0* | *0.0* | *2,876* | *2,846* |
| Other manufactures | 14,894 | 5.0 | -2.4 | 5,090 | 1.7 | 9.3 | 10,604 | 9,804 |
| *Furniture* | *8,418* | *2.8* | *-4.4* | *1,442* | *0.5* | *11.7* | *7,517* | *6,976* |
| *Jewelry. gold and silver* | *3,991* | *1.3* | *0.4* | *984* | *0.3* | *9.1* | *3,071* | *3,007* |
| OTHER PRODUCTS | 5,458 | 1.8 | -8.8 | 8,454 | 2.8 | -4.8 | -2,894 | -2,997 |
| **TOTAL** | **295,739** | **100.0** | **4.0** | **305,686** | **100.0** | **7.0** | **-1,221** | **-9,947** |

*Source: Based on ISTAT data.*

Table 2.8

**Voumes and prices of Italian exports and imports by sector**
*(percentage changes between 2004 and 2005 for exports and imports; indices, 2000=100, for relative volumes and prices)*

| | EXPORTS | | IMPORTS | | RELATIVE VOLUMES(a) | | TERMS OF TRADE(b) | |
|---|---|---|---|---|---|---|---|---|
| | volumes | prices | volumes | prices | 2004 | 2005 | 2004 | 2005 |
| PRODUCTS OF AGRICULTURE AND FISHING | -0.9 | 7.8 | -5.7 | 4.5 | 78.9 | 82.8 | 124.4 | 128.3 |
| PRODUCTS OF MINING AND QUARRYING | 6.8 | 20.0 | 2.5 | 34.6 | 114.2 | 119.0 | 121.1 | 107.9 |
| MANUFACTURES | -2.2 | 6.5 | -1.9 | 5.6 | 95.9 | 95.5 | 103.2 | 104.1 |
| Food products. beverages and tobacco | 2.8 | -0.2 | -1.3 | 3.5 | 97.0 | 101.0 | 108.3 | 104.4 |
| Textiles and clothing | -7.1 | 6.2 | 2.9 | 1.5 | 74.9 | 67.6 | 115.5 | 120.9 |
| Footwear and leather products | -8.2 | 6.8 | 2.7 | 2.7 | 71.8 | 64.2 | 118.4 | 123.1 |
| *Footwear* | *-11.0* | *9.4* | *4.2* | *2.3* | *62.7* | *53.6* | *116.4* | *124.5* |
| Wood and cork products (excluding furniture) | -8.4 | 4.9 | -4.2 | 3.8 | 81.0 | 77.4 | 109.2 | 110.3 |
| Paper products, printing and publishing | -0.1 | 2.6 | 1.8 | 0.8 | 104.5 | 102.5 | 113.1 | 115.1 |
| Refined petroleum products | 13.7 | 36.0 | -14.3 | 40.9 | 137.4 | 182.3 | 116.5 | 112.5 |
| Chemical and pharmaceutical products | 1.5 | 8.2 | -2.8 | 8.6 | 105.9 | 110.6 | 92.3 | 92.0 |
| *Basic chemical products* | *-2.7* | *10.3* | *-4.4* | *12.0* | *99.8* | *101.6* | *100.3* | *98.7* |
| *Pharmaceutical and medical products* | *7.2* | *7.6* | *2.0* | *6.0* | *105.8* | *111.1* | *73.6* | *74.7* |
| Rubber and plastic products | -3.7 | 7.0 | -0.6 | 4.6 | 100.4 | 97.2 | 101.5 | 103.8 |
| Glass, ceramics and non-metallic construction materials | -6.9 | 4.3 | -2.4 | 5.6 | 92.6 | 88.4 | 99.2 | 98.0 |
| *Ceramic tiles* | *-6.2* | *3.3* | *-2.9* | *3.1* | *83.3* | *80.5* | *114.3* | *114.5* |
| Basic metals and fabricated metal products | -0.2 | 9.1 | -4.3 | 11.2 | 119.6 | 124.8 | 95.3 | 93.5 |
| *Iron and steel tubes and pipes* | *5.2* | *12.1* | *-11.2* | *20.3* | *112.1* | *132.7* | *93.8* | *87.4* |
| Mechanical machinery and equipment | -3.5 | 5.9 | -4.8 | 6.3 | 107.6 | 109.1 | 101.9 | 101.4 |
| *Agricultural machinery* | *1.3* | *5.7* | *-19.0* | *8.5* | *95.0* | *118.8* | *98.3* | *95.8* |
| *Household equipment and appliances* | *-7.1* | *4.3* | *9.2* | *1.8* | *80.1* | *68.2* | *99.6* | *102.1* |
| Electronics, electrical equipment and precision instruments | 0.2 | 5.2 | -1.6 | 3.0 | 91.6 | 93.2 | 109.6 | 111.9 |
| *Electronic components* | *-2.9* | *13.5* | *-4.4* | *3.4* | *104.3* | *105.9* | *103.4* | *113.5* |
| *Lamps and lighting equipment* | *-7.6* | *8.5* | *8.4* | *2.0* | *72.1* | *61.5* | *118.4* | *126.1* |
| Transport equipment | -1.7 | 3.6 | 0.3 | 1.6 | 92.1 | 90.3 | 98.6 | 100.6 |
| *Motor vehicles* | *-2.1* | *0.2* | *0.4* | *1.1* | *79.9* | *77.9* | *100.6* | *99.7* |
| Other manufactures | -8.3 | 6.5 | 5.1 | 4.0 | 81.2 | 70.9 | 98.5 | 100.8 |
| *Furniture* | *-9.8* | *6.0* | *13.6* | *-1.7* | *81.0* | *64.3* | *93.7* | *101.0* |
| **TOTAL** | **-2.5** | **6.6** | **-1.7** | **8.9** | **95.7** | **95.0** | **103.3** | **101.1** |

(a) Export volume index as a percentage of import volume index.
(b) Export average unit volume index as a percentage of import average unit volume index.

*Source: Based on ISTAT data.*

Table 2.9

## Size of sectors (1) and Italy's world market shares

| | SIZE OF SECTOR (2) | | ITALY'S MARKET SHARE | | | | |
|---|---|---|---|---|---|---|---|
| | 2001 | 2005 | 2001 | 2002 | 2003 | 2004 | 2005 |
| PRODUCTS OF AGRICULTURE AND FISHING | 2.6 | 2.3 | 2.3 | 2.3 | 2.3 | 2.1 | 2.1 |
| PRODUCTS OF MINING AND QUARRYING | 8.1 | 10.8 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| MANUFACTURES | 84.8 | 81.9 | 4.5 | 4.5 | 4.5 | 4.4 | 4.2 |
| Food products and beverages | 5.1 | 4.7 | 4.0 | 4.3 | 4.3 | 4.4 | 4.2 |
| Textiles and clothing | 5.9 | 4.8 | 7.1 | 7.0 | 7.1 | 7.0 | 6.6 |
| *Textiles, knitwear* | *2.9* | *2.3* | *8.5* | *8.1* | *8.2* | *8.0* | *7.4* |
| *Clothing* | *3.0* | *2.5* | *5.8* | *6.0* | *6.0* | *6.0* | *5.9* |
| Footwear and leather products | 1.4 | 1.1 | 15.1 | 14.6 | 14.6 | 14.5 | 13.4 |
| *Footwear* | *0.8* | *0.7* | *15.1* | *14.6* | *14.4* | *14.3* | *12.9* |
| Wood and cork products (excluding furniture) | 1.0 | 1.0 | 2.3 | 2.2 | 2.1 | 2.0 | 1.9 |
| Paper products, printing and publishing | 2.5 | 2.1 | 3.6 | 3.7 | 3.7 | 3.8 | 3.8 |
| Refined petroleum products | 2.7 | 3.8 | 2.7 | 2.6 | 3.0 | 2.8 | 3.2 |
| Chemical products and pharmaceutical | 9.3 | 10.2 | 3.8 | 3.7 | 3.6 | 3.4 | 3.4 |
| *Basic chemical products* | *4.3* | *4.9* | *2.6* | *2.5* | *2.4* | *2.3* | *2.2* |
| *Pharmaceutical and medical products* | *2.4* | *2.8* | *5.4* | *5.2* | *4.9* | *4.5* | *4.8* |
| Rubber and plastic products | 2.2 | 2.2 | 6.3 | 6.2 | 6.3 | 6.3 | 6.0 |
| Glass, Ceramics and non-metallic construction products | 1.2 | 1.1 | 11.7 | 11.6 | 11.3 | 11.0 | 10.1 |
| Basic metals and fabricated metal products | 6.8 | 7.8 | 4.7 | 4.7 | 4.7 | 4.8 | 4.7 |
| *Iron and steel products* | *4.8* | *5.8* | *3.4* | *3.4* | *3.3* | *3.6* | *3.6* |
| *Basic metals* | *2.0* | *2.0* | *7.7* | *7.5* | *7.9* | *8.2* | *7.7* |
| Machinery, mechical equipment and household appliances | 8.1 | 7.9 | 9.6 | 9.6 | 9.9 | 9.7 | 9.1 |
| *General industrial machinery* | *3.8* | *3.7* | *8.8* | *8.9* | *9.3* | *9.3* | *8.8* |
| *Specialized industrial machinery* | *3.5* | *3.4* | *9.7* | *9.7* | *9.7* | *9.3* | *9.0* |
| *Household equipment and appliances* | *0.7* | *0.7* | *14.1* | *13.9* | *13.8* | *13.4* | *12.1* |
| Electronics, electrical equipment and precision instruments | 22.1 | 20.2 | 1.8 | 1.7 | 1.7 | 1.7 | 1.7 |
| *Electronics and telecommunications* | *14.7* | *13.2* | *1.2* | *1.0* | *1.0* | *0.9* | *0.9* |
| *Electrical equipment and apparatus* | *4.0* | *3.7* | *3.4* | *3.4* | *3.5* | *3.6* | *3.5* |
| *Medical and precision instruments* | *3.3* | *3.3* | *2.7* | *2.8* | *2.8* | *2.7* | *2.7* |
| Transport equipment | 13.5 | 12.3 | 3.2 | 3.3 | 3.3 | 3.4 | 3.2 |
| *Motor vehicles and parts* | *9.4* | *9.2* | *3.2* | *3.0* | *3.2* | *3.2* | *3.1* |
| *Other transport equipment* | *4.1* | *3.1* | *3.1* | *4.0* | *3.4* | *3.8* | *3.5* |
| Other manufactures | 3.0 | 2.7 | 8.5 | 8.0 | 7.8 | 7.5 | 6.7 |
| *Furniture* | *1.0* | *0.9* | *14.2* | *13.7* | *13.1* | *12.5* | *11.5* |
| *Jewelry. gold and silver* | *0.9* | *0.9* | *8.8* | *7.7* | *6.9* | *6.3* | *5.5* |
| OTHER PRODUCTS | 4.4 | 4.9 | 1.5 | 1.7 | 2.7 | 2.8 | 1.9 |
| **TOTAL** | **100.0** | **100.0** | **4.0** | **4.0** | **4.0** | **3.9** | **3.6** |

(1) In the absence of updated official data, world trade is approximated by summing the exports of 34 countries (the EU-15 plus Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Hong Kong, Japan, Malaysia, New Zealand, Norway, the Philippines, South Africa, South Korea, Switzerland, Taiwan and the United States) with their imports from the rest of the world after multiplying the latter by 1.275, a factor found suitable to compensate for the non-inclusion of trade between non-reporting countries. The disparties with the figures published by the UN (Comtrade) for available years differ from product to product but are minor in any case.
(2) Sector's world exports as a percentage of total world exports.

*Sources: Based on data published by Eurostat and national statistical institutes.*

Table 2.10

**Merchandise exports of the Italian regions**[1]

*(values in millions of euros, percentage changes on 2004 and percentage shares)*

| | Value | % change | Shares | | | | |
|---|---|---|---|---|---|---|---|
| | 2005 | 2005-2004 | 2001 | 2002 | 2003 | 2004 | 2005 |
| **North-West** | 120,881 | 5.5 | 41.7 | 40.8 | 41.8 | 41.1 | 41.6 |
| *Piedmont* | 31,764 | 1.6 | 11.3 | 11.1 | 11.4 | 11.2 | 10.9 |
| *Valle d'Aosta* | 494 | 4.0 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 |
| *Lombardy* | 84,409 | 6.6 | 28.8 | 28.2 | 28.8 | 28.4 | 29.0 |
| *Liguria* | 4,214 | 16.0 | 1.5 | 1.4 | 1.4 | 1.3 | 1.4 |
| **North-East** | 91,586 | 2.3 | 31.1 | 31.8 | 31.5 | 32.0 | 31.5 |
| *Trentino-Alto Adige* | 5,198 | 4.4 | 1.6 | 1.7 | 1.8 | 1.8 | 1.8 |
| *Veneto* | 39,621 | -1.5 | 14.5 | 14.8 | 14.5 | 14.3 | 13.6 |
| *Friuli-Venezia Giulia* | 9,639 | -2.5 | 3.4 | 3.4 | 3.2 | 3.6 | 3.3 |
| *Emilia-Romagna* | 37,128 | 7.7 | 11.5 | 11.9 | 12.1 | 12.4 | 12.8 |
| **Center** | 44,580 | -0.0 | 16.3 | 16.6 | 16.0 | 16.0 | 15.3 |
| *Tuscany* | 21,570 | -1.2 | 8.3 | 8.1 | 7.8 | 7.8 | 7.4 |
| *Umbria* | 2,782 | 5.1 | 0.9 | 0.9 | 0.9 | 0.9 | 1.0 |
| *Marche* | 9,370 | 4.6 | 3.1 | 3.2 | 3.3 | 3.2 | 3.2 |
| *Lazio* | 10,858 | -2.7 | 4.1 | 4.4 | 4.0 | 4.0 | 3.7 |
| **South and Islands** | 33,668 | 11.2 | 10.9 | 10.7 | 10.6 | 10.9 | 11.6 |
| **South** | 22,589 | 3.2 | 8.1 | 8.1 | 7.7 | 7.9 | 7.8 |
| *Abruzzo* | 6,299 | 3.9 | 2.0 | 2.1 | 2.1 | 2.2 | 2.2 |
| *Molise* | 605 | 13.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| *Campania* | 7,533 | 3.9 | 3.1 | 3.0 | 2.6 | 2.6 | 2.6 |
| *Puglia* | 6,739 | 5.0 | 2.3 | 2.2 | 2.2 | 2.3 | 2.3 |
| *Basilicata* | 1,100 | -13.1 | 0.4 | 0.6 | 0.6 | 0.5 | 0.4 |
| *Calabria* | 314 | -10.4 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| **Islands** | 11,079 | 32.2 | 2.8 | 2.6 | 2.9 | 3.0 | 3.8 |
| *Sicily* | 7,277 | 31.2 | 2.0 | 1.9 | 1.9 | 2.0 | 2.5 |
| *Sardinia* | 3,802 | 34.1 | 0.8 | 0.8 | 0.9 | 1.0 | 1.3 |
| **Total regions** | **290,715** | **4.2** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |

(1) Starting in 2004 the data on the regions' trade with the European Union only includes the figures that are recorded monthly. Regional exports therefore do not include the minor intra-Community flows that are recorded quarterly and annually under the item "Sundry and unspecified provinces". In contrast with the procedure used in the Statistical Yearbook that accompanies this Report, the shares are calculated on the sum of the regions net of "Sundry and unspecified provinces".

*Source: Based on ISTAT data.*

Table 2.11

**Industrial districts' shares of Italian exports**[1] **and Italy's shares of world exports**

| | **1995** | **1996** | **1997** | **1998** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | INDUSTRIAL DISTRICTS' SHARES OF ITALIAN EXPORTS | | | | | | | | | | |
| Food products and beverages | 20.8 | 20.7 | 20.5 | 21.3 | 21.6 | 20.8 | 21.4 | 22.4 | 22.4 | 22.8 | 22.0 |
| Personal and recreational goods | 48.1 | 49.7 | 51.2 | 51.4 | 51.9 | 52.6 | 51.6 | 50.2 | 48.6 | 48.2 | 47.6 |
| Households goods, furnishings | 37.3 | 37.9 | 37.5 | 37.7 | 37.5 | 38.1 | 38.6 | 38.0 | 37.9 | 38.0 | 38.6 |
| Specialized industrial machinery | 26.8 | 27.2 | 28.0 | 27.8 | 27.8 | 27.7 | 28.2 | 27.5 | 27.5 | 28.0 | 27.8 |
| Total typical Italian export goods | 36.4 | 37.0 | 37.7 | 37.6 | 37.6 | 38.1 | 38.1 | 37.1 | 36.2 | 36.0 | 35.6 |
| **Total manufactures** | **29.7** | **30.4** | **31.0** | **30.9** | **30.6** | **30.0** | **30.4** | **29.9** | **29.7** | **29.7** | **29.0** |
| | ITALY'S SHARES OF WORLD EXPORTS | | | | | | | | | | |
| Food products and beverages | 4.3 | 4.6 | 4.4 | 4.7 | 4.7 | 4.4 | 4.5 | 4.9 | 4.9 | 5.0 | 4.8 |
| Personal and recreational goods | 9.8 | 10.4 | 9.3 | 9.9 | 9.3 | 9.1 | 9.4 | 9.0 | 9.0 | 8.9 | 8.5 |
| Household goods, furnishings | 12.9 | 13.6 | 12.8 | 12.8 | 11.8 | 11.0 | 11.0 | 10.8 | 10.6 | 10.2 | 9.3 |
| Specialized industrial machinery | 8.3 | 9.1 | 8.5 | 8.4 | 8.1 | 7.3 | 7.6 | 7.6 | 7.9 | 7.8 | 7.4 |
| Total typical Italian export goods | 8.7 | 9.3 | 8.6 | 8.9 | 8.5 | 8.0 | 8.2 | 8.1 | 8.1 | 8.0 | 7.6 |
| **Total manufactures** | **5.2** | **5.6** | **5.1** | **5.2** | **4.8** | **4.4** | **4.6** | **4.6** | **4.6** | **4.6** | **4.3** |

(1) The districts' exports are approximated using those of the provinces in which districts account for at least 75 per cent of employment.

*Sources: Based on data published by national statistical institutes.*

Table 2.12

## Internationalization of Italian firms

*(exports in millions of euros)*

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2004 (1) | 2005 (1) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| No. of exporting firms | 182,854 | 180,352 | 182,684 | 183,250 | 188,750 | 190,982 | 195,905 | 196,914 | 198,121 | 186,706 | 195,546 % |
| *change* | *0.9* | *-1.4* | *1.3* | *0.3* | *3.0* | *1.2* | *2.6* | *0.5* | *0.6* | - | *4.7* |
| Value of exports | 197,045 | 206,760 | 215,378 | 216,793 | 254,079 | 266,434 | 266,561 | 261,898 | 281,348 | 277,383 | 292,011 |
| *% change* | *1.4* | *4.9* | *4.2* | *0.7* | *17.2* | *4.9* | *0.0* | *-1.7* | *7.4* | - | *5.3* |
| No. of foreign affiliates | - | - | - | - | 15,235 | 15,970 | 16,302 | 16,662 | 16,832 | - | - |
| *% change* | - | - | - | - | - | *4.8* | *2.1* | *2.2* | *1.0* | - | - |
| No. of workers abroad | - | - | - | - | 1,034,859 | 1,065,716 | 1,077,759 | 1,091,094 | 1,084,417 | | - |
| *% change* | - | - | - | - | - | *3.0* | *1.1* | *1.2* | *-0.6* | - | - |

(1) Provisional data.

*Sources: Based on data published by ISTAT and ICE -Reprint, Politecnico di Milano.*

Table 2.13

## Exports by firm size class and sector of activity

*(percentages for size class; millions of euros for sectoral total)*

| | 2000 | | | | 2004 | | | |
|---|---|---|---|---|---|---|---|---|
| | Under 50 workers | 50-249 workers | 250+ workers | Total | Under 50 workers | 50-249 workers | 250+ workers | Total |
| **Manufacturing** | 24.2 | 29.4 | 46.4 | 212,356 | 22.1 | 30.1 | 47.9 | 237,277 |
| Food products, beverages | 33.6 | 34.5 | 31.9 | 10,885 | 28.9 | 34.6 | 36.5 | 12,916 |
| Textiles, knitwear | 39.2 | 32.9 | 27.9 | 13,449 | 36.2 | 33.9 | 29.9 | 12,174 |
| Clothing | 32.7 | 30.1 | 37.2 | 8,858 | 30.0 | 30.7 | 39.2 | 9,438 |
| Footwear and leather products | 46.9 | 37.1 | 16.0 | 11,083 | 40.8 | 36.5 | 22.7 | 11,424 |
| Wood and wood products (excluding furniture) | 48.2 | 44.9 | 7.0 | 1,732 | 42.4 | 38.0 | 19.5 | 1,710 |
| Paper and paper products, printing and publishing | 19.5 | 29.2 | 51.4 | 5,312 | 17.3 | 31.4 | 51.3 | 5,882 |
| Refined energy products | 1.1 | 2.0 | 97.0 | 4,678 | 0.7 | 3.4 | 95.9 | 4,206 |
| Chemical products and man-made fibers | 18.2 | 26.4 | 55.4 | 21,035 | 19.2 | 26.8 | 54.0 | 23,774 |
| Rubber and plastic products | 22.2 | 41.5 | 36.3 | 10,017 | 20.6 | 43.2 | 36.2 | 11,477 |
| Glass, ceramics, non-metallic construction materials | 26.8 | 31.0 | 42.2 | 7,464 | 23.6 | 29.6 | 46.9 | 7,681 |
| Basic metals, fabricated metal products | 21.6 | 37.8 | 40.6 | 21,339 | 20.1 | 38.8 | 41.2 | 28,100 |
| Mechanical machinery, household appliances | 21.1 | 32.3 | 46.6 | 41,307 | 19.9 | 32.4 | 47.7 | 47,745 |
| ICT products, electrical goods, precision instruments | 15.7 | 21.4 | 62.9 | 21,558 | 17.5 | 25.9 | 56.6 | 20,928 |
| Motor vehicles | 8.1 | 10.8 | 81.1 | 14,382 | 8.2 | 8.9 | 82.8 | 19,780 |
| Other transport equipment | 9.8 | 10.1 | 80.1 | 6,441 | 10.1 | 12.1 | 77.8 | 7,476 |
| Furniture | 40.9 | 36.9 | 22.2 | 7,125 | 34.2 | 39.4 | 26.4 | 7,537 |
| Other manufactures | 51.7 | 37.6 | 10.7 | 5,693 | 49.0 | 39.4 | 11.6 | 5,028 |
| **Wholesale trade** | 78.7 | 12.3 | 9.0 | 27,249 | 75.9 | 13.0 | 11.1 | 32,940 |
| **Other sectors** | 54.5 | 18.2 | 27.4 | 11,034 | 35.3 | 13.9 | 50.9 | 8,408 |
| **TOTAL** | **31.4** | **27.0** | **41.5** | **250,639** | **28.8** | **27.5** | **43.6** | **278,625** |

*Source: Based on ISTAT data.*

Table 2.14

metrotipo spa

Finito di stampare nel mese di settembre 2006