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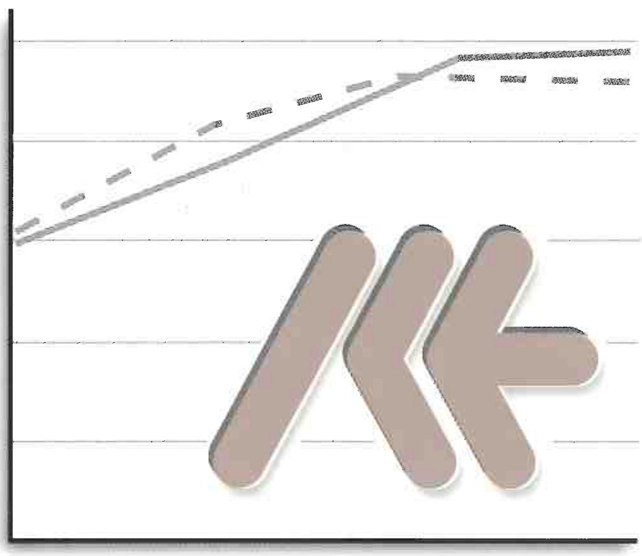

Italy and the World Market

Summary of the ICE Report 1998-99

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GENERAL OVERVIEW

The Crisis of the Emerging Areas and the Slowdown of International Trade

The tensions which had until a few months ago been jolting the *international economic scenario*, have vanished. Eastern Asia, the epicenter of the financial shockwaves, is perhaps already on the road to the recovery of stability and growth, while other crisis hotbeds throughout the world, appear to be under control. The rapid succession of very intense upheavals which have been battering the world economy during the last two years, in addition to generating a considerable outflow of capital from emerging areas, has sharpened operators' aversion to risks. The international financial system, strengthened both by a greater prudence of its players as well as by the commitment of the main institutions, has thus developed a greater capacity to withstand shocks. This would explain why the recent Brazilian crisis, unlike the one which preceded it, has not transmitted strong destabilizing impulses outside Latin America.

The greater tranquility which has spread throughout the financial markets has however only partially dissipated the uncertainty hovering over the future of productive activity. The world economy, albeit with great regional differences, is entering a noticeable period of slowing-down, which is also having repercussions on the dynamics of international trade. Asia and Europe's economic conditions have been showing apparent signs of improvement, while the North American economy's phase of prosperity has continued unabated. According to the most recent estimates available (from OECD sources), the growth rate of world production in 1999 should not rise much over that of last year's, hovering at 2.4%, while the growth of trade flows shall undergo a further slowing down, slipping from 4.5% to 3.9 %. An acceleration should start up in the second half of the year, and become fully apparent in the year 2000, nonetheless this would not bring the speed of growth of the world economy up to a rate comparable to that of the years preceding the crisis.

The *risks* that make this forecast of, even somewhat moderate, recovery uncertain, still persist although they are less threatening than a few months ago. The main risk concerns the United States' ability to maintain its economic expansion following seven years of vigorous growth. The unusual characteristics of this growth phase, which has not until now been blighted by particular problems of price stability, have continued to surprise observers. Nonetheless, there is a lingering fear that the macroeconomic disequilibria built up over these years (the large current accounts deficit, the drastic lowering of the propensity to save) might force productive activity into a sudden slowdown, and eventually trigger a plunge in stock market prices, which many observers feel are excessively high.

Even allowing that, confounding the most pessimistic expectations, the inevitable slowdown of growth in the United Sates manifests itself gradually, the possibility that this would not hinder the recovery of world growth is strictly conditioned by the timing and the intensity of the improvement of the predicted economic situation in Japan and in Europe, about which some doubts persist.

In the emerging economies on the other hand, the return to the development rates similar those existing before the crisis seems just as unlikely, until conditions develop which will make the renewal of capital accumulation sustainable. Concerning this matter, neither the increase in foreign debt recorded in almost all the emerging areas, nor the excessive productive capacity which presumably persist in some sectors should be underestimated. The short-term probability that other traumatic crises, such as those of the last two years, will flare up, now appears smaller, but it has not been eliminated. There are, for example, questions about China and Argentina's ability to maintain their exchange rates stable. Should the slowdown of the United States economy furthermore prove to be stronger than foreseen, the consequences for all of Latin America, already sorely tried by the contagion of the Brazilian crisis and the fall of raw material prices, would be quite serious.

The importance of trade links in the international transmission mechanism of the crisis appeared quite strongly in the newspaper accounts of the *events of 1998*. These were characterized, as already pointed out, by a marked slowdown of *international trade*.

The financial disturbances, which first struck the *Far East*, then *Russia* and finally, in January of this year, *Brazil*, have been translated into a clear plunge in the internal demand and hence of imports, often triggered by the need to correct the unsustainable disequilibria in the balance of payments, which were accumulated during years of more rapid growth. In the countries in crisis, the downturn in imports has been further accentuated by the increased competitiveness of national products, spawned by the depreciation of local currencies, which also have favored their exports. Nevertheless, the intensity of these substitution effects has until now appeared somewhat limited. This also stems from financing problems which initially dampened productive activity in the countries in crisis. In some cases the loss inflicted by the devaluations in terms of relative prices has not as yet been offset by the growth of quantity differential. The fall of export prices has also been favored by the excessive productive capacity which emerged not only for raw materials, but also for some manufacturing sectors.

The slump in demand coming from emerging countries struck by the crisis has spread to the rest of the world with an intensity which is proportional to the importance of their trade relationships. The case of *Japan* is particularly significant: its growth; already undermined by endogenous structural problems and by its inability to relaunch internal demand, Japan has been further weakened by the performance of its exports. The real depreciation of the Yen has not succeeded in halting this fall, inasmuch as its exports have been strongly affected by the problems of the neighboring countries, which absorb a very large share of Japans exports. Moreover, these countries' problems have been exacerbated by the high degree of regional integration, which has amplified the repercussions of the Japanese recession.

International raw material markets proved to be another channel contributing to the spread of the crisis. The slowdown of world demand triggered a steep drop in their prices, which has put those areas which are primarily dependent on sales of raw materials, such as Russia, Latin America, the Middle East and African in serious difficulty. Consequently, these economies' import capacity shrank, dampening the dynamics of world trade. The fall in petroleum, prices was particularly steep in 1998, but, owing to the effects of an agreement among the main producing countries aimed at limiting supply growth, this tendency was inverted in the first months of the year. The prices of non-energy related raw materials have continued to plunge and have already reached, in relation to those of manufactured goods, one of the lowest levels of the post-WWII period. The counterpart of this downturn is an improvement in the importing countries' terms of trade which has boosted their income and contributed to keeping inflation under control.

While the dynamics of world trade has on one hand been slowed down by the crisis of the emerging economies and the problems of raw material producer countries, it has, on the other, been buoyed up by the economic performance and integration processes underway in other areas.

The most significant positive contribution has once again come from *North America*, where United States' imports, boosted by the favorable cycle and the dollar's appreciation, rose by 11% in real terms. The average yearly growth rate of American imports has remained at this high level since 1992. Until 1997, exports also grew rapidly (12% on a yearly average in the 1994-97 period) despite the dollar's strong appreciation; however they underwent a noticeable slowdown last year. In contrast, Canada and especially Mexico, unlike the rest of Latin America, chalked up constant increases in trade flow, which are at least partially linked to the progress achieved in the North American Free Trade Agreement area (NAFTA). This trend is also likely to continue in 1999.

A similar evolution is underway in the *European Continent*. The European Union too, has contributed to bolstering world trade, albeit given its different economic environment, to a lesser extent than that of the United States. The European Union's imports of goods and services grew in 1998 at a rate (8%) which was twice that of internal demand, while exports (5%) have not experienced the effects of the slowdown of external demand to the same extent as the United States did. The ongoing regional integration processes have also boosted the expansion of international trade in Europe. This is especially true for some countries of Central-Eastern Europe (Poland, the Czech Republic, Hungary) where growth in trade flows are much stronger than that of GDP, reflecting the progress made in their transition to the market system and their increasingly closer ties to the European Union. These processes also seem destined to develop still further and spread outward, and involve the entire Mediterranean basin. The gradual integration of the Balkan area into the Union is moreover one of the essential stages for rebuilding the material and social conditions for civil coexistence in those countries which have been devastated by war.

Among those countries which have supported the expansion of international trade, some Asian ones, such as *China and India* should be mentioned. These countries while not being free of structural problems similar to those of their neighbors in crisis, are however less exposed to the volatility of international capital with short-term maturity. It is perhaps also for this reason that they have managed to sustain high production and import growth rates.

The overall outcome of the just described phenomena is a noteworthy new development which has accompanied the slowdown of world trade in 1998, and which could also continue to characterize it this year: *for the first time after more than a decade, the growth of international trade is once again concentrated in the industrialized countries*, interrupting a long phase of greater dynamism of the emerging economies.

For some time now, the development of trade flows has been intertwined with an even brisker expansion of international investments, in a relationship, which while not excluding cases of substitution of the one for the other, has above all else appeared to be one of reciprocal stimulus. Detailed data of the phenomenon are only available until 1997 and these point to its acceleration, following the pause of the previous year. The estimates available concerning the year 1998, show that foreign direct investments (FDIs) in the emerging economies have remained fairly high even during the crisis, as the negative effects of the latter on the prospects of capital gains, have been offset by the opportunity of advantageous deals created by the devaluations of the local currencies and that the fall of share prices. Foreign direct investments in the emerging economies might decline in 1999 (especially in China and Brazil), however portfolio investments, which plummeted during the crisis, should begin to recover.

1998 also marked the year of celebrations of the fiftieth anniversary of the General Agreement on Tariffs and Trade (GATT): *the system of rules on the international trade*, which are today administered by the World Trade Organization (WTO), seems to have stood up well to the pitfalls of the economic crisis of the emerging areas:

a) apart from a possible intensification of the *antidumping* actions by industrial countries, in particular in the steel sector, there have been no apparent signs of a return to protectionist practices;
b) the WTO's settlement mechanism which has increasingly gained a greater credibility, even among the developing countries in the last few years, has been sorely tested by the tensions between the European Union and the United States concerning banana and hormone-treated meat imports. The WTO has nevertheless managed to carry out its function of halting unilateral initiatives; nonetheless recent disputes have highlighted the need to better define some procedural questions;
c) the trade liberalization process agreed upon in the *Uruguay Round* is advancing according to the planned timetable and in certain sectors such as information technologies it is going beyond the commitments already assumed;
d) it is particularly significant that an agreement concerning exchanges of financial services also involving countries struck by the crisis was reached during the disturbances of the international markets,

Preparations for a new cycle of international negotiations are underway and will likely be called the *Millennium Round.* In addition to points of discussion in some sectors, such as agriculture and services which were already on the agenda, the negotiations might extend to new issues, such as investments and competitiveness policies, whose interconnection with commercial polices is becoming increasingly evident.

The multilateral trade liberalization process has continued to be intermeshed with various forms *of regional integration* – or sometimes intercontinental ones, such as the *Asia-Pacific Economic Cooperation Forum* (APEC) and the trans-Atlantic economic *partnership* – whose compatibility with the WTO system is still now an object of controversy, given its intrinsically discriminatory characters of any preferential agreement. However, a new viewpoint on that matter is emerging which points to a possible complementarity between regionalism and multilateralism.

An analysis of the geographical distribution of world trade over a long period (1950-98) has revealed that:

a) the relative intensity of intra-regional trade has progressively risen (especially in the 1960's and throughout the 1980-96 period);
b) the presence of formal regional integration agreements has played a determining role in the process of increasing "commercial introversion";
c) in the last two years this process of "regionalization" of foreign trade seems to have drawn to a halt: the additional increase in the intensity of interregional trade recorded in Asia and in Africa has been compensated by the lesser introversion of the European and American areas.

In particular, in the *European Union*, as was already explained in the previous editions of this *Report*, it seems that the completion of the common market has not until now given rise to a significative intensification of interregional trade. On the other hand, integration with the countries of Central and Eastern Europe is being greatly strengthened, in preparation of a new enlargement of the Union. This might however involve important adjustment problems, not least because it could widen the development gap between those countries which are admitted in the first cycle of negotiations and those which are not.

In 1998, the trade balance of the European Union with the rest of the world worsened, because, as was already emphasized, the recovery of internal demand sparked a growth of imports greater than that of exports, restrained by the slowdown of international trade. Nonetheless, despite the greater competitiveness of Asian products, the business firms of the European Union managed to enlarge their market share of world exports. The weakening of the Euro, which began slightly after its introduction on January 1, 1999, could foster further market share gains.

Italy's Performance

In light of the tense and uncertain scenario which the international economy provided in 1998 and in the first months of 1999, the results registered by Italy do not appear altogether satisfying, notwithstanding her successfully having achieved the goal participating in the launch of the Euro in its first phase. Production growth has remained sluggish (1.3%), decidedly less than the European average (2.8%) and utterly inadequate to give a boost to the still budding recovery of employment rates.

The reason for the slowdown of the Italian economy lies not so much in the insufficiency of domestic demand which indeed in 1998 slightly accelerated its growth, as in the negative contribution imparted by the external trade sector. More specifically, export performance proved to be rather weaker than expected, and indeed weaker than estimates formulated a few days before the release of the final data. In the data on the first months of 1999, the negative tendency still appears in full swing, although an inversion is foreseen in the second semester.

The factors which determined Italy's foreign trade performance of have been examined in great detail in this *Report.* Here, we intend to reexamine some of them, trying to explain the significant slowdown of exports.

Firstly, it should be pointed out that the positive balance recorded by Italy in the *current accounts of the balance of payments* in 1998, even after shrinking by roughly 22,000 billion Lira, is still of considerable dimensions (39,000 billion Lira, equal to 2% of the GDP). In 1997, following five consecutive years of current accounts surplus, Italy wiped out its foreign debt. Last year's additional surplus year accordingly seemed to have transformed Italy into a creditor as regards the rest of the world. However, according to the statistics, *the net position for foreign trade* still appears to be negative and indeed worse, compared to 1997. This discrepancy can most likely be ascribed to the missed recordings of investments abroad of a part of the proceeds of exports, which end up by being englobed in the "errors and omissions"item.

Trade in goods and services was not alone in contributing to the deterioration of the current account. The role of other key items played an important part: the income deficit of manufactured goods was amplified by the effect of the differential of returns between assets and liabilities, interrupting a positive tendency which had lasted since 1993; this furthermore worsened the balance of unilateral transfers and in particular the accounts with the European Union. In the area of unilateral transfers a historical novelty should be pointed out: for the first time remittances of foreign immigrants exceeded those from Italian emigrants, confirming the new role of our county as a hub of attraction for international movements of people.

The reduction of the trade balance arose exclusively from the unfavorable performance of *trade flows in quantity*, which was only partially offset by the improved terms of trade (4%), mainly stemming from the drop in the international prices of raw materials.

The volume of exports of goods and services only increased by 1.2%, rather less than that of imports (6.1%). The cyclic dephasing of the Italian economy with the rest of the world, which is generally the main determining factor of the different dynamics of trade flows, does not, in this case, provide an adequate explanation. While it is true that the world production was negatively affected by the crisis of the emerging economies, its growth has nonetheless remained higher than that of the Italian economy.

Although the significant downturn recorded in services (-2%) affected *exports'* aggregate result, the increase in merchandise exports volumes (1.6%) decisively underperformed the dynamics of the world trade, which the last estimates of the OECD set at 4.5%[1]. A contraction of the share of the world market

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[1] It should however remembered that the growth rate of italian exports is probably understimated, because it is based on a comparison between 1998 which are still provisory and incomplete, and 1997 values which are now definitive.

held by Italian products has thus occurred. This phenomenon is confirmed by a comparison with the other major industrial countries, whose exports of goods and services grew at rates which are decidedly greater that those of Italy (only Japan which is obviously more exposed to the effects of the Asian crisis proved an exception).

In reality, during the first half of 1998 Italian exports also increased at tendentially sustained rhythms (6%) and this perhaps explains why the forecast centers were surprised by the final data of the whole year. However, starting from the summer, the slump was becoming more intense and evident and the little data available for 1999 shows signs which are even more uncertain (in the first trimester exports of goods and services increased by 1.3% compared to the last trimester of last year, but diminished by 3% in tendential terms). Unfortunately, it should be pointed out that this is not a new development: Italian exports have been growing at rates which are slower than those of world trade since 1996.

The reasons for this decline of market share are not easy to single out. Part of this certainly arose from the delayed effects of Italian products' loss of price competitiveness, due to the Lira's strong appreciation 1996, which nevertheless was only partially correcting its previous weakness. The subsequent stabilization of the nominal exchange rate was accompanied by the continuation of an, although slight, unfavorable inflationary differential, while the devaluation of the currencies of the countries in crisis aggravated the competitiveness constraints of Italian firms.

Nonetheless it should be remembered that the substitution effects generated by the exchange rate variations showed themselves to fall short of expectations, as is demonstrated, for example, by the rapid expansion of Unites States' exports throughout the 1996-97 period, despite the strengthening of the dollar; similarly, in 1998 the depreciation of the Asian currencies did not hamper France and Germany from significantly expanding their own world market shares. Therefore the assumption that the poor performance of Italian exports may be traced back to their particular sensitivity to the effects of the crisis of emerging economies should be explored. The issue has at least three aspects:

a) *the relative importance of the areas in crisis as export outlet markets;* the appropriate term of comparison on this matter is other European countries' geographic distribution of exports: Italy in 1997, appeared to be more exposed to the sales performance in the markets in crisis than either France or the United Kingdom, but less so than Germany. The differences were however not very striking ones;
b) *the demand dynamics in the sectors of Italy's specialization;* the available data do not yet allow precise evaluations, nonetheless it can be hypothesized that the crisis of the emerging areas has especially struck the imports of luxury consumer goods and investment goods, in which Italy is specialized; on the other hand, in the main industrialized countries, in the sectors in which Italy has a comparative advantage, Italian exports in the 1996-98 period, realized a dynamics of demand which exceeded the manufacturing average;
c) *the elasticity of exports to the prices in the sectors of specialization;* it is often affirmed that Italian exports are more vulnerable to the competition of the newly industrialized countries, because they are concentrated in sectors with the greatest elasticity of demand to prices; this is a thesis which is however quite controversial: beside some market segment of decreasing importance, the degree of substitutability of Italian products with those coming from emerging countries, from which the elasticity of their demand to prices depends, does not appear very high, given the great importance of the qualitative differentiation of the products.

Although each one of these three factors may have contributed in some way to the decline of the Italian share, none of these appears to be decisive.

The question becomes even more complex, if we consider that in 1998, at current prices, Italian exports rose more than world trade – and more than those of other industrialized countries – recapturing part of the share lost in previous years. This is firstly explained by the fall of raw material prices, which reduced their weight in the value of world exports, indirectly boosting the shares of all those countries, such as Italy, specialized in the exports of manufactured goods. Nonetheless, at current prices, Italian products also scored a, although slight, recovery of their share in manufactured goods trade, at least with reference to the imports of the main industrialized countries; in other words, in such a market, the unfavorable difference in the tendency of the quantities sold has been more than compensated by a growth of the unit values greater than those of competitors.

The last such circumstance probably reflects the interplay of two phenomena:

a) the tendency of Italian companies to increasingly move into the market segments with the greatest unit value;

b) their ability to impose comparatively high prices, taking advantage of their qualitative competitiveness.

In spite of the slight nominal appreciation of the Lira (0.8%) compared to the main foreign currencies, the unit export values grew at a higher (1.3%) rate than that of production prices (0.1%). This difference of profitability between exports and the sales on the internal market are found to an even greater extent in the prices of the main competitors, which shows that Italian companies had to contain the increases in relative margins of profits in order to avoid further losses of market share.

As already pointed out, the volume of *imports* of goods and services also increased in 1998 at a clearly higher rate (6.1%) than that of internal demand (2.5%), increasing their penetration of the Italian market, which nonetheless remains lower than that of the other main European countries. Import prices have fallen significantly, especially due to the effect of the fall of international raw material prices.

International economic integration processes have for some time been characterized by a structural tendency to increase the share of internal demand which is satisfied by foreign products. In 1998, this tendency has, in Italy however, not only been reinforced by the greater price convenience of imports, but also by some factors linked to the economic environment which accelerated growth in the first half of the year: an intense process of accumulation of stocks of raw and semi-finished materials, as well as the continuation of public incentives for buying automobiles; both of which represent components of internal demand which are characterized by a relativity high propensity to import. Over the year, as the effects of the above-mentioned factors wore off during the year, imports underwent a slowdown.

The data of the first trimester of 1999 hint at a slight recovery, linked to the first inklings of recovery of the production. However the forecasts available for the entire year, agree that the rate of growth of imports shall be less than in 1998.

If we consider trade by the main *geographic areas*, the shrinkage experienced by Italy's 1998 trade balance appears quite clearly, largely determined by Italy's trade performance with Far Eastern countries. On the other hand, the trade balance with North America has improved considerably, given the differences of phasing between the two economic cycles. The balances with Africa and the Middle East have also improved, chiefly owing to the fall in raw material prices.

In terms of current prices, the market share of Italian exports increased in almost all of the main areas. The exceptions are precisely those which are most embroiled in the crisis: the group of the four Asian Newly Industrialized Economies (the NIEs), the developing countries of the Far East and the countries in transition of Eastern Europe. It therefore seems that, once again, Italian firms, have quickly reduced their presence in markets where the economic situation has been evolving negatively.

The promptness of these reactions can be a positive sign of flexibility, if accompanied, as often happens, by the capacity of just as quickly settling into more dynamic markets. In the opposite case, it might be interpreted as a sign of fragility, of the inability of the business firms to consolidate their own presence abroad with long-term commercial and productive investments, which would shelter them from the winds of change in economic conditions.

It does not seem that the distancing from the countries in crisis has, during the last two years, been offset by a similarly intense strengthening in more dynamic markets, such as in North America. Despite the crisis of the emerging economies, Italian exports have, to a growing degree, continued be oriented outside the group of industrialized countries; the dwindling importance of Asia has been more than offset by increases in Latin America, Africa and especially in the countries in transition.

The contribution of most of the *productive sectors* to the trade balance has been negative. The most important exception to this is represented by the extractive industry, whose deficit shrank, chiefly owing to the effect of the fall in international raw material prices. The reduction of the manufacturing surplus was however even larger.

This was influenced to a considerable extent by the marked slump in "fashion industry" exports (textile and clothing industry, leather goods and shoe wear) which were hammered both, by the fall in demand, as well as increases in Asian producers' competitiveness. However some doubts may be raised regarding the importance of this last factor, given that in Italy, this has not impeded a slight fall in the degree of penetration of imports of these sectors, measured in constant prices.

In addition to motor vehicles, the main contribution to the deterioration of the balance has however come, from the sectors which produce capital goods, whose exports were hampered by the fall of demand in the emerging economies, while in Italy, the recovery of investments has led to a strong increase in acquisitions from abroad.

In the trade of services, which are becoming of an increasingly greater importance in the total of international transactions, Italy's surplus was halved. This was especially due to the negative trend of balances in the insurance sector as well as in (technological and computer) services to business firms.

Overall, the *Italian economy's model of international specialization* has kept its essential qualitative aspects unaltered, but the intensity of its sectorial disequilibria is being lowered, as a result of the development of intra-industrial trade. The latter does not only concern products of similar quality (horizontal trade), but increasingly products of various qualities within the same sector (vertical trade), thus adapting the model of specialization to the new conditions of global competition.

International investments are also to some extent contributing to this process of gradual transformation of the productive structure. In particular, one of the channels through which the Italian specialization in traditional consumer goods is occurring is in direct investments abroad: firms are moving their unskilled labor-intensive production lines abroad, and concentrating their activities which have remained in Italy on the higher segments of the market. On the other hand, foreign investments in Italy are, to a relatively high degree, being directed into sectors with a high research technology intensity, thus helping to reduce Italy's comparative disadvantage in this area.

The *territorial distribution of Italian exports* is tending to become less concentrated: in 1998, for the second consecutive year, the growth in exports recorded by Italy's five main exporting regions, excepting Emilia Romagna, was lower than the national average.

Mezzogiorno (Southern Italy) continued to expand its share in national exports, including in the first trimester of 1999. Last year the main contribution to this result came from means of transportation, but also from those sectors in which the importance of local entrepreneurs is greater. However, regardless of the criterion used, the outward orientation of Mezzogiorno remains rather inferior to that of the other parts of the country.

Northwestern Italy – and in particular Lombardia – has lost part of its share of Italy's merchandise exports, but it has gained shares in service exports, reflecting the growing role of the service sector in its own economy. The quite dissimilar performances recorded from region to region throughout the whole of Central-Northern Italy, might be hiding the various results that the restructuring processes of *industrial districts* are having. Driven by the major tensions of the internationale economic environment in which they move, some local productive systems have been successfully renovating their own characteristics in terms of technology and the range of goods manufactured, while maintaining the vitality of their own links with local communities and institutions. Other districts, on the other hand, seem to have grown weary of the difficulty of selecting an original way of growth and their crisis has weighed significantly on the overall slowdown of Italian exports.

This edition of the *Report* presents for the first time a chapter, especially dedicated to outlining the strategies followed by the *Italian business firms* in their international ventures. Following a description of the most important survey data available on the issue, the chapter will conclude with six case studies.

Of the more than 180,000 *exporting firms* of which ISTAT (National Statistics Institute) took a census of in 1996, detailed data are available for roughly 161,000. Although these companies represent only 4.3% of Italy's enterprises, they accounted for nearly a third of the total number of people employed. Italian small business firms (characterized by having less than 50 employees) numbered some 149,000 companies (92%), but were responsible for 32% of the value of exports. The other more than 10,000 medium-sized companies (having from 50 to 249 employees) exported for a value equal to 27% of the total. The remaining 41% was attributable to the 1,800 large-sized companies having at least 250 employees. In order to better illustrate the importance of these figures, it should be considered that even excluding the smaller firms (up to 9 employees) whose export activity was sometimes only occasional, from the class of small business firms, 54,000 business firms nonetheless still remain, accounting for nearly 23% of Italian exports.

Using another criterion for classification based on export revenues (at constant prices) instead of the number of employees, we can attempt to outline an overview of the main structural changes which have involved Italian exporting firms through the 1994-98 period. Firstly, we can note a clear tendency toward the growing size of the enterprises: the importance of the smaller firms (up to 15 billion Lira of sales abroad) in the value of exports dropped from 38% to 34% while the average value of exports per company rose in five-year's time from 1.8 to 2.4 billion Lira. Furthermore, the geographic distribution of exports has broadened: the average number of markets in which each company sells today has grown remarkably as has the number of business firms able to export in relatively difficult areas such as Latin America, Africa, the Middle East and Eastern Europe. At the same the degree of stability of the firms has risen: the number of companies which have exported continuously for at least the last five years rose by 12.5% between 1996 and 1998.

It is estimated, in the absence of an adequate statistical report, that there are at least ten thousand firms which in addition to exporting, carry out various forms of productive activity abroad which include distribution, after-sales assistance, industrial collaboration with local firms, as well as outward processing. Among these firms, a thousand or so operate through foreign direct investments.

Italian firms increased their own *direct investments abroad* throughout the 1990's, but at the end of 1997 their share of the world stock of foreign direct investments (3.5%) still remained less than that of exports of goods and services (4.8%). In the manufacturing sector, the expansion took place especially thanks to an increase in the number of companies capable of investing abroad. Among these, the importance of small enterprises (up to 49 employees) grew, surging from 12% at the end of 1991 to 20% at the end of 1997. This illustrates the strategic maturation of Italian industry, since being present on foreign markets with one's own productive and distribution structures is now crucial in a company's coping with international competition as well as to defending and taking full advantage of the productive resources remaining in Italy.

In contrast, the dynamics of *foreign investments in Italy* remains sluggish. Inflows of investments to Italy at the end of 1997 hardly represented 2.3% of the world total. Indeed in 1998, the inflows of FDIs net of disinvestment, experienced a steep downswing. There are several reasons for this insufficient capacity to attract foreign capital, which clearly has negative repercussions on both the quantitative as well as qualitative development of the productive base and employment.

Apart from the growing tax competition among the various countries, an important responsibility, especially regarding discouraging investments in new productive activities, undoubtedly lies in the complexity and rigidity of the rules and procedures, as well as the inadequacy of services and infrastructures; however an important role is also played by the modest development and transparency of the stock market, which does not help in identifying the considerable opportunities for acquisition that Italian industry offers.

The removal of these obstacles, which also hamper domestic investments by Italian enterprises, thus remains a priority for any policy seeking to create favorable conditions for the relaunching of economic growth and requires a broad range of responsibilities and instruments.

As regards more specific *policies of support to the internationalization of Italian enterprises*, there is an ambitious project underway to overhaul the entire system. Its goals are to modify the distribution of competencies among Italy's institutions as well as to renew instruments of intervention. The features of this program which are emerging are:

a) the management of the financial incentives is being concentrated in the hands of the SIMEST (Italian Financial Institution for the Promotion of Italian Business Abroad), which now operates on all the forms of internationalization from exports to direct investments;
b) the structure of the SACE (Italian Institute for Foreign Trade Insurance Services) has been renewed, in order to boost its capacity to work in support of small and medium-sized firms;
c) the role of the ICE (Italian Institute for Foreign Trade) is being strengthened in the production and distribution of real services;
d) a more intense involvement of the Italian Regions in the policies of support of business internationalization is being fostered, this being an essential aspect of the policies of local development.

In 1998, the use of most of the public instruments to support business internationalization diminished. This can be partially attributed to difficulties arising from the transition from the old to the new system but on the other hand, it highlights the urgency of such a renewal.

Problems of coordination and functional specialization between public and private operators, or national and local ones, which are providing services for business internationalization have cropped up in all the main European countries and can be dealt within various ways. Nonetheless, the scarce organic unity and the excessive overlapping of competencies which still characterizes the Italian system represents the main challenge, which the just mentioned reform process will have to overcome.

This *Report* analytically documents both the greater uncertainties of the international economic scenario as well as the increasingly more evident competitive difficulties of Italian companies. Perhaps never before as now has there been such a need as for, among others, a coherent and efficient foreign economic policy.

1. WORLD TRADE

During 1998, the world economic scenario was dominated by the ongoing effects of the financial crisis which became more serious throughout Asia.

The evolution of world economy and trade in 1998 was dominated by the eruption of the financial crisis at the beginning of the summer of 1997. The crisis which first flared up with the devaluation of the Thai currency, spread, gaining intensity to nearly all of Asia, jeopardizing even countries considered to be relatively solid such as Taiwan and South Korea, to say nothing of the smaller but highly developed economies of Hong Kong and Singapore. This crisis contributed to delaying the recovery of the Japanese economy even further and rendered it even more uncertain. Fears that the speculative wave would not even halt at the doors of the more protected economies, and in particular that of China, fuelled speculation in the financial markets throughout the year. It also raised issues which called for reflection and debate among those monetary authorities and international organization which were most involved in the remedies, if not in the causes, of such crises.

In the second half of 1998 the financial crisis spread throughout other regions, negatively affecting the dynamics of the world economy.

Later, during the summer of 1998, the crisis swept westward, finding the weak link of the chain in the enervated Russian economy, still bogged down in a rather deluding transition process toward the market economy. In the latter part of the year, fears that – unlike that which occurred in 1994-95 in the Mexican crisis – repercussions from crisis the Eurasian continent might sweep over Latin America, kept international financial markets at a fever pitch, adding even more clouds to a new storm brewing over Brazil and probably went so far as to bring about a new American monetary policy which was uncommonly more conscious of external ramifications, than the needs for restraint that the domestic economy seemed to require in such a period.

The storm finally struck Brazil at the beginning of 1999; however relatively prompt reactions in Brazil as well as by international organizations, appear to have blunted the repercussions, which are moreover still likely to occur in the rest of Latin America, especially in Argentina.

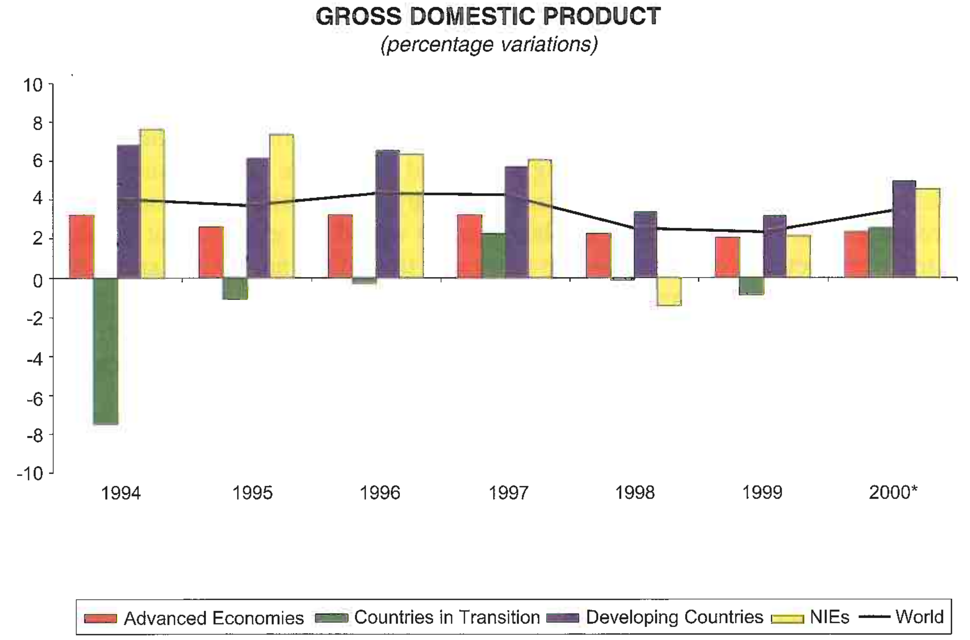
Such developments and the policies required by them have been detrimental to the dynamics of the world economy. This notwithstanding, the performance of the world economy has on the whole, remained positive, owing to the exceptional extension and strengthening of growth in the United States, the latter has been accompanied and at the same time favored by a thoughtful but not rashly implemented monetary policy, carried out more by demands for prudence of markets then by moves which would upset their equilibrium.

In 1998, the average inflation rate in the industrial countries stood at 1.7%, the lowest of the 1990's. In Europe the fall of inflation (1.5% on a yearly average), is, in addition to the decline of the prices of raw materials, also the result of the restrictive monetary and fiscal policies adopted in view of the start-up of the monetary union. On the contrary the slowdown took place in the United States despite sustained economic growth, flourishing stock markets and a historically low unemployment rate, especially owing to productivity gains.

The growth in the United States has forcefully cushioned the slowdown of the world economy , representing the counter weight to the collapse in demand of the Asian economies.

The expansive phase of the United States has represented a counterweight on a worldwide scale to the collapse of the Asian economies, but has triggered a further reduction in the American propensity to save. What has emerged is growth accompanied by an increasing current accounts deficit. This raises questions about America's ability to sustain such a dynamic domestic demand in years to come and hints at an inversion of the dollar's ascendant phase.

In the countries in transition the positive trend which began in 1997 did not continue in 1998: on the whole, they experienced a two-percentage point contraction of GDP when compared to the previous year. The trend of the aggregate is the result of the strong recession in Russia, which has been only partially compensated by the continuation of positive growth in Central and Eastern Europe as well as in Central Asia and Transcaucasia.



Sources: ICE processing of IMF data

International trade has in real terms undergone a more marked slowdown than that of GDP and even experienced a decline in value terms measured in dollars.

Among the developing countries, the slowdown was also substantial in Latin America and in the Middle East, while Africa represents the sole exception to the general trends, having experienced a slight acceleration of growth in 1998.

If the performance of production has continued to remain positive at the world level, though quite unevenly distributed among countries, that of international trade, has noticeably slowed down in volume and become negative in terms of its value measured in dollars, owing both to the fall in the prices of raw materials as well as to appreciation of the America currency.

The fall in imports from the areas struck by the crisis was particularly marked, with the consequent negative effects on exports of many countries.

While the rate of growth of real GDP decreased from 4.2% to 2.5% between 1997 and 1998, world trade in goods and services underwent a far more noticeable deceleration, sliding from a 9.9% growth rate to one of 3.3% (according to the International Monetary Fund (IMF); the Organization for Economic Cooperation and Development (OECD) estimates a slightly more sustained dynamics, of 4.5%, which however also confirms a net deceleration compared to 1997).

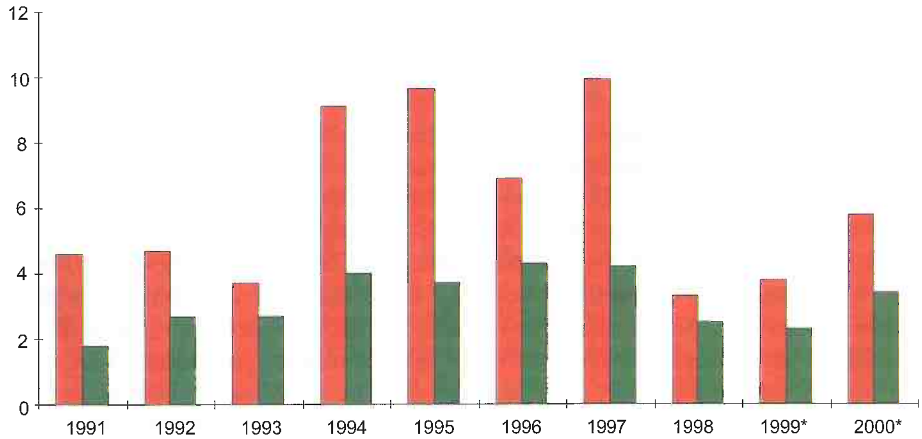
Imports from the areas struck by the crises plummeted steeply, since they proved to be less competitive in a context of weak internal demand. This has especially affected the exports of industrial countries which supply these countries, but, given their high degree of trade integration, also the sales of countries which devalued.

According to the latest data available, foreign direct investments are displaying a greater dynamism compared to the performances of GDP and world trade, owing in particular, to the contribution of the developing countries.

The value of world exports of services in 1998, worth nearly 1,300 billions of dollars, equal to roughly a quarter of that of merchandise exports, shrank slightly, for the first time since 1983. Nonetheless, the share of services in the value of world trade is tending to grow larger.

That foreign investments, especially foreign direct investments which have a direct impact on productive activity, have become an increasingly important factor, is now commonly agreed to be a positive one, in the integration process and in international economic growth.

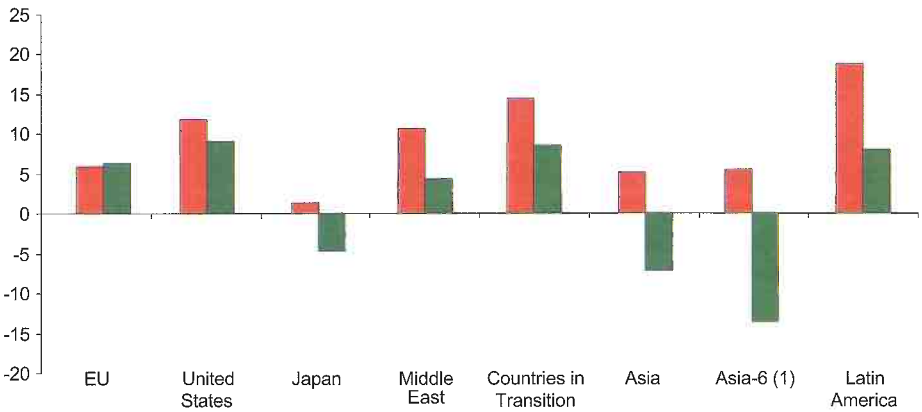
PRODUCTION AND WORLD TRADE
(percentage variations in volume)



* estimates and forecasts

Sources: ICE processing of IMF data

VOLUME OF IMPORTS
(percentage variations)



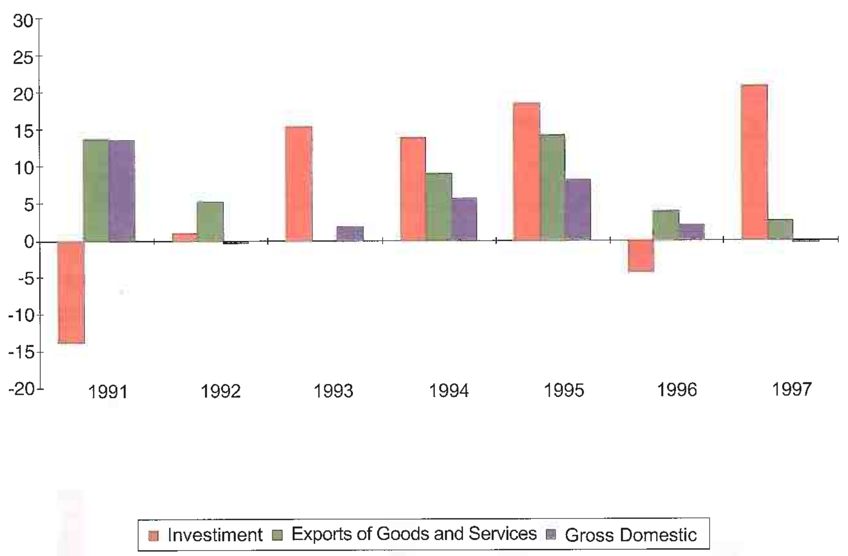
(1) Includes Hong Kong, Singapore, Taiwan, South Korea, Malaysia and Thailand.

Sources: ICE processing of WTO data

According to the latest available data, the value of foreign direct investments (FDI's) flows at the world level rose over the 400 billion dollar mark in 1997, growing again, as it did on the average during the preceding decade, faster than GDP and world trade. FDI's still come to a very large degree from the industrial countries, but in the last years those carried out by developing countries have increased considerably. On the other hand, when considering the inflows of FDI's the share of the developing countries as recipients is bound to rise, especially due to the liberalization and privatizing provisions which most of these countries have implemented. This share already in 1996 exceeded that of Western Europe. The crisis in South-East Asia and Brazil have probably determined a slow-down in the flows of FDI's to these regions. However, the devaluation of their currencies, their huge demand for capital and the shrinking prices of assets constitute incentives for a new rapid expansion of such flows. The importance of direct investments to Eastern Europe remains modest (less than 5% of the total in 1997). Among industrialized countries, the United States has continued to attract FDI's to a comparatively growing degree, in contrast to what occurred in the European Union whose share, strongly fluctuating after 1994, slid from 48% in 1992 to 27% in 1997.

PRODUCTION, INVESTMENTS AND WORLD EXPORTS

(percentage variations at current prices)



Source: ICE processing of UNCTAD and IMF

In 1999 the economic situation should on the average undergo a further deceleration, notwithstanding the recovery already underway in the countries of South-Eastern Asia, while the prospects for the growth of world trade are more positive.

According to the International Monetary Fund's forecasts the economic situation in all the main areas will in 1999 on average undergo further deceleration (advanced economies, countries in transition and developing countries), with rare exceptions within these: Japan (which however will continue to find itself in a recessive phase) and the newly industrialized economies, among the advanced countries, and Africa among the developing countries. Only next year a generalized improvement is foreseen, given that the world product should increase by 3.4%.

The growth profile of international trade growth should be somewhat dissimilar: in particular, it is foreseen that the aggregate imports of industrial countries and of developing countries will already experience an acceleration in 1999, though one has to consider that this circumstance depends heavily on the improved absorptive capacities of some markets (Japan and NIEs) in which Italy is less specialized, and consequently our exporters will not be particularly favored.

2. TRADE POLICIES

The economic and financial crisis which has struck important areas of the world economy has not caused an increase in protectionism; on the contrary the liberalization process of trade implemented within the framework of the WTO has steadily continued.

1998 was the year in which the World Trade Organization (WTO) celebrated the fiftieth anniversary of the birth of the multilateral code of rules of international trade, founded on GATT (General Agreement on Tariffs and Trade), but it was also the year in which the economic-financial crisis which had struck important areas of the world economy led to fears of the possibility of a resurgence of protectionism. These fears proved to be unfounded: the WTO's system of rules and procedures proved to be able to withstand the tensions, while the international trade liberalization process has continued to develop without significant interruptions, even in those countries which were hit hardest by the crisis. The implementation of the trade agreements signed in 1994, at the end of the Uruguay Round, were regularly enacted, in accordance with the foreseen timetable, while preparations for the third Ministerial Conference of the World Trade Organization, which will take place in Seattle in the United States at the end of 1999, are already at an advanced stage. The Conference should provide the occasion for the official announcement of a new cycle of international negotiations on issues, such as agriculture and services, for which further discussions were already foreseen, as well as new issues of great importance for the World Trade Organization's code of rules, such as the nexus between trade, international investments and competition.

The preparations of the third ministerial conference of the WTO, *which will launch the* Millenium Round *are underway.*

Important progress has been made in the liberalization of trade in goods which even goes beyond the goals laid down in the initial agreements, especially as concerns the pharmaceutical sector and information technology product. The process of gradually integrating agriculture and textiles-clothing into the system of GATT rules has also been implemented consistently.

Progress has been reached as concerns trade in goods and services in the context of an agreement for the safeguard of intellectual property and within working groups on investments, competitiveness policies and transparency of public procurement.

During the last few years important negotiations in the area of trade in services such as those on basic telecommunications and financial services, have likewise been concluded positively. The agreement concerning this sector is of special importance, as it was reached at the height of the international financial crisis. Preparations for the next cycle of negotiations in other sectors are continuing.

Safeguarding intellectual property is an issue of growing importance in international trade relations and is already regulated by a specific agreement reached with the *Uruguay Round.* Preparatory work on new negotiations is proceeding in this field as well, particularly as regards the issue of geographic indications on food products.

Three working groups for the study of some important issues were set up in the 1996 Ministerial Conference of Singapore. These issues: international investments, competitiveness policies and the transparency of public tenders, might become the object of future international negations, given their strong interdependence with trade policies. The working groups are continuing their activities, however the decision on whether these issues will be included in the next cycle of talks will only be taken in the Seattle Conference.

Simplification of trade procedures and electronic trade: two new possible issues for new multilateral negotiations.

Other issues, for which preparations of possible negotiations are underway, include the simplification of trade procedures and electronic trading. In the 1998 Geneva Ministerial Conference, it was nevertheless already agreed that governments would continue to refrain from introducing duties on electronic transmissions.

The WTO disposes of a mechanism for settling disputes, which represents a fundamental pillar of its system of rules on trade, because it is based on well-defined procedures and foreseeable timetables and because it also contemplates the possibility of sanctions for the countries which do not respect the commitments they have made. The growing reliance on the effectiveness of this mechanism has resulted in a decline of unilateral solutions for trade disputes and in an increase in the number of cases submitted to the Dispute Settlement Body, even by developing countries.

The dispute settlement mechanism is taking on greater importance in the framework of the WTO; two emblematic cases have involved the European Union.

Given its importance in international trade, the European Union makes frequent use of the mechanism and has often been summoned before the body by its partners. Two controversies which have become particularly well known in the public debate are those promoted by the United States and by other countries against the European Community concerning banana imports and against the ban of meat treated with hormones. In both cases, the Dispute Settlement Body has substantially heard the arguments of both contestants and the European Union has declared itself willing to abide by the Body's decisions. As concerns the issue of bananas, the European Commission is seeking a solution which is compatible with the rules of the WTO together with a desire to continue to support the development of countries favored by the current system (linked to the Lomé Convention), which are strongly dependant on banana exports. In the case of hormone-treated meat, the Commission wants to have the time to complete the research underway to evaluate the degree of harmfulness of such products and is disposed to offer compensation to those countries struck by its ban in imports. However, there are further disputes which are open as for the amount of these compensations and of those concerning the case of bananas, as well as about the procedures for their payment, which highlight some problems concerning the functioning of the dispute settlement mechanism, on which action must be taken as soon as possible.

The revision of trade polices.

In order to increase the transparency of the trade policies of its member countries, the WTO periodically submits them to public verification, whose results confirm the correct functioning of the multilateral system and the strength of the trade liberalization process.

New members join the WTO.

The WTO's appeal is also demonstrated by the growth in the number of member countries, which, with the ratification of the entry of Estonia is about to reach 135. For other 30 countries, among which China and Russia, the membership negotiations are continuing, and follow the ups and downs of their internal economic reform processes.

An other element attesting to the tendency of the system of rules of the WTO to extend its sphere of jurisdiction is the fact that, of the four plurilateral agreements (i.e. limited to a few signatory countries) included in the final Act of the *Uruguay Round*, only those concerning trade in civil aircraft and public procurement remain in effect. The others have given way to the multilateral discipline and an analogous process is underway, although slowly for the last two.

The global character of the system is finally underscored by the priority it has addressed to economic development problems as well as to the particular needs of the less developed countries, including the interdependence between trade and environmental policies. The formula of sustainable development, which the WTO has mentioned to be the key objective of all of its activities, sums up the conviction that the liberalization of trade can help promote the development of all countries without compromising their environmental heritage.

The trend toward the development of regional integration agreements is being strengthened.

Intertwined with the multilateral trade liberalization process, the tendency to develop various forms of regional integration continues to grow stronger.

In Europe, the final phase of the monetary union is linked with an intense preparatory activity for the further enlargement of the Union, in the direction of Eastern Europe and the Mediterranean. In America, the ambitious free trade project extended to the entire continent, the *Free Trade Area of the Americas*, was officially approved in 1998, while initiatives of regional integration among more limited groups of countries continue to be strengthened. Even the crisis in Asia did not halt its tendency toward regionalism, which involves not only the countries of the South-East, but also those of the Indian regions and some ex-Soviet republics. The tendency is also evident in Africa, where it sometimes takes the experience of the European Union as a model.

Some integration initiatives, such as the *Asia-Pacific Economic Cooperation Forum* (APEC), inspired by the principles of open regionalism, and the transatlantic economic project between the European Union and the United States have an intercontinental character. However, the compatibility between the agreements of regional integration and the principles of the multilateral system continues to be analyzed with great attention, even within the special body of the WTO.

The question of the compatibility between regionalism and multilateralism is still open.

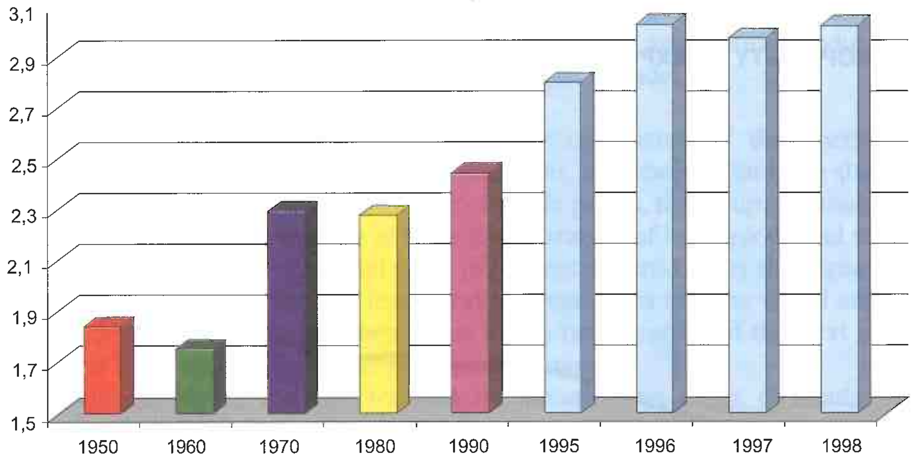
The multilateral trade liberalization process continues to be tied to various forms of *regional integration*, whose compatibility with the WTO systems is still today the object of disputes, given the intrinsically discriminatory characters of any preferential agreement, even if the viewpoint for a possible complementarity between regionalism and multilateralism is tending to prevail.

The results of a long-term analysis of the regionalization of international.

A long-term analysis (1950-98) of the geographical distribution of world trade reveals that:

a) the relative intensity of intra-regional trade has risen progressively (especially in the 1960's and in the 1980-96 period);
b) formal agreements of regional integration have played an outstanding role in increasing "trade introversion";
c) in the last two years this "regionalization" process of world trade appears to have been halted: the further increase of the intensity of the intra-regional trade recorded in Asia and in Africa has been compensated by the reduced introversion of the European and American areas.

REGIONALIZATION INDEX OF WORLD TRADE
(weighed average of trade introversion indexes)



Sources: ICE processing on FMI-DOTS data

3. THE EUROPEAN UNION'S FOREIGN TRADE

In 1998 the share of the EU of World exports grew, while its trade balance with the rest of the world worsened.

This chapter deals with both the development of the European Union's (EU) trade as well as the evolution of its trade policies.

In the world context, the United States has kept up its vigorous economic growth which has entailed its maintaining a substantial trade deficit, while the EU has conserved its role of the leading exporting power, although its weight as regards overall trade has tended to constantly become less important.

There are aspects, in the startup phase of the Euro, which saw it becoming progressively weaker in relation to the American currency, which are not possible to evaluate at the moment.

The absence of an economic recovery in Europe and the growing American deficit have sparked a sharpening of disputes between the two shores of the Atlantic. These disputes which have domestic reasons in the EU as well as the United States, had been focused on trade in agricultural products.

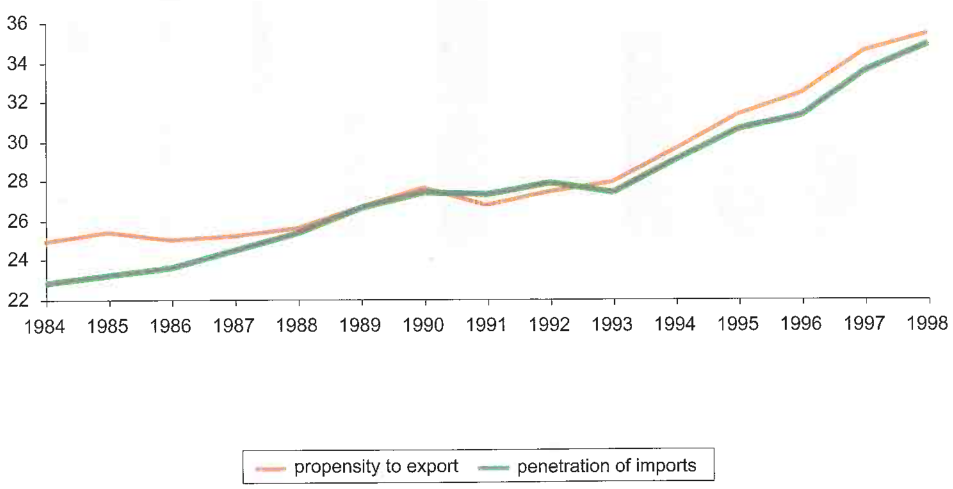
The economic and financial crises of first Asia and then Russia and Latin America, have crippled world demand and have had deflationary effects on the prices of agricultural products as well.

With the *Agenda 2000,* Europe announced an overhaul of its entire agricultural policy. The negotiated agreement which includes some proposals put forth by Italy, Denmark and the United Kingdom, already contains some adjustments, however far-reaching reforms have been put off to the discussions in the WTO headquarters next January.

The European Union's propensity to export (given by the percentage ratio of exports of goods and services to the GDP) and the penetration of imports (given by the percentage ratio of imports of goods and services to domestic demand), has continued to grow, as it has since 1984.

PROPENSITY TO EXPORT AND IMPORT PENETRATION IN THE EU 1984-98

(percentage values)



Sources: ICE on OECD data

The largest share of EU trade is represented by intra-area exchanges ....

It is possible to distinguish various phases of Europe's trade balance. Between 1965 and 1992, the EU showed a FOB-CIF balance which was consistently negative but whose size never exceeded more than 10% of total trade, excepting periods during the first and second oil shocks. The cyclical weaknesses of the economies of the European countries, together with, at least partially, that of their currencies has resulted in a trade surplus which has been growing since 1993, however in 1998, the increase of imports again led to a negative normalized balance.

...but in 1998 their development seemed to slow down.

Most of EU's trade is represented by intra-area exchanges, which have tended to rise over the last three decades, attesting to the continual development of the region's integration process. Only in 1998, as previously pointed out in Chapter II of the present *Report,* a slight drop of the trade introversion index occured.

As concerns the geographical orientation of foreign trade, the United States (where the traditional negative balance was in 1998 changed into a, although slightly, positive one) still represents the EU's most important trading partner. The growth in trade with the countries of Central and Eastern Europe (in particular those who are candidates for the forthcoming entry into the EU) should be signaled out, as well as that with the countries of the Middle East and with Latin America, even following the stipulation of the Agreements for Europe, in the case of the countries of Central and Eastern Europe, and agreements with Mediterranean basin countries and the Mercosur areas.

Integration with the countries of he Central and Eastern Europe and those of the Mediterranean are being strengthened.

It should be noted that while the EU maintains positive trade balances in these areas, its trade balances with Japan, China and the developing countries of Asian are negative. The countries of Central and Eastern Europe, Middle East and Latin America therefore represent crucial areas for maintaining the EU's external equilibrium.

The sectorial analysis for EU's trade uses a partition which is homogenous throughout the other chapters of the present Report, allowing us to compare Italy's with Europe's specialization. The level of specialization has continued to be high in mechanics and in motor vehicles, while it has declined in electronics. The normalized negative balances in energy materials and in agricultural products have substantially remained unaltered throughout the last decade.

The EU's commitment in the context of the WTO is a significant one especially in view of the orthcoming negotiations of the Millenium Round.

The EU has played a leading role in the conclusion of the liberalization agreements in the context of the WTO negotiations, advocating that there should be, among the priority objectives of the common trade policy, the setup of a multilateral system and the further promotion of trade liberalization of both goods and services. The EU has also actively supported other initiatives undertaken by the organization, such as the greater integration of less developed countries into the world economy.

A particular emphasis has been given to the organization of the next cycle of multilateral trade negotiations, the *Millennium Round.*

Throughout 1998, the EU focused its attention on other elements of the common trade policies, adopting concrete measures for customs cooperation and for reciprocal administrative assistance. The EU also emanated an important directive on credits for exports.

Finally, the EU has committed itself to strengthening its partnership with numerous third countries, in particular with those in the Central and Eastern European, as well as Mediterranean areas.

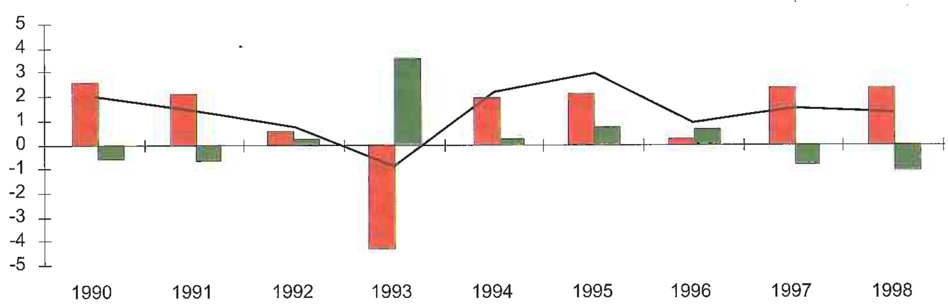
4. ITALY'S BALANCE OF PAYMENTS

The Italian economy showed itself to be rather weaker when compared to he average of the EMU area, because of the negative influence of net exports.

The growth trend of Italy's gross domestic product in 1998 was weaker than that of other member countries of the Economic and Monetary Union, growing at a 1.3% rate in real terms, compared to the 3% recorded on average for the other countries in the Euro area. As in previous years, the modest increase of gross domestic product had a positive effect on the domestic demand component, more than offsetting the negative impact of foreign demand, owing to an increase of the quantity of imported goods and services (6.1%) which far exceeded that of exports (1.2%). It would appear from the data concerning the first months of 1999, that for the current year, at least as regards the first half, the contribution of net exports to the Italian economy's growth will end up by being negative, as a result of the slowdown of the cycle in the European Union. Once again, it shall be domestic demand, especially as concerns the component of private consumption and investments in the construction sectors, to drive the growth of GDP which nevertheless, will not be, according to the most recent estimates, strikingly different than the results attained in 1998.

As in 1998 , in the current year, it will be domestic demand to sustain the growth of GDP.

CONTRIBUTIONS OF THE DOMESTIC DEMAND NET EXPORTS TO THE GDP GROWTH IN ITALY



Note: the contributions to the growth are calculated as percentage ratios between the variations of domestic demand, or net exports, and the levels of GDP in the previous year at constant prices

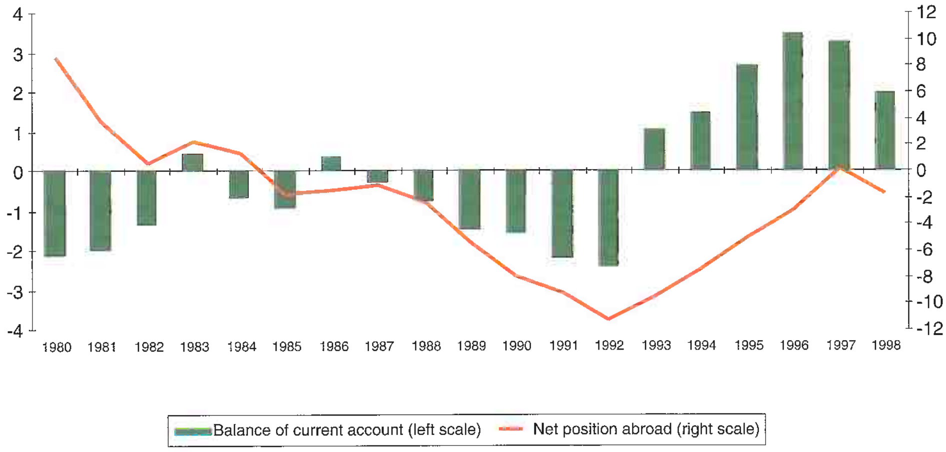
domestic demand — net exports — gross domestic product

Sources: ICE processing of ISTAT data

Italy's current accounts surplus in 1998 shrank still further, dipping down to roughly 39,000 billion Lira. Such a value, equal to 2% of Italy's GDP, represents however one of the largest positive balances among the advanced economies and far higher than the average of the eleven countries of the Economic and Monetary Union. This notwithstanding, Italy's net foreign exports position experienced a deterioration, which signals an inversion of the trend which had been underway since 1993. This paradoxical result can essentially be explained by the consistent negative balance attributed to the "errors and omissions" item, in which substantial investments abroad from the proceeds of the exports might be buried.

ITALY'S BALANCE OF CURRENT ACCOUNT AND NET POSITION ABROAD

(in percentage of gross domestic product)



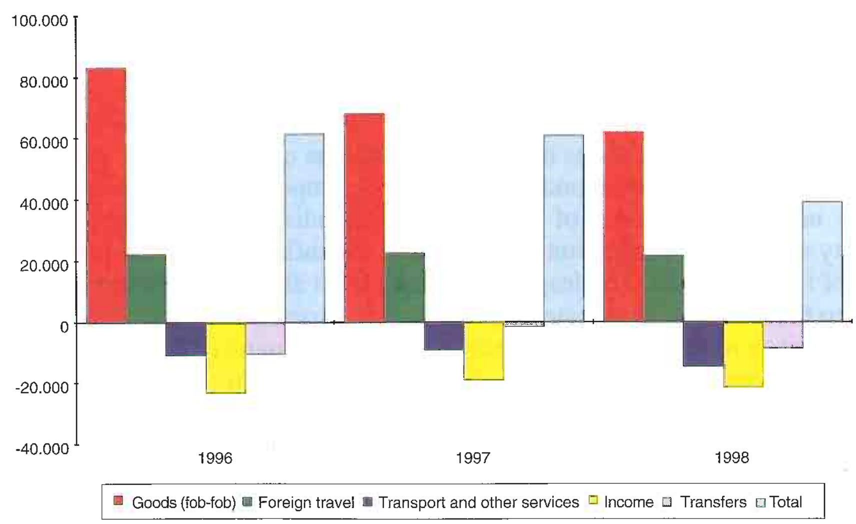
Sources: ICE processing of Banca d'Italia and ISTAT data

The dip of roughly 22,000 billion Italian Lira in the current surplus finds its explanation in the performances of all the main items, but the worsening of the merchandise and service balances together with the balance of net transfers to European Union institutions were the determining factors. According to recent estimates, the surplus of the current account could, in 1999, recover and grow, even in relation to GDP, owing to shifts in the dynamics of trade flows and a reduction of the capital revenues deficit.

The balances concerning all the main items of the current accounts have worsened. What is particularly marked is the deterioration of the merchandise balance and that of services.

ITALY'S CURRENT ACCOUNT: BALANCE OF MAIN ITEMS

(billions of Lira)

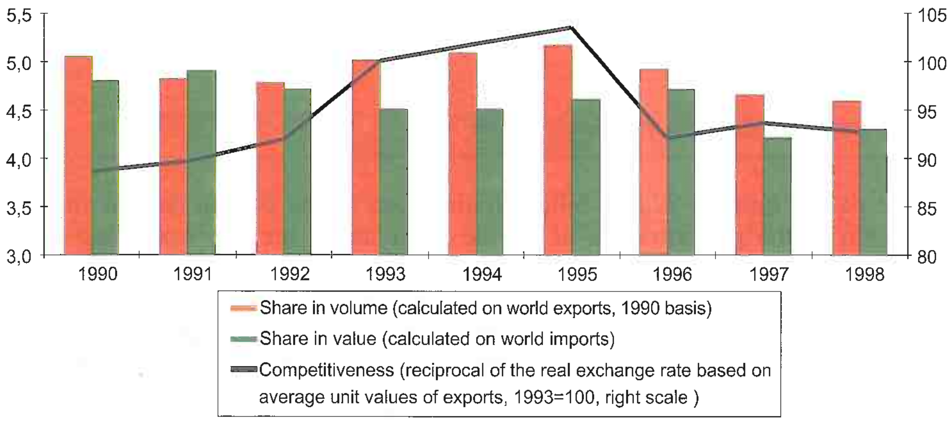


Source: ICE processing on Banca d'Italia data

The drop in the merchandise balance is a result of the marked slowdown of the quantities exported, which has not been compensated by improvement in the terms of trade.

The reduction of the merchandise surplus in 1998 reflects a more marked slowdown in the quantities exported than the quantities imported, which has not been compensated by the favorable trend in the terms of trade. In a year characterized by profound financial and economic crises in some important geographic areas, Italian exports in fact decelerated, growing by 2.8% in value and by 1.6% in quantity. This slowdown was however entirely due to the performance of sales in areas outside the European Union, which even experienced a drop, equal to 0.4% in value and to 2.3% in real terms. On the contrary, Italian sales grew at a faster pace than those of the previous year in the countries of the European Union. The increase in the volume of Italian exports proved to be smaller than that of world trade, causing a slight contraction of Italy's market share at constant prices. The share at current prices has on the other hand partially made up for the downturn recorded in 1997.

COMPETITIVENESS AND WORLD TRADE SHARES OF ITALIAN EXPORTS



Source: ICE processing on Banca d'Italia, IMF and ISTAT data

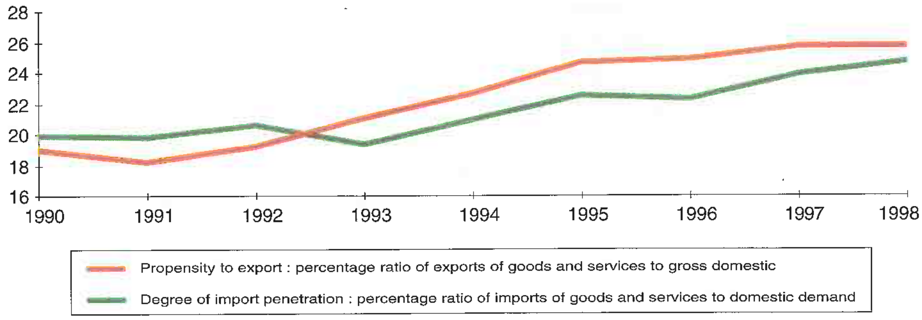
The data pertaining to the first months of 1999 do not point to a recovery of Italian exports: indeed, the first four months saw a distinct fall. Forecasts for the whole year predict an improvement in the second half of the year.

The downturn in the prices of imported merchandise goods, along with a stability of production prices has led to a greater convenience to import.

The increase of the quantities imported has once again risen higher that that of overall global demand.

Movements of opposite signs have contributed to the increase in the value of imports (4.7%), both in terms of quantity as well as of average unit values: the first grew by 7.5%, while the second shrank by 2.6%. Imports became cheaper as a result of the negative variations of imported merchandise prices, compared with the stability of those of production (0.1%), these too influenced by the lowering of the costs of foreign inputs. The leap in purchases from abroad which springs from this, equal to 6.1% for the aggregate of goods and services, and hence once again higher in comparison to the dynamics of Italy's domestic demand (2.5%), has given rise to a further increase in the degree of import penetration. Besides the long-term dynamic factors common to all advanced economies, there are a number of conjectural factors including stockpiling processes and the Italian government's decision to extend incentives to scrap old cars and purchase new ones to all of the first half of 1998, both of which are components of demand, characterized by a strong surge in imports. In the first four months of 1999, the overall value of imports underwent a fall of 5.2%. Forecasts for the current year agree that a slowdown in purchases from abroad will occur, due to the disappearance of the main stimulus factors which affected the results of the 1997-1998 period: the incentives for scrapping motor vehicles and purchasing new ones, the fall in the prices of raw materials and Italian manufacturers' loss of competitiveness, as suggested by the current weakness of the Euro.

ITALY'S PROPENSITY TO EXPORT AND DEGREE OF IMPORT PENETRATION
(in 1995 prices)



Source: ICE processing of ISTAT data

5. THE GEOGRAPHICAL DISTRIBUTION OF ITALY'S FOREIGN TRADE

The effects of the international crises and the loss of competitiveness have weighed upon Italy's trade flows by geographic area.

The widespread fallout of the international crises, dissimilar growth rhythms in the different areas of the world and radical changes in the ranking of competitive positions have all affected Italy's trade by country in various ways. On the average, a worsening in its balance has occurred, further exasperated by the prolonging of an aftermath of specific effects linked to the lengthening of the stockpiling cycle and the continuation of large inflows of imported goods. The variance in the tendencies of Italy's trade by individual countries in 1998 was wider than recorded in other periods.

The collapse of the prices of raw materials explains the reduction of the share of Italy's imports from the Middle East and from Latin America. On the contrary the Asian economies have gained positions.

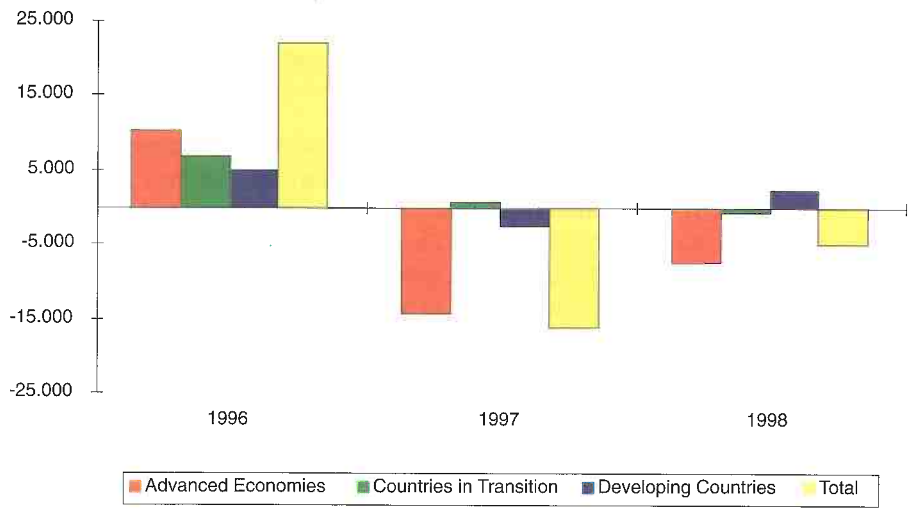
The general surge in the growth of imports in real terms is related to the lowering of their prices. The collapse of the prices of raw materials explains the fall in the ranking of the Middle East and partially of Latin America in the makeup of our imports, while on the other hand the strong depreciation of the Asian currencies and the dynamics of the quantity imported from these countries explain the gains in the ranking of the Far East in our market. Lastly, the effects of the incentives to scrap old cars and to purchase new ones as well as a, although weak, recovery in the demand for Italian investment goods explain the significant growth rates of our imports from other European countries.

Italy's share in value terms shrank in Asian markets and in the countries in transition of Eastern Europe.

As regards its exports, Italy has, owing to a decline of competitiveness, loss ground in real terms. The loss of market shares in terms of quantity would appear however to have been on average offset, in terms of values, by the positive differential between the trend of the prices of Italian goods compared to the world ones; our share in value, has, however fallen overall in Asian markets and in those of the former communist countries of Eastern Europe.

VARIATIONS OF ITALY'S BALANCES PER AREA

(variations in billions of Lira compared to the previous year)



Source: ICE processing on ISTAT data

As regards the trends of Italy's balance, against the improvements chalked up in the Americas, Africa and the Middle East, the overall trade balances with the

European continent and with Asia have worsened. With the latter, the large positive balance in 1997 has plunged into a substantial negative one: Italy has shown a greater vulnerability of export flows, the latter being unbalanced and oriented more toward the cyclical components of demand (investment goods) and previously swollen by their excellent expansion in the period after the devaluation of the Lira, when at the same time the penetration of Asian imports into our market was held artificially low.

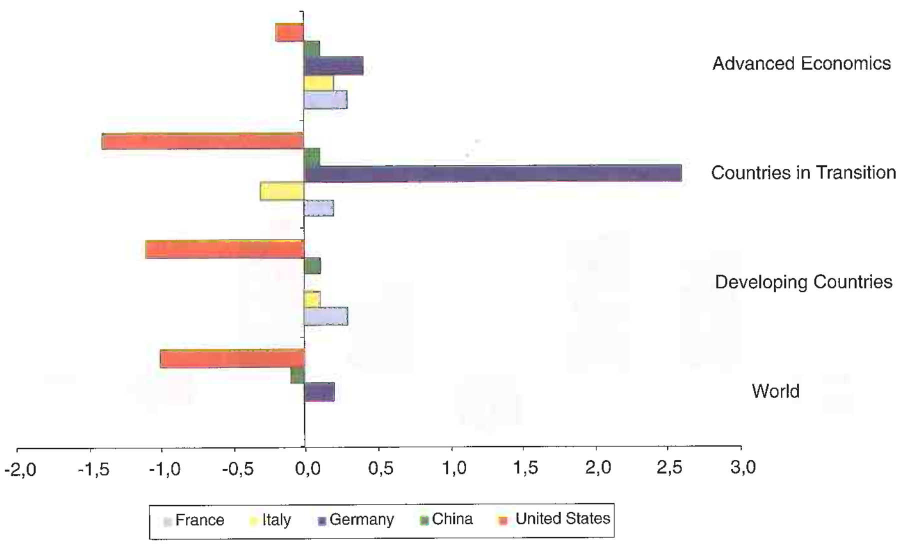
The trade balance of Italy with North and South America, Africa and the Middle East improved whereas that with Asia clearly worsened.

Concerning the whole of the area outside the European Union, the maintenance of the growth rate of exports to North America (12%), the marked surge of exports to Africa (20%) and slighter rises in other markets, were not sufficient to offset the collapse of sales to Asia and Russia. In terms of quantity Italy's exports outside of the EU diminished by 2.3%, contemporaneously with a slightly slower increase in prices.

Italy recorded a discrete growth in its exports to North America and Africa, but a downturn in those to Asia and Russia .

The trade trend with the countries of the European Union was less heterogeneous, both in terms of quantity as well as of relative prices. The relative growth differentials had a quite significant impact on domestic demand, which was still experiencing settling effects following the boom which characterized the two-year period 1994-1995. Italy indeed lost ground in terms of quantity, especially in those segments where there was competition with the production of emerging countries; on the contrary, in terms of value, Italy has made slight gains as a result of the terms of trade of manufactured goods as related to primary products having improved, with the result of reducing the importance on total European purchases of those countries which export primary commodities.

ITALY'S SHARE AND THOSE OF THE MAIN COMPETITORS BY GEOGRAPHICAL AND ECONOMIC AREA
(absolute variations of the shares of imports between 1997 and 1998)



Source: ICE processing of IMF-DOTS data

The decisive factors of the 1998 trends, underwent a partial change of direction during 1999. The prices of raw materials have begun to rise again, Asia appears to be emerging from its recessive phase and the surge in exports have led forecasts concerning Asia to be revised upward, which would have favorable repercussions on domestic demand, the United States should gradually lose its role of unique locomotive in the world, and finally the weak Euro could help Europe to recover part of the lost ground. Hints that Italian trade in 1999 could return to be the outcome of less unsetting phenomena, are shown by the data available for the first months of the year.

6. THE SECTORAL BREAKDOWN OF ITALY'S FOREIGN TRADE

The reduction of the balance of trade surplus in 1998 reflects the drastic contraction of the manufactured goods production surplus (by nearly 10,500 billion Lira), which was only partially been offset by the improvement (for roughly 5,000 billion Lira) in the liabilities of mining products; while the deficit in agricultural, forestry and fishery products has remained almost unchanged from the levels of the previous year.

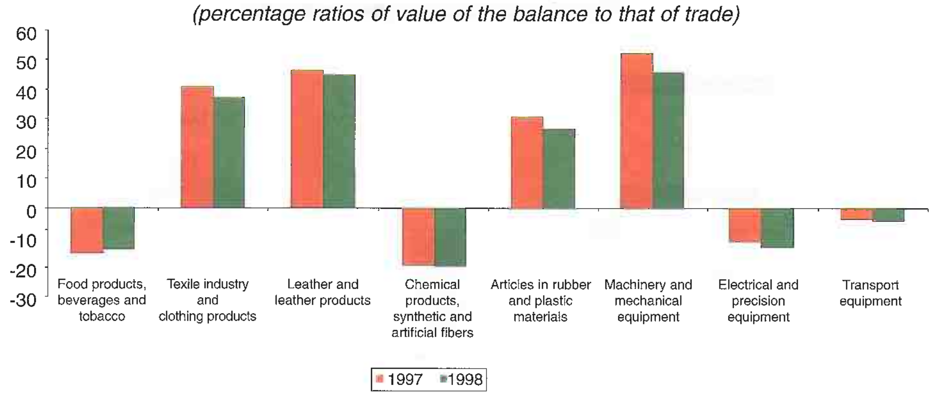
The balances of almost all of the manufacturing sectors worsened, in absolute terms, and especially in relation to total trade .

The worsening of trade in manufactured goods can be chiefly traced back to the diminution of the machinery and equipment surplus (for approximately 3,300 billion Lira), the drop of the surplus in leather and leather products (for 1,021 billion Lira) and the increase in the deficits in electrical and precision engineering equipment (for 2,900 billion Lira) and in motor vehicles (for 2,534 billion Lira).The surplus in textile products and clothing and the deficit in chemical products have furthermore undergone a certain deterioration. A positive contribution to the manufacturing products balance has on the other hand been provided by the sector of other transport equipment, by the categories of foodstuffs, beverages and tobacco and by petroleum and refinery products.

The evolution of the normalized balance highlights the worsening of almost all the sectors, in particular that of the engineering industry. The drop in positive normalized balances in sectors of Italian industry's specialization is reflected in a diminishment of the intensity of trade desequilibria; on the basis of this indicator, the polarization of Italian specialization is once again becoming smaller, starting again, after the interruption of the 1996-1997 period, on the downward evolution which characterized it during the 1990's.

NOMALIZED BALANCE BY PORDUT CATEGORY

(percentage ratios of value of the balance to that of trade)



Source: ICE processing on ISTAT data

The sectorial trends were affected, as regards exports, by the loss of competitiveness in relation to the emerging countries of Asia and by the unfavorable evolution of some outlet markets; while as far as imports are concerned, by the surge of domestic demand of capital goods and a marked stockpiling of raw materials and intermediate products.

As far as exports in quantity are concerned, particularly unsatisfactory results were registered in important sectors of *Made in Italy* products: leather exports and related products as well as those of textiles and clothing fell significantly (respectfully -5.7% and - 2.9%) against an overall growth of 1.6%; while those of machinery and appliances remained practically frozen at the levels of the previous year. Satisfying performances were on the other hand registered in transport equipment (which benefited by the positive evolution of the demand of road motor vehicles in the European market), in the electrical and precision engineering equipment as well as in the rubber and plastic items.

The loss of competitiveness as regards Asian countries which have devalued their currencies and the fall of their domestic demand explains to a large degree the unsatisfying dynamics of the quanties exported in Italy's sectors of specialization.

As mentioned, the decline in price competitiveness together with unfavorable trends of some outlet markets are the reason for the poor performance of *Made in Italy* products. The decline in competitiveness has especially had an impact on traditional productions of consumer goods which felt the effects of the steep devaluations of the emerging economies. The unfavorable trend of sales in outlet markets appear to have negatively affected both traditional type of production (absorbed by the high-income consumers from the Far East) and especially Italian capital goods manufacturing: four economies which last year experienced more or less severe crises (Korea, Russia, Brazil, Argentina) absorb nearly 8% of Italian exports of machinery for industry and agriculture; Germany, which recorded a rather marked downturn in the latter part of 1998, absorbs another 10% of them. Bearing this in mind, the prospects of M*ade in Italy* products improving again during the current year, are being boosted by the recovery of the Far Eastern countries, by the end of currency devaluations in this area and by the return to the path of more sustained growth of the European countries, and in particular of Germany.

Imports in terms of quantity increased especially in capital goods and in intermediate products.

As regards imports in terms of quantity, the strong increase of 1998 (7.5%) was chiefly fed by purchases of capital goods (especially machinery and mechanical equipment, but also electrical and precision engineering equipment) and intermediate products (which can be verified in the strong growth of metal and metal products, and of rubber and plastic material products).

Concerning intermediate products, the fall in international prices of raw materials and commodities for industry sparked substantial stockpiling and hence a rise in imports. In the case of structural mechanical equipment, the upsurge in the domestic demand of machinery, equipment and transport equipment as well as foodstuff were responsible for the upswing of imports. As regards the road motor vehicles component of transport equipment, the effects of the governmental incentives to purchase new automobiles continued to linger throughout the first half of the year.

It is worth noting that the brisk upswing in machinery imports recorded in 1998 was noticeably greater than that of national production: a phenomenon which can be partially explained by the supply bottleneck in our country concerning these specific manufactures; some evidence in this direction is already hinted at in the first half of 1998 (with high degrees of productive capacity utilization), but not for the second half of the year. To this explanation, another can be added pertaining to the particular kind of capital goods which had probably been ordered last year. Italy possesses a significant comparative advantage in the manufacturing of machines for traditional industries; in recent years, many of these industries were experiencing more or less taxing periods (brisk falls in the production of textiles, leather and footwear), therefore the demand for capital goods might have involved kinds of products which do not properly fall into the sectors of our specialization.

The propensity to export has essentially remained unchanged in the manufacturing industry, despite the increased profitability of selling abroad.

The production, as well as export and import performances of the manufacturing industry have entailed a substantial stall in the propensity to export (exports in relation to production) together with an increase of the degree of penetration of imports (imports in relation to domestic demand).The propensity to export has, for all intents and purposes remained practically unchanged for the last two years. However, unlike 1997, such an immobility has been accompanied by an increased convenience to export (measured by the ratio of average unit values of exports to prices of production practiced on the domestic market). The negative effects of the decline in competitiveness and the unfavorable cycle of international demand help to account for this phenomen. With reference to sectoral categories, falls in the propensity to export occurred in the clothing and shoewear sectors and to a significant degree, in instrument engineering equipment; on the other hand, increases were recorded in chemical products as well as in rubber and plastics, continuing the tendency of the previous years: owing to such a tendency, these sectors have now reached a level of propensity to export comparable to that of textiles-clothing. A significant increase in the propensity to export also occurred in the transport equipment for which the indicator, after the substantial fall in 1997, brought it up to a level higher than those of 1996. All of these sectors were able to benefit by the more favorable conditions of demand and exchange rates, directed sales predominately to the markets of the industrialized West.

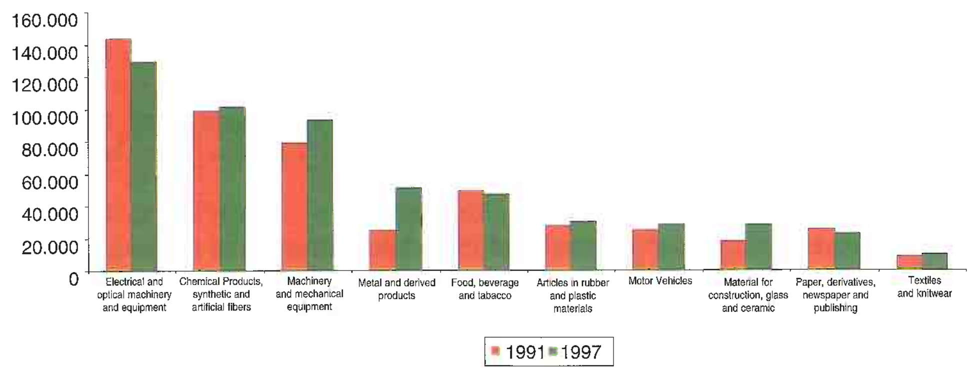
The degree of import penetration on the other hand rose ,and in particular in transport equipment.

Unlike the propensity to export, the penetration of imports of manufactured goods (compared to domestic demand) has continued to grow in the last year. More specifically, import penetration increased in transport equipment and in mechanical engineering equipment; increases in the degree of penetration of imports also took place in the chemicals and rubber and plastic products sectors. On the other hand, for the so-called traditional sectors (textiles-clothing and leather and leatherwear products) the share of the national market supplied by foreign goods slightly diminished, despite their relative convenience.

Direct foreign investments of Italian industrial firms continue to increase, hanks to the growing contribution of the small- and -medium-sized enterprises (SMEs).

As regards the internationalization of Italian manufacturing, the process observed over the last decade shows a growing commitment of Italian firms to directly invest abroad. At the beginning of 1998, there were 800 Italian investors abroad, with holdings in firms whose turnover totals amounted to 203,000 billion Lira and employing some 616,000 people. Their number has continually risen over the last decade, owing almost exclusively to the important role played by small-and-medium-sized enterprises (SMEs). Italian holdings (controlling or not) are concentrated in sectors with strong economies of scale (motor vehicles - in particular in Brazil and Argentina -, food industry, electrical appliances, mining industries). Among the traditional sectors, the textile-clothing sector stands out, (especially in Eastern Europe) reflecting the transfer abroad of the most labor intensive phases of the industry. In sectors with highly specialized products, the instrument engineering equipment sector has played a predominant role with more than 250 firms held abroad with nearly 50,000 people working for them. In the area of high technology, only electronics has succeeded in maintaining a satisfactory importance, following Olivetti's withdrawal from personal computers and Enichem's from the fine chemicals business.

DIRECT FOREIGN INVESTMENTS IN ITALIAN INDUSTRY: TOTAL NUMBER OF EMPLOYEES IN THE HELD FIRMS



Source: ICE processing of R&P-Politecnico di Milano data

FDI inflows grew more slowly in the 1996-97 period. A modest disengagement by European investors took place, while the contribution of emerging countries rose.

From the standpoint of FDI inflows, at the beginning of 1998, the number of foreign investors with shareholdings (to a large degree controlling ones) in Italian firms numbered more than 1,000, involving some 560,000 people employed in 1,770 companies and having a turnover of 263,000 billion Lira. The slow growth of foreign investments in Italy is noticeable, especially if compared with that which has occurred in other EU countries. A ranking of these investments by large sectors, sees investments in sectors with large economies-of-scale ranked first, followed by high technology, in specialized sectors and finally in traditional sectors.

The number of American firms has substantially remained unvaried since 1986, however the number of European and Japanese firms have grown; the latter, have in particular set up 6 new industrial activities (greenfield investments) during the 1996-1997 period. The overall number of employees involved increased by 33,000 people, after a falloff in the first half of the 1990's; the contribution of European investors was relatively small, and even negative in the case of sectors with high degrees of research intensity, while the increase in employment stemming from initiatives by countries which are not considered as major investors in our country increased dramatically.

In the same 1996-97 period, the industries with the most intensive growth of investment activity in Italy were the following: machinery and engineering equipment with 40 initiatives net of abandonments, metal working industries, components and parts for motor vehicles, glass working, plastics processing as well as that of paper. On the other hand negative performances in terms of new initiatives and/or number of employees, occurred in many traditional sectors, in food products and in electronics and telecommunications.

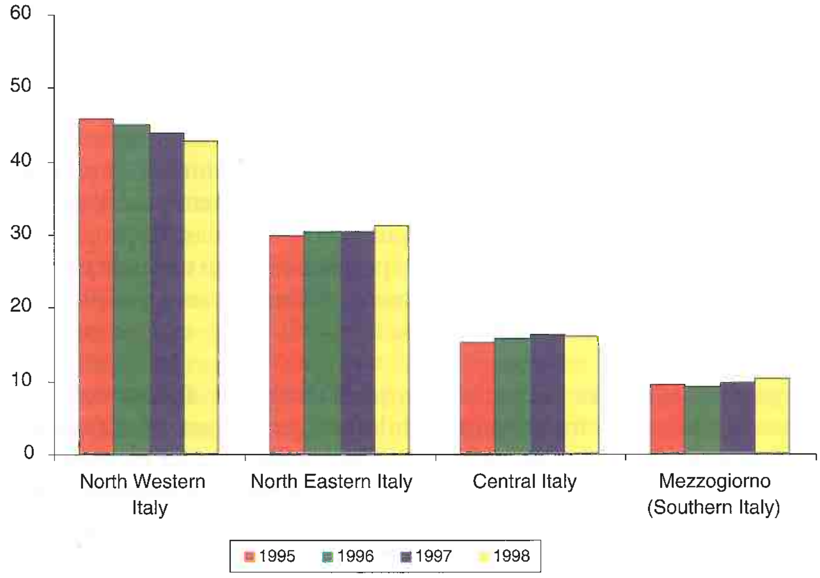
The large contraction of the aggregate surplus in services is essentially due to the growing deficit in the services to business firms.

As regards the service sector, the surplus shrank to almost half that of the previous years, sliding to roughly 7,000 billion Lira against 13,400 Lira in 1997. The steep reduction of the aggregate surplus has been affected by the considerable enlargement of the deficit of services to business firms (in particular technological and information technology ones), following a marked increase of outlays. The surplus in travel abroad has also experienced a partial deterioration (dropping from 22,500 to 21,600 billion Lira), mainly reflecting a net slowdown in the outlays of foreign tourists in Italy, against an increase in the outlays of Italian tourists abroad. The financial crisis which struck the Far East may have played a role in the reduced income from tourism: the number of Asian tourists in our country, who were traditionally distinguished by a relatively high outlay per capita, plummeted drastically last year.

7. EXPORTS OF ITALIAN REGIONS

In 1998, the dynamics of Italian exports by region (province) of origin was marked by two circumstances: their almost generalized collapse in the Far Eastern markets whose demand has continued to fall, together with, for the second year running, the good performance of the Mezzogiorno (Southern Italy) compared to the rest of the country.

EXPORTS OF GOODS BY MACRO-REGIONS
(percentage weights at current prices)



Source: ICE processing of ISTAT data

The areas which were the most penalized by the Asian crisis were the regions of Central-Northern Italy, in particular Lombardy, Tuscany, and Liguria which were the most exposed in these markets.

Only six regions (Basilicata, Calabria, Campania, Friuli Venezia Giulia, Trentino Alto Adige and Valle d'Aosta) experienced a surge of foreign sales in terms of value compared to 1997, and all of them, aside from Campania, were favored by the fact that for these regions, Asian markets are essentially residual markets. On the contrary , the importance of these markets for the other regions, placed them at in strongly disadvantaged position: this is the case, for example, of Lombardy (which predominantly exports instrument engineering equipment), of Tuscany (especially as far as the provinces of Florence and Prato in the textile-clothing and leather-footwear sectors are concerned) and Liguria (for whom the already modest exports furthermore clearly fell in other areas).

Among the main exporting regions of Central-Northern Italy, only Emilia Romagna and Lazio made additional gains in their shares of national exports, consolidating their results of the previous two-year period and offsetting Lombardy and Piemonte whose shares, on the contrary, continued to slide downward; while all of the various sectors contributed rather uniformly to Emilia Romagna's performance, Lazio's was instead almost exclusively due to the fact that in 1998 its exports of "other transport equipment" item tripled and more precisely that of spacecraft, an upsurge that is confirmed by the first data for the year 1999.

After a five-year period of intense growth, foreign sales of the Marches shrank by 2%; while those of Veneto grew, but, as in 1997, to a limited degree: in both regions the industrial districts which integrate the activities of numerous small-to-medium manufacturers of "traditional" goods, found themselves grappling with a reinforced competitiveness capacity from Asian countries which had devalued their currencies. The difficulties both of the Marches as well as of Veneto seems to be confirmed by the data concerning the winter of 1998-1999, when the value of their exports, especially of the Marches, experienced a sudden contraction compared to the same period last year.

The share of Southern Italy is growing owing to the contribution of almost all of the regions.

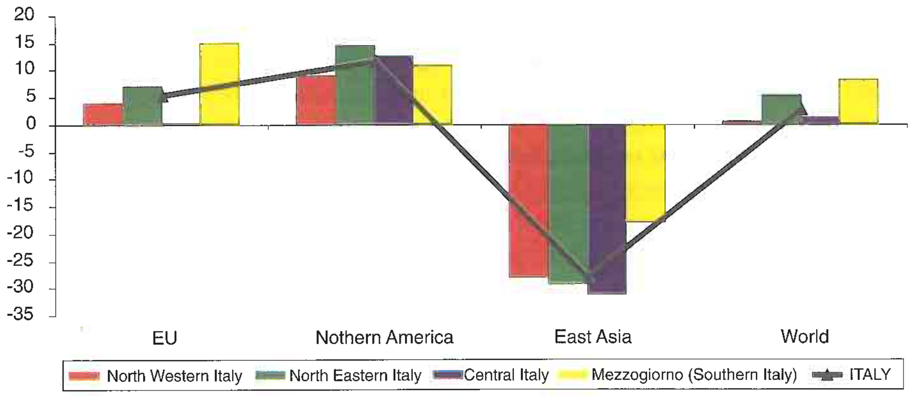
The *Mezzogiorno* (Southern Italy) reached a 10.2% share in 1988, up from 9.6% in 1997, thanks to the contribution, of all the peninsular regions (aside from Molise) which on the whole, distinguished themselves by a marked growth in the sales to the European Union of mechanical engineering products, especially high-technology ones and motor vehicles. In the case of motor vehicles it concerns a result imparted by a FIAT plant, and it furthermore involves exports of mechanical engineering products coming from local factories, not only from multinational enterprises, but also from "homegrown" factories, predominantly from the Abruzzo and Campania regions, whose competitiveness has been constantly growing stronger.

The export performance of the regions of Sicily and Sardinia have proved unsatisfactory (respectively they increased negligibly and distinctly diminished), unlike that which occurred in 1997: in spite of some signs of their diversification, for example such as that of Sicily's diversification in mechanical engineering, Sicilian exports continue to be concentrated in petrochemicals, and consequently Italy has felt the repercussions of the international crisis of this sector.

The Mezzogiorno's "degree of openness" on foreign markets, measured by the ratio of exports to the value added in the industry, has been tending to rise, even though in 1997, it was still half that of the national average.

EXPORTS BY MACRO-REGIONS FOR SOME DESTINATION AREAS

(percentage variations at current prices 1998/97)



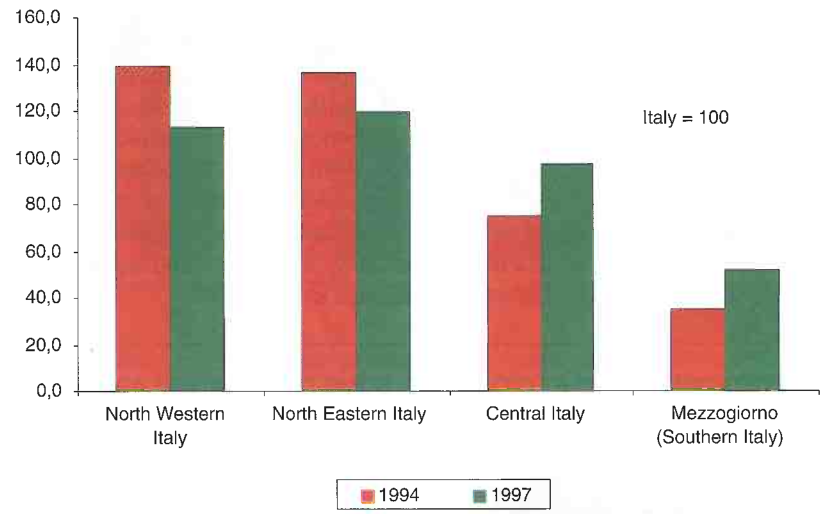
Source: ICE processing of ISTAT data

Three main exporting regions (Lombardy, Piemonte and Veneto) still account for nearly 55% of Italian exports, against the 59% of 1992. A similar concentration as well as a similar tendency toward its diminution, can be observed at the provincial level: in 1998 the aggregate share of Milan, Turin and Vicenza was overall almost 25%, but those of Rome and Naples have risen, remaining however modest ones, and the importance of some "peripheral" provinces such Brescia, Udine and Chieti has continued to grow.

In the services (net of transports and trips abroad), exports from Lombardy were 50% greater that the national ones.

A "section" on the exports of services has been presented in this chapter. It is emphasized that among other factors, the slow but constant internationalization of the Italian service sector is limited to some regions with high rate of urban "agglomeration" possessing adequate infrastructure services; in particular this refers to Lombardy , where the progressive loss of share of merchandise has been offset by the strengthening of its quasi monopoly in some advanced services (brokerage, services for business firms). As a counterweight, the importance of the Mezzogiorno is absolutely negligible. The trade off between merchandise and services exports is confirmed in 1998, when the not overly positive dynamics of the former was offset by a hearty growth of the latter for as far as Lombardy, Piemonte and Liguria are concerned, while the opposite occurred in the case of Lazio.

DEGREE OF OPENESS ON FOREIGN MARKETS
(ratio of export to added value in the industry)



Source: ICE processing of ISTAT and Istituto Tagliacarne

8. THE INTERNATIONALISATION OF ITALIAN COMPANIES

This chapter offers an evolutionary overview of the ways in which the Italian firms have been internationalizing their activities with a special focus on exports and direct investments abroad.

More than 170,000 exporters operate in Italy, with 4,000,000 employees, half of which are in large sized firms.

There were more than 171,000 Italian exporters in 1998, of which 160,000 were specialized in marketing manufactured goods. Overall, exporting firms employed approximately 4,600,000 people in 1996, equal to a bit less than a third of Italy's domestic employment in their corresponding sectors of activity. For 65% of these, it involves firms belonging to industrial sectors, while the firms in the commercial sector account for 35%. Again more than 92% of the total is represented by small business firms (less than 50 employees), accounting for 32% in terms people employed, 7% by medium-sized firms (from 50 to 249 employees), accounting for 22% of people employed, and finally 0.5% by large business firm accounting for 46% of employees.

Part of the exporting firms, whose exact number cannot be ascertained but which doubtlessly totals more than twelve thousand companies, displays "slight" forms of internationalization, i.e. commercial and service branches, as well as commercial, productive and technological cooperation agreements with other companies abroad. The number of Italian firms with direct investments abroad in industrial activities is, on the other hand, according to authoritative estimates, greater than a thousand, of whom 867 along with their fundamental economic characteristics have been assessed by currently available sources. As expected their structural make-up is just as varied as that concerning exporters: the small business firms account for 20% of the total, the medium-sized firms for 39%, the large firms for 41%.

The turnover which arises from these exports and from the production of the foreign holdings amounts overall to more than 600,000 billion Lira in 1998, a doubling compared to the values of 1991.

The number of exporters grew, although slightly and with oscillations, throughout the 1990's peaking during the 1995-96 period. This growth has been accompanied by a series of changes which point to a consolidation of Italian firms' international projection: (a) the average return on exports, which between 1992 and 1998 rose from 1.3 to 2.4 billion Lira; (b) the importance of micro-exporters has fallen; (c) the stability of the exporting activity has increased, i.e. the number of non-episodic exporters; (d) the geographic diversification of exporting activities, more frequently present in various areas, with significant increases in the direction of the ex-communist countries, the developing countries of Latin America, the Middle East, Africa and the European countries.

The territorial distribution of Italian exporters shows Northern Italy accounting for 69% of exports, Central Italy for 19%, while for Southern Italy, the percentage stops just under 12%. The dynamics of the 1994 - 1998 period, however, shows an increase in Mezzogiorno's share (by1.7 points) - although in the presence of exporters of smaller dimensions and less stable compared to the national average – as well as a slight growth of the Central Italy's share (by 0.5 points).

The rapid growth of the club of investors has been favored by the entry of many small-and-medium-sized firms.

The growth in the number of the firms which have started up productive activities abroad has been far more rapid, whether these be totally controlled subsidies or detain shareholdings together with other investors: the number of Italian multinational firms has soared by more than 60% since 1991. This growth has been attained through the involvement of small-and-medium-sized business enterprises, rather than through large firms. This last class of firms has however maintained an

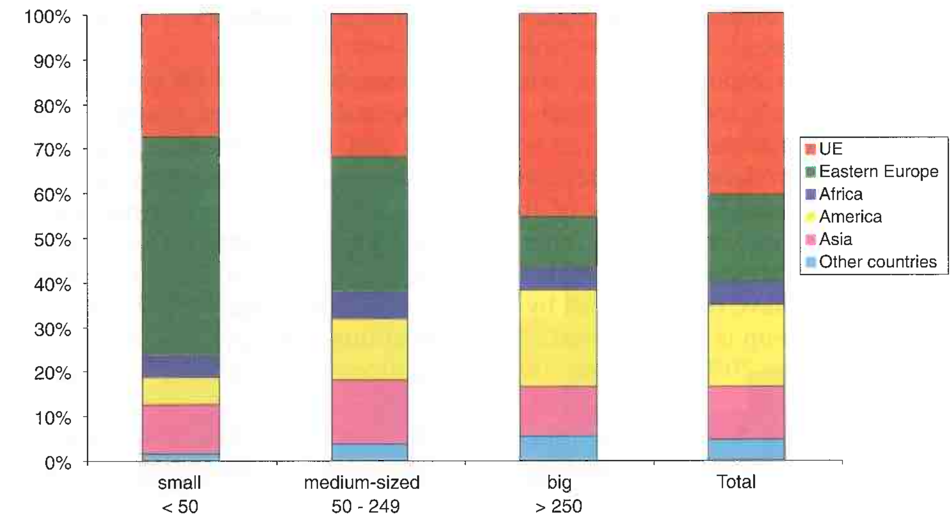
Italian foreign direct investmens in Asia and Western Europe have grown faster.

unmistakable predominance, since they account for more than 67% of the total of foreign holdings, 88% of the related employees and 96% of the total billed income generated abroad. The distribution of investment by large geographical areas sees the predominance of Western Europe with a share of 42% of subsidiaries; followed by Eastern Europe (20%), Asia (13%), North America (10%) and Latin America (8%). A more accelerated growth has taken place in Asia and Eastern Europe in recent years.

The territorial distribution of the Italian multinational enterprises is even more polarized than that concerning exporters: nearly 86% of the holdings abroad are owned by Northern Italian investors, against the 10% of Central Italy and slightly more than 4% of Southern Italy.

INDUSTRIAL FIRMS HELD BY ITALIAN INVESTORS BY CORPORATE SIZE OF THE INVESTOR AND BY GEOGRAPHICAL AREA

(als of 13.12.1997, percentage of shares)



Source: ICE processing of CNEL - R&P - Politecnico di Milano data

The cases of buisness firms.

We would like to illustrate the cases of six Italian companies as a way of rounding out the general overview concerning modalities of their growth abroad and the factors of their success.

Small-and-medium-sized irms which invest abroad: the case of Antresud

Antresud, a small multinational company operating in a high-technology sector such as telecommunications, is an example of the many Italian companies which have invested in Eastern Europe (Rumania, in this specific case). However, unlike many investments in that area, which have chiefly been motivated by the lower labor costs, the company's strategic orientation lies in the sense of conquering market share, by taking advantage of a fundamental competitive advantage which lies in the firm's technologically advanced production specialization. Antresud, with the support of the Jop-Phare/Tacis community financing program, has also coped with an important challenge in terms of the professional training of local human resources, while accruing interesting experience.

Transport, logistics and trading: Coeclerici.

Coeclerici operates in the area of international transport and in particular in trans-oceanic shipping, in the marketing and trading of raw materials as well as in port logistics systems. Coeclerici is therefore active in a service sector with a strong international projection, one in which few Italian firms can boast of reputations or competitive abilities. Coeclerici has founded its own advantage on an accumulation of expertise and experience which began at the end of the last century. Coeclerici furthermore represents the case of a company which has undergone restructuring and focused once again on its core business. Its restructuring was specifically oriented on strengthening its logistic activities linked to the integrated supply cycle, as a reaction to the very grave crisis which struck the international sea freight market.

From overseas subsidiaries to the world car: the globalization of FIAT.

The case of the universally known Fiat corporation, has been examined in this report both because the group has, in the last few years, intensified its transnational importance, as well as to examine if and how its strategies have changed concerning the setting up of factories abroad in areas which are strategically important but which have recently been rocked by economic and/or financial crises (in particular Latin America and Russia).

Specialization and sompetitiveness in fine chemicals industry: Indena.

Indena, a company which operates in the chemicals sector producing active principles from medicinal plants, has followed a mainly mercantile natured path of internationalization; more than 90% of its earnings come from exports, mainly to multinational pharmaceutical and cosmetics enterprises. Indena's international competitiveness has translated into a leading position in its specific activity segment, a position maintained for over ten years, held especially in technologically evolved countries, such as the United States. Underlying Indena's success is a series of distinctive areas of expertise, linked to research, together with a strong capacity to innovate its products and to offer technical assistance to its clients. Not least among its competitive factors, is Indena's international network of supply of raw materials. Indena is looking into the possibility of carrying out direct investments in foreign countries in order to enlarge this supply.

From the Mezzogiorno in 140 countries: Natuzzi sofas.

The Natuzzi Group is highly export-oriented, with exports absorbing 92% of its production in 1998. The Group operates in the upholstered furniture sector. Natuzzi whose headquarters are located in the Mezzogiorno, has played the role of a locomotive as regards professional training in the provinces of Bari and Matera. Here a real and genuine "living room furniture district" has sprung up with no less than 150 companies working in this field. This thus represents a case of a successful Southern Italian business firm, which has thrived in spite of the inefficiency of the infrastructural environment. The choice to export and to keep production in Italy, despite the not negligible importance of transportation costs has been motivated by the need to keep close control over quality and to guarantee the contribution of a specialized workforce. Natuzzi's international competitiveness and its firmly established presence in important markets (Germany and the United States) can be traced back to the specific competitive positioning that the company has taken, differentiating itself from other producers in the same sector, such as the furniture makers of Brianza. This positioning has been characterized by the establishing middle bracket of the market as it marketing target, a differentiation driven by models, by the quality of the raw materials, by an excellent price-quality ratio, by a privileged relationship with the great distribution chains, and by close attention to the consumption patterns of the main international markets.

"Exporting" the firm: the case of Parmalat.

Finally, unlike the two previous cases, Parmalat, which operates in the food sector (milk, fruit juices, tomato products, oven-ready products) has forged its own expansion abroad, through both direct investments and international acquisitions. The growth of the company was very rapid during the 1990's with revenues which grew ninefold; the number of foreign acquisitions effected until today, totals more than fifty companies. The recourse to direct investments was determined, first of all, by the special characteristics of the agro-alimentary sector, which is distinguished by high logistics and transport costs and strong customs protection. However the growth of the firm in international markets is also the outcome of a precise corporate strategy which takes full advantage of the technological know-how and managerial expertise it has accumulated.

9. ITALY'S INTERNATIONALIZATION PROMOTION POLICIES

A considerable boost to the reform process of the policies of support to the internationalization of business firms was imparted by Legislative Decree no. 143 of March 31st in the year 1998.

This intervention significantly redrew the map of the bodies available to support exports and the internationalization of Italian business firms. It redefined the organizational and coordinating structure and foresaw among others

- the introduction of the *CIPE (Interministerial Committee for Economic Planning) for the Coordination and Strategic Planning of Foreign Trade Policy* better known as the *Cabina di Regia* (literally the direction box or cabin). The new body exercises a real and effective coordination function, both among the various Ministries (Ministry of Foreign Trade, Treasury, Industry, Agriculture, Foreign Affairs), as well as among the various public subjects and private operators. The CIPE for the Coordination and Strategic Planning of Foreign Trade Policy defines coherent strategies and actions which are apt to support and stimulate the presence of the *Italy system* abroad. It points out priorities and the most useful instruments; and also harmonizes the various instruments to employ from a commercial, financial, insurance and promotional standpoint in order to maximize the impact and effectiveness of the projection of Italian business firms on markets;

- *the transfer of all facilities awarding and support activity for internationalization to the SIMEST* (Italian Financial Institution for the Promotion of Italian Business Abroad), starting as of the 1st of January of 1999.

Toward a greater coordination of foreign trade policy: the Legislative Decree 143/98.

In particular this involves: financial facilities on the basis of the provisions laid down by Law of May, 24 1977 (*Ossola Law*), which constitutes the most important part of the new commitments of the SIMEST; financial facilities for stable trade penetration programs in non-European Union (EU) countries in conformity with the provisions laid down by Article 2 of Law 394/81; financial facilities for outlays concerning Italian corporate participation in international tenders in non-EU countries, on the basis of Article 3 of Law 304/90; financing for Italian business firms for *joint-venture* capital shareholdings in non-EU countries, on the basis of Art.4 of Law 100/90, for operations in which the same SIMEST intervenes with its own shareholding;

- *the transformation of the SACE*, from a separate section from the INA (Italian State Insurance Company), into a public body, with its own financial and managerial autonomy;

- *the reorganization of the computer network of the National Institute for Foreign Trade* (ICE) for the purpose of establishing links to the Regions and the Chambers of Commerce, it also foresees the possibility Italian business firms having direct access;

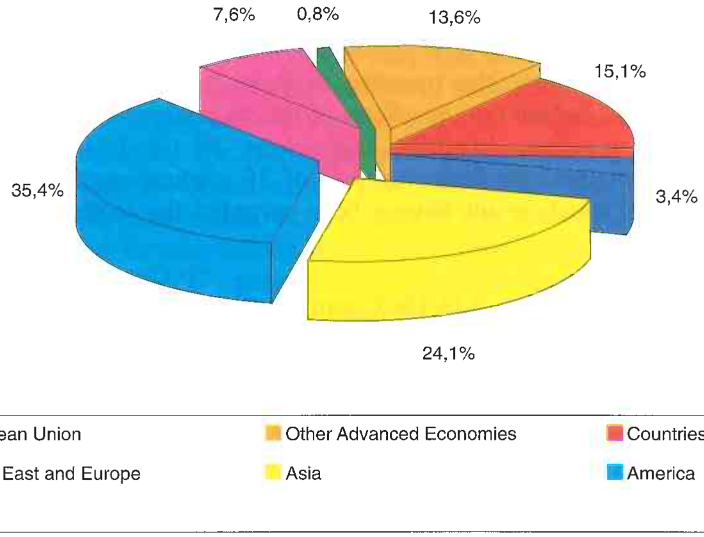
- the opening of *regional branch offices for the internationalization of Italian businesses*;

- *specific interventions in the agriculture-food sector* aimed at the promotion of high quality Italian products on foreign markets.

Compared to 1997, the activity of allocating *export credit facilities* in 1998 experienced a certain decline. The demands which were accepted in the course of the year amounted to 148, less than half of those of 1997, for a overall extended capital credit of 4,337 billion Lira, a 34% drop against the previous year.

The reasons for such a fall can be explained by two factors: the first is the situation of uncertainty created after the approval of Legislative Decree 143/98, owing to the late enactment of implementive regulations which could definitively regulate the whole matter; the second concerns the tendential reduction of the facilities' margins, which has lessened business firms' interests in this kind of support. The request for financial facilities by business firms is indeed linked not only to the legislative framework but also to the export dynamics in the various geographical areas and the amount of the facilities' margins.

CREDIT FACILITIES FOR EXPORTS: DISTRIBUTION BY GEOGRAPHICAL AREA
(percentage values)



Source: ICE processing of SIMEST data

The new structure of the SACE increases support to small-and-medium-sized enterprises .

The Legislative Decree no. 143 of March 31,1998 has brought about notable variations to the *structure* and to the *operative functions* of the *SACE (Export Credits Guarantee Department)*. Endowed with a new denomination (the *Institute for Foreign Trade Insurance Services*) the SACE has become an institute regulated by public law, supplied with its own property and managerial autonomy which are now separate from the INA, (National Insurance Institute). The SACE operates on the basis of directives from the CIPE (Interdepartmental Committee for Economic Planning) within the Ministry of Treasury's jurisdiction. The new Institute, in addition to offering insurance polices against the multiple kinds of risks, can also stand sureties. Furthermore, in addition to the funds the Institute disposes of, for granting mortgages and loans, and even issuing debentures, SACE now has access to additional funding from special account at the Central State Treasury. Consequently the new structure given to the SACE, allows it to strengthen assistance provided to exporting firms while at the same time steering the Institute toward managerial systems inspired by the constraint of financial equilibrium.

The value of the insured operations diminished in 1998.

The amount of the SACE's insured operations of fell off during 1998, compared to 1997 (from 5,654 to 4,939 billion Lira). Although halting itself above the historical bottom reached in 1996 (of 2,237 billion Lira), the figure recorded this year is still far lower than the average levels of the 1980's and those of the first half of the 1990's. The decrease recorded in 1998 is to be attributed exclusively to short-term operations (up to 24 months), fed by the revolving credit line, which passed from 5,363 to 4,149 billion Lira, while the medium-to-long-term operations soared remarkably (from 291 to 790 billion Lira) compared to those of last year.

The year 1998 was marked by a slight increase in the number of demands for financing presented for the implementation of *trade penetration programs in countries outside of the European Union*. Even if one considers the demands which were still outstanding at the end of 1997 (equal to 76 case), we arrive at 198 demands being examined (against the 160 of 1997). Both the number of cases of financing granted and their value have increased. The examination of the kinds of applicants allows us to ascertain a strong prevalence (nearly 80% of the total) of small-and-medium sized enterprises, which had become less important over the last three-year period.

The use of *financing for the participation in international tenders* continues to be rather modest. Until now, the recourse to these facilities has not developed significantly and it has indeed felt the effects of the stagnation which has rocked the entire construction business. In 1998, there were 18 (in 1997 there were 9) companies which obtained the financing (out of 25 applications). The number of recipient companies which result having been awarded the tender has until now stood at less than 2%.

The Legislative Decree no. 143/1998, profoundly modified the Law 100/1990. The innovations introduced, which have been in force since the first January 1999, concern first of all, SIMEST. SIMEST's scope has been broadened and it is now allowed to buy stock in Italian companies operating abroad whether exclusively Italian-controlled companies or joint-ventures set up overseas. This right has also been extended to Italian controlled EU companies whose capital is either exclusively Italian "or to business firms which have stable organizations in a State of the European Union " which are controlled by Italian firms. The shareholding which is assumable under the title of public financing has been raised to 25% (compared to the previous 15%). The new statute also foresees the possibility of interventions for feasibility studies.

In 1998 the Board of Administrators approved SIMEST's participation in 50 new joint venture projects, a higher number than the previous year's (40). The overall investments approved should amount to approximately 3,160 billion Lira and give work to more than 9,000 employees. SIMEST's financial commitment will be 82 billion Lira, greater than that of 1997 (67 billion Lira).

The demand for real support for internationalization services has increased.

In the last few years the demand for *real internationalization support services* has grown strongly not only in terms of quantity, but also quality. The quantitative boom should be linked to the increase in the overall number of firms operating in foreign markets, both as a result of favorable conditions determined by the devaluation of the Lira in the first half of the 1990's, but especially, given the domestic market's limited growth rates throughout the entire span of the decade, as a result of a greater need to insert activities in foreign markets among a company's priorities. Indeed, throughout the 1992-1998 period, exporting companies rose from 166,500 to 171,000, with a conspicuous increase in both the stability of exporting activities and of average revenues.

The process of revising the instruments used for the information activities of the ICE is continuing.

In 1998, ICE continued its commitment to the process, started in 1997, of revising the instruments it uses for its information activities. Special attention has been allotted to raising the quality of computerized information products and to strengthening its computer structures. In particular, in 1998 the activity was realized in conformity with the plan drawn up by the three-year project *New National*

Information System for Foreign Trade (SINCE), a system on Internet dedicated to the internationalization of Italian firms, and open to the public and private subjects of our country. In the area of publishing, in 1998 priority was given to *Country Guides* and *Guides to Investments.* The *collaboration between ICE and ISTAT (National Statistical Institute) in establishing SISTAN (National Statistical System)* grew notably stronger in 1998. The most important result is represented by a *Convention* drawn up between the two Institutes in the matter of statistics on foreign trade.

The downward trend of the size of allocations of assistance services to exporters by ICE continues.

As regards the size of ICE's allocation of assistance services to exporters in 1998, the downsizing started in 1995 has continued: the number of assistance services to exporters fell to 33,893 against the 35,837 of 1997; the number of customers decreased, passing from 12,651 to 10,465 and are distributed as follows: 67% to Northern Italy, 20% to Central Italy and the remaining 13% to Southern Italy; a downturn was recorded in the number of subscribing firms, 4,061 against the 4,363 of 1997, even if less when compared to that of the previous years; a negative trend was also recorded for customers who had acquired promotional services, which dropped from 3,945 units of the year 1997 to 3,313 in 1998; if we consider participations in several initiatives, the number has risen to 4,877. This tendency stems from various factors, among which the transition phases experienced by the Institute in the 1994/97 period; the discontinuance of the demand for internationalization services by small-and-medium-sized enterprises linked to the achievement of pre-established objectives in foreign markets; the evolution of the corporate demand for support toward forms of assistance aimed not only at the first entry in foreign markets but also towards the consolidation of their positions once they have entered the market.

The quality and the level of specialization of the services offered improves.

The contents of the promotional activities to adapt the traditional needs of specific sectors and objectives of general promotion of the national productive systems is being diversified.

In the last few years, ICE's promotional activity has aimed at a progressive enlargement of its objectives and adjustments to the new public administration decentralization process underway in our country.

In the first area, the action has been directed not only at the traditional expansion of business opportunities for Italian enterprises abroad and at the global and sectoral strengthening of the *Made in Italy*, but special attention has also been given to activities of bilateral industrial collaboration and to the involvement of Italian firms in the area of multilateral cooperation projects. The contents of promotional activities have also been diversified in order to adapt them to the traditional and specific sectoral needs, as well as the general promotion of Italy's productive system objectives. Hence, the plan to hold the so-called special events on a biannual basis, dedicated to *Made in Italy* in countries which have great, either current or potential prospects. This plan was respected in 1997 with the *China Event* and followed up in 1999 by the *Argentina Event*. In the second area, concurrently with the gradual process of transferring competencies to the Regions, specific collaborations with regional authorities have been developed with the goal of affirming local business enterprise systems in overseas markets.

STATISTICAL TABLES

WORLD EXPORTS OF GOODS AND SERVICES

(billions of dollars and percentages of change)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Goods	2,859	3,087	3,438	3,505	3,755	3,742	4,239	5,071	5,150	5,325	5,225
% change	*13.9*	*8.0*	*11.4*	*1.9*	*7.1*	*-0.3*	*13.3*	*19.6*	*1.6*	*3.4*	*-1.9*
Trade services	605	664	789	833	931	944	1,036	1,191	1,275	1,320	1,290
% change	*8.2*	*9.8*	*18.8*	*5.6*	*11.8*	*1.4*	*9.7*	*15.0*	*7.1*	*3.5*	*-2.3*
Total	3,489	3,793	4,295	4,399	4,672	4,630	5,197	6,262	6,425	6,645	6,515
% change	*13.7*	*8.7*	*13.2*	*2.4*	*6.2*	*-0.9*	*12.2*	*20.5*	*2.6*	*3.4*	*-2.0*

Source: ICE processing of WTO data

Table 1.1

WORLD TRADE OF GOODS IN VOLUME

(percentages of change)

Source	average 1981-90	average 1991-98	1991	1992	1993	1994	1995	1996	1997	1998	forecasts 1999	2000
IMF (1)	4.7	6.4	4.6	4.7	3.7	9.1	9.6	6.9	9.9	3.3	3.8	5.8
WTO (2)	5.3	6.4	4.0	3.8	4.6	9.7	10.0	5.5	10.5	3.5	-	-
OECD (3)	-	6.7	4.1	4.7	3.8	10.8	9.2	6.9	9.9	4.5	3.9	5.6

(1) June 1999 - average of rates of change of world exports and imports.
(2) April 1999 - exports.
(3) June 1999 - average of rates of changes of world exports and imports.

Source: ICE processing of IMF, WTO and OECD data

Table 1.2

TRADE OF GOODS BY GEOGRAPHIC AREAS

(percentage change in volume)

Areas and countries	average 1981-90	average 1991-98	1991	1992	1993	1994	1995	1996	1997	1998	forecasts 1999	forecasts 2000
World trade (1) (3)	4.7	6.9	4.6	4.7	3.7	9.1	9.6	6.9	9.9	3.3	3.8	5.8
EXPORTS												
Advanced Economies (2) (3)	5.3	7.0	5.8	5.2	3.4	8.7	9.1	6.3	10.3	3.2	2.8	5.6
EU	4.5	6.0	2.5	2.8	1.3	10.4	8.2	6.3	9.4	4.9	3.0	5.3
United Kingdom	4.2	5.9	0.5	2.2	0.1	13.0	10.6	8.2	7.6	0.0	1.3	4.3
EMU (3)	4.7	5.1	6.2	3.3	0.8	8.5	7.9	5.0	9.9	9.6	3.4	6.9
of which:												
Italy (4)	4.3	6.3	0.1	3.8	8.9	11.7	11.9	1.2	4.6	1.6	1.3	5.7
Germany	4.4	4.6	1.4	0.8	-6.3	9.0	6.7	7.1	10.7	4.8	2.6	5.3
France	3.9	6.1	3.9	4.7	-1.0	6.5	7.9	5.1	13.0	6.7	3.9	3.9
United States	5.1	9.6	7.0	7.0	3.4	9.9	12.5	9.7	15.4	2.2	3.1	6.0
Canada	5.9	7.4	2.6	7.9	11.3	13.2	9.1	5.7	9.0	8.6	7.2	6.2
Japan	5.1	3.1	2.5	1.5	-2.1	1.7	4.4	0.7	11.8	-1.2	0.9	4.3
NIEs	11.2	10.8	12.7	11.7	12.1	12.5	15.1	7.7	10.6	0.4	1.2	5.1
Countries in Transition	—	2.9	-16.6	10.0	8.6	14.5	16.6	4.9	-9.7	-1.9	-7.7	2.3
Developing Countries (3)	2.9	9.6	5.5	9.7	7.8	13.5	12.4	8.8	11.1	1.5	4.3	5.5
Middle East and Europe (3)	0.4	7.6	1.2	11.9	3.4	10.0	6.4	8.8	5.4	-1.9	3.2	4.8
Asia (3)	7.0	12.9	12.2	10.8	11.5	19.3	15.5	8.2	14.5	3.0	3.8	4.7
America (3)	5.0	9.1	3.9	12.7	10.4	11.9	13.7	10.2	12.3	2.8	6.5	7.1
Africa (3)	1.1	4.9	3.0	-0.8	1.7	4.7	9.3	8.7	5.7	-0.7	4.0	6.9
IMPORTS												
Advanced Economies (2) (3)	5.7	6.5	3.4	4.8	1.7	9.7	9.1	6.5	9.1	4.7	5.0	5.7
EU	4.7	4.9	4.0	2.7	-4.4	9.0	6.8	5.1	8.1	8.5	4.2	5.5
United Kingdom	5.6	4.9	-5.2	6.2	0.4	6.3	6.0	9.8	8.7	8.1	3.9	4.5
EMU (3)	4.5	4.0	4.2	3.5	-3.1	7.8	7.4	4.2	8.9	7.8	4.8	6.2
of which:												
Italy (4)	3.8	4.0	4.5	3.4	-10.2	12.4	8.7	-3.0	9.7	7.5	2.1	6.1
Germany	4.7	4.4	11.9	1.3	-9.8	7.9	6.9	5.5	6.1	8.3	2.9	5
France	4.1	3.8	2.9	0.9	-4.1	7.3	5.8	2.5	8.1	8.7	5.0	5.0
United States	6.7	8.9	-0.1	9.6	10.5	13.6	9.6	10.0	14.7	11.5	8.2	4.3
Canada	5.6	8.0	3.1	7.6	8.7	10.6	7.5	5.6	16.1	7.9	5.1	6.4
Japan	5.7	5.9	3.9	-0.7	3.7	13.4	13.7	5.0	1.7	-5.3	1.1	2.1
NIEs	10.8	11.5	15.7	12.6	11.2	14.0	15.0	7.6	7.6	-8.8	2.7	6.4
Countries in Transition	—	1.0	-20.3	-17.1	11.0	6.9	20.3	2.6	0.5	1.6	-20.5	0.6
Developing Countries (3)	2.3	8.6	5.4	12.9	9.9	6.1	12.9	8.0	7.5	-3.0	3.1	6.5
Middle East and Europe (3)	0.9	5.1	0.9	22.9	0.9	-14.0	7.4	9.0	12.5	5.1	3.2	5.2
Asia (3)	7.1	12.0	8.4	11.7	19.1	14.7	16.3	9.2	3.7	-11.6	6.0	8.8
America (3)	-0.9	8.6	10.8	9.1	9.6	10.6	11.3	6.4	12.2	3.6	-1.3	4.5
Africa (3)	-0.2	4.2	-1.3	4.3	-0.1	4.8	12.3	4.6	5.9	2.9	2.9	5.7

(1) Average of world imports and exports.
(2) Including. in addition to the industrialized countries. the NIE's and Israel.
(3) IMF data. World Economic Outlook. June 1999
(4) ISTAT data up until 1998 and IMF data for the forecasts.

Source: OECD Economic Outlook. June 1999

Table 1.3

PRICES IN DOLLARS OF INTERNATIONAL TRADE

(percentages of chages)

Areas and countries	average 1981-90	average 1991-98	1991	1992	1993	1994	1995	1996	1997	1998	forecasts 1999	forecasts 2000
Goods (1)	1.3	-0.8	-2.0	2.1	-4.2	2.4	8.6	-1.3	-6.5	-4.3	-	1.8
Manufactured Goods (2)	3.2	-0.4	-0.4	3.5	-5.7	3.0	10.3	-3.1	-7.8	-1.5	2.3	1.0
Petroleum (3)	-	-6.8	-15.7	-1.7	-11.8	-5.0	7.9	18.4	-5.4	-32.1	-8.3	13.4
Raw materials non energy related (4) of which:	-0.7	-0.5	-5.7	0.1	1.8	13.4	8.4	-1.2	-3.3	-14.8	-4.0	1.8
Foods	-2.2	2.8	-0.9	2.3	-1.3	5.1	8.1	13.2	10.8	-12.7	-2.8	1.8
Beverages	-6.1	4.3	-6.5	-13.9	6.3	74.9	0.9	-17.4	32.6	-15.2	-11.5	-0.8
Raw materials agricultural	1.6	0.8	-3.6	2.7	16.2	9.5	4.3	2.7	-6.0	-16.3	1.3	1.8
Metals	1.1	0.2	14.3	-2.3	-14.2	16.6	19.5	-11.9	3.0	-16.3	-10.3	3.3
Fertilizers	-1.4	2.0	3.2	-5.0	-15.4	8.0	10.6	13.7	1.1	2.8	-3.7	-2.9
USA Dollars (5)	-	5.3	2.2	1.8	6.3	6.8	2.4	5.4	7.1	10.8	-0.4	0.2

(1) Average unit values of world exports and imports.
(2) Average unit values of advanced economies' manufactured exports.
(3) Average spot market prices of Brent. Dubai and West Texas Intermediate.
(4) Average of market prices.
(5) Effective nominal exchange rate.

Source: ICE processing of IMF and OECD data.

Table 1.4

COMPETITIVENESS INDICATORS OF THE MAIN COUNTRIES. YEARS 1991-1998

(calculated on the basis of production prices of the manufactured goods, base 1993=100)

COUNTRIES	1991	1992	1993	1994	1995	1996	1997	1998
				INDEXES				
Austria	99.2	99.5	100.0	100.0	100.9	98.7	95.3	95.9
Belgium	101.2	102.2	100.0	102.0	105.9	103.9	100.2	99.7
Denmark	98.8	99.4	100.0	98.7	102.3	102.2	100.0	101.1
Finland	129.0	114.0	100.0	107.5	117.3	112.4	109.4	108.3
France	98.3	99.7	100.0	99.7	101.2	98.9	94.1	95.4
Germany	95.2	98.8	100.0	99.2	103.6	100.5	95.3	96.9
Greece	93.2	97.5	100.0	98.6	100.4	104.5	105.8	103.9
Ireland	100.6	104.0	100.0	99.7	99.8	101.7	100.5	97.4
Italy	118.6	116.4	100.0	97.8	93.2	103.9	103.9	105.9
Netherlands	101.4	101.4	100.0	99.4	103.7	102.4	98.7	97.5
Portugal	90.9	101.3	100.0	99.2	101.1	103.7	103.0	105.6
United Kingdom	108.9	107.3	100.0	101.2	97.6	101.4	117.5	123.9
Spain	115.1	112.5	100.0	95.7	98.3	99.9	95.7	95.4
Switzerland	120.1	118.7	100.0	101.8	108.2	114.9	110.3	108.6
Norvegia	104.4	104.7	100.0	98.1	98.7	99.8	100.5	97.3
Norway	100.7	98.6	100.0	104.4	108.4	104.0	96.0	97.6
United States	100.0	98.0	100.0	98.2	96.3	100.3	105.8	109.7
Canada	111.0	103.8	100.0	98.1	100.2	101.0	101.6	97.9
Mexico	88.1	94.7	100.0	96.4	67.5	76.9	87.7	89.7
Japan	83.7	86.2	100.0	103.7	104.1	87.5	83.0	79.7
South Korea	110.6	102.1	100.0	97.5	98.5	101.3	95.9	77.5
Hong Kong	86.7	91.9	100.0	103.7	103.9	116.4	132.3	143.3
Singapore	102.7	101.0	100.0	99.8	99.3	104.8	104.9	94.8
Australia	114.1	106.2	100.0	103.9	100.4	110.6	112.6	102.1
New Zealand	100.4	94.7	100.0	105.4	109.7	116.0	117.2	103.9
				PERCENTAGE VARIATIONS				
Austria	-2.0	0.3	0.5	0.0	0.9	-2.2	-3.4	0.6
Belgium	-3.3	1.0	-2.2	2.0	3.8	-1.9	-3.6	-0.5
Denmark	-2.3	0.6	0.6	-1.3	3.6	-0.1	-2.2	1.1
Finland	-6.5	-11.6	-12.3	7.5	9.1	-4.2	-2.7	-1.0
France	-3.2	1.4	0.3	-0.3	1.5	-2.3	-4.9	1.4
Germany	-1.0	3.8	1.2	-0.8	4.4	-3.0	-5.2	1.7
Greece	2.3	4.6	2.6	-1.4	1.8	4.1	1.2	-1.8
Ireland	-3.4	3.4	-3.8	-0.3	0.1	1.9	-1.2	-3.1
Italy	-0.3	-1.9	-14.1	-2.2	-4.7	11.5	0.0	1.9
Netherlands	-2.6	0.0	-1.4	-0.6	4.3	-1.3	-3.6	-1.2
Portugal	10.0	11.4	-1.3	-0.8	1.9	2.6	-0.7	2.5
United Kingdom	4.1	-1.5	-6.8	1.2	-3.6	3.9	15.9	5.4
Spain	-0.9	-2.3	-11.1	-4.3	2.7	1.6	-4.2	-0.3
Sweden	-0.7	-1.2	-15.8	1.8	6.3	6.2	-4.0	-1.5
Norway	-1.4	0.3	-4.5	-1.9	0.6	1.1	0.7	-3.2
Switzerland	-2.5	-2.1	1.4	4.4	3.8	-4.1	-7.7	1.7
Unites States	-2.5	-2.0	2.0	-1.8	-1.9	4.2	5.5	3.7
Canada	-0.6	-6.5	-3.7	-1.9	2.1	0.8	0.6	-3.6
Mexico	10.0	7.5	5.6	-3.6	-30.0	13.9	14.0	2.3
Japan	7.6	3.0	16.0	3.7	0.4	-15.9	-5.1	-4.0
South Korea	-2.8	-7.7	-2.1	-2.5	1.0	2.8	-5.3	-19.2
Hong Kong	9.2	6.0	8.8	3.7	0.2	12.0	13.7	8.3
Singapore	-3.7	-1.7	-1.0	-0.2	-0.5	5.5	0.1	-9.6
Australia	-1.4	-6.9	-5.8	3.9	-3.4	10.2	1.8	-9.3
New Zealand	-4.9	-5.7	5.6	5.4	4.1	5.7	1.0	-11.3

Source: Banca d'Italia

Table 1.5

THE REGIONALIZATION OF WORLD TRADE

(trade introversion indexes of the main geographical and geo-economic areas)*

	1950	1960	1970	1980	1990	1995	1996	1997	1998
					EUROPE				
CEFTA (1992)	-	8.96	8.22	7.46	6.85	7.72	6.94	6.14	5.73
EFTA (1960)	0.27	0.43	0.40	0.35	0.27	0.31	0.34	0.35	0.41
European Union (1957)	1.20	1.24	1.35	1.50	1.51	1.66	1.67	1.66	1.60
Russia and countries of the Former Soviet Area	-	-	-	-	-	17.37	15.93	15.47	15.70
TOTAL EUROPE	1.29	1.29	1.35	1.48	1.50	1.65	1.66	1.66	1.61
					AMERICA				
NAFTA (1994)	1.91	1.81	1.88	2.13	2.15	2.38	2.41	2.37	2.25
CACM (1960)	11.66	25.43	63.84	78.39	96.91	74.59	84.97	58.91	51.15
CARICOM (1973)	2.57	18.21	21.65	58.85	133.94	72.97	204.35	195.99	215.02
MERCOSUR (1991)	1.87	3.52	5.82	6.58	9.78	13.36	14.23	14.04	14.2
Andean Pact (1969)	1.65	0.35	1.4	3.19	7.26	16.02	15.28	13.05	15.08
Others America	0.58	1.44	1.24	3.55	4.34	2.18	2.65	2.29	2.5
TOTAL AMERICA	2.08	2.01	1.92	2.2	2.17	2.29	2.32	2.29	2.22
					AFRICA				
COMESA (1994)	1.5	2.29	7.18	4.57	7.65	10.5	12.07	12.07	12.59
ECOWAS (1975)	0.5	1.07	3.16	5.44	14.51	21.94	21.52	24.33	25.23
SADC (1992)	4.81	1.87	2.22	0.33	4.52	15.03	16.06	16.16	16.36
Others AFRICA	1.82	2.11	3.11	0.66	4.22	4.51	3.99	3.62	3.62
TOTAL AFRICA	1.68	0.99	2.04	1.34	3.25	5.48	5.73	6.15	6.29
					MIDDLE EAST				
UAE-GCC (1982)	-	-	6.88	0.82	4.98	4.09	2.94	2.81	3.57
Other Middle East	3.30	2.37	2.34	1.58	2.86	3.42	3.09	2.49	2.47
TOTAL MIDDLE EAST	3.30	2.37	2.13	0.85	2.66	2.75	2.31	1.99	2.19
					ASIA				
ANZCERTA (1983)	0.91	2.21	3.38	4.87	5.67	7.57	7.27	7.26	6.43
ASEAN (1967)	1.48	5.22	8.03	4.79	4.38	3.63	3.57	3.59	4.05
SAPTA (1993)	3.51	1.85	3.02	4.38	2.81	3.62	3.53	3.41	4.17
Others Asia	8.57	1.74	1.73	1.82	1.99	2	2.06	2.15	2.22
TOTAL ASIA	2.35	2.44	2.73	2.54	2.19	2.04	2.06	2.1	2.14
World Average	**1.84**	**1.75**	**2.29**	**2.27**	**2.44**	**2.79**	**3.02**	**2.97**	**3.02**

* The trade introversion index is given by the ratio of the percentage of the weight of intra-regional trade to the total of the trade of every areaa and the percentage weight of the total trade of every area on world trade.

The year in which the regional agreement was reached is indicated between brackets.

Source: ICE processin of IMF-DOTS data

Table 2.1

SHARES ON WORLD TRADE

	1965	1975	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998
World (excluding intra-EU)												
exports (billions of ECU)	118	464	1,876	1,889	2,021	2,061	2,416	2,698	2,905	3,152	3,770	3,823
imports (billions of ECU)	126	503	2,006	1,981	2,116	2,160	2,511	2,814	3,030	3,309	4,006	4,269
European Union (at15)												
exports	26.1	24.9	20.2	20.7	19.7	20.0	19.5	19.3	19.6	19.8	19.3	19.6
imports	31.0	25.9	20.1	22.2	22.1	21.4	18.7	18.4	18.0	17.5	18.1	17.8
United States												
exports	23.0	18.7	14.9	16.3	16.8	16.7	16.4	16.0	15.4	15.6	16.0	15.8
imports	18.3	16.6	23.6	20.5	19.4	19.7	20.4	20.6	19.5	19.5	19.7	19.7
Japan												
exports	7.0	9.7	12.4	12.0	12.6	12.7	12.8	12.3	11.7	10.3	9.8	9.2
imports	6.4	9.3	8.5	9.3	9.0	8.3	8.2	8.2	8.5	8.3	7.4	5.9
World (including intra-EU)												
exports (billions of ECU)	160	622	2,430	2,662	2,825	2,871	3,170	3,526	3,833	4,081	4,694	4,955
imports (billions of ECU)	169	664	2,555	2,747	2,918	2,966	3,218	3,610	3,904	4,239	4,925	5,362
European Union (at 15)												
exports	45.5	44.1	38.4	44.2	43.3	43.4	40.0	40.3	41.4	41.0	36.9	38.0
imports	48.5	43.9	37.3	44.6	44.4	43.9	38.5	38.2	38.9	37.3	35.2	34.6
United States												
exports	16.9	13.9	11.5	11.6	12.0	12.0	12.5	12.2	11.6	12.0	12.6	12.2
imports	13.6	12.5	18.5	14.8	14.1	14.4	15.9	16.1	15.1	15.2	15.6	15.7
Japan												
exports	5.2	7.2	9.6	8.5	9.0	9.1	9.8	9.4	8.8	7.9	7.7	7.1
imports	4.8	7.0	6.7	6.7	6.5	6.0	6.4	6.4	6.6	6.5	5.9	4.7

Sources: ICE processing of IMF-DOTS and Eurostat-Comext data

Table 3.1

THE TRADE OF THE EUROPEAN UNION BY MAIN PRODUCTS

(percentages by current values of exta-EU trade flows)

EXPORTS

SECTORS	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Agricultural, fishing and silvicultural products	1.8	1.7	1.5	1.7	1.6	1.5	1.4	1.4	1.2	1.2
Mining industry products	2.1	2.0	1.7	1.7	2.0	2.0	1.8	1.6	1.5	1.2
Food,beverages and tobacco	6.7	6.7	6.8	7.1	6.8	6.7	6.5	6.2	6.1	5.8
Textiles and knitwear	3.2	3.2	3.2	3.3	3.2	3.2	3.2	3.1	3.0	3.0
Clothing	1.8	1.9	1.8	1.9	1.8	1.8	1.8	1.9	1.8	1.7
Skins, leather, footwear, and furs	1.7	1.7	1.6	1.6	1.5	1.7	1.7	1.7	1.6	1.4
Wood and wood products	0.6	0.6	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7
Paper, derivatives, newpaper and publishing	3.0	2.9	2.8	2.8	2.8	2.9	3.2	2.9	2.8	2.8
Derivatives of petroleum and other fules	1.6	1.8	1.8	1.7	2.3	2.1	1.6	1.8	1.8	1.4
Chemical products, synthetic and artificial fibers	11.3	11.2	11.8	12.1	12.6	12.8	12.5	12.3	12.5	12.7
Articles in rubber and plastic materials	2.1	2.1	2.1	2.2	2.1	2.2	2.3	2.3	2.3	2.4
Materials for construction, glass and ceramics	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.9
Metal and derived products	9.4	8.2	8.2	7.6	8.1	7.9	7.7	7.6	7.3	7.1
Machinery and mechanical equipment	15.5	16.4	16.2	16.1	16.3	16.0	16.2	16.6	15.9	15.7
Electrical and optical manchinery and equipment	11.8	12.2	12.8	13.1	14.0	14.7	15.5	15.9	16.7	17.2
Motor vehicles	8.9	9.0	8.4	8.1	8.4	9.1	9.2	9.3	9.3	9.5
Other means of transport	4.8	5.1	6.0	6.6	6.6	5.9	5.9	5.8	6.4	7.0
Furniture	1.1	1.1	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.1
Other manufacturing equipment	2.6	2.5	2.5	2.5	2.6	2.5	2.3	2.2	2.1	2.0
Product Totals (millions of ECU's)	**390,910**	**391,878**	**400,821**	**412,919**	**471,366**	**525,556**	**573,277**	**627,011**	**720,770**	**729,166**

IMPORTS

SECTORS	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Agricultural, fishing and silvicultural products	6.6	6.1	5.8	5.7	5.3	5.9	5.9	5.4	5.1	4.8
Mining industry products	14.8	15.8	14.8	14.1	14.6	13.7	12.2	13.4	13.2	10.0
Food, beverages and tobacco	5.6	5.3	5.3	5.5	5.4	5.5	5.0	5.1	4.6	4.6
Textiles and knitwear	2.9	3.0	3.1	3.1	3.2	3.2	3.0	3.0	3.0	3.0
Clothing	3.8	4.3	4.9	5.1	5.5	5.3	5.0	5.0	4.9	4.9
Skins, leather, footwear, and furs	1.5	1.6	1.7	1.7	1.8	1.9	1.8	1.8	1.8	1.7
Wood and wood products	1.6	1.6	1.4	1.5	1.5	1.6	1.5	1.3	1.4	1.3
Paper, derivatives, newspaper, and publishing	2.2	2.1	2.0	2.0	1.8	2.0	2.4	2.0	1.8	1.8
Derivatives of petroleum and other fules	3.2	3.5	3.3	2.6	2.5	2.2	2.3	2.1	2.0	1.4
Chemical products, synthetic and artificial fibers	7.1	7.2	7.1	7.4	7.3	7.7	8.3	7.9	7.9	8.1
Articles in rubber and plastic materials	1.4	1.4	1.5	1.6	1.7	1.7	1.9	1.9	1.8	1.9
Materials for construction, glass and ceramics	0.7	0.7	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9
Metal and derived products	8.5	7.5	7.1	7.3	7.2	7.7	8.8	7.5	7.5	8.3
Machinery and mechanical equipment	6.1	6.2	6.1	6.2	6.0	6.1	6.5	6.7	6.5	7.0
Electrical and optical manchinery and equipment	17.0	16.8	17.5	17.8	18.9	19.8	20.5	20.7	21.1	22.1
Motor Vehicles	4.2	4.0	4.2	4.6	4.2	4.0	4.1	4.2	4.6	5.3
Other means of Transport	4.7	4.8	5.3	4.8	5.3	4.7	4.2	4.6	5.5	6.3
Furniture	0.5	0.5	0.5	0.6	0.7	0.7	0.8	0.8	0.9	1.0
Other manufacturing industries	2.5	2.4	2.7	2.9	3.2	2.9	2.6	2.7	2.8	2.6
Product Totals (millions of ECU's)	**427,447**	**438,487**	**469,004**	**461,963**	**465,431**	**514,881**	**545,253**	**581,065**	**672,265**	**709,271**

Source: ICE processing on Eurostat data

Table 3.2

CURRENT ACCOUNT BALANCE : BALANCES OF MAIN ITEMS

(billions of Lira)

Items	1990	1991	1992	1993	1994	1995	1996	1997	1998
Goods (FOB-FOB)	-1,998	-2,867	-268	45,816	50,664	63,059	83,300	68,107	61,912
Services	3,260	3,065	248	5,091	8,181	10,692	11,734	13,431	7,029
transport	-1,007	-1,472	-1,894	-1,385	-2,941	-4,149	-4,488	-5,006	-5,188
travel abroad	7,476	8,050	5,071	11,120	17,685	23,117	22,352	22,453	21,568
other services	-3,209	-3,513	-2,929	-4,644	-6,563	-8,276	-6,130	-4,016	-9,351
Revenues	-17,530	-21,881	-27,067	-27,059	-26,827	-25,524	-23,123	-19,006	-21,381
from capital	-17,666	-22,151	-26,995	-26,858	-26,815	-26,328	-23,925	-19,253	-21,255
from labor	136	270	-72	-201	-12	804	802	247	-126
Unilateral transfers	-2,790	-7,370	-7,955	-8,576	-9,293	-4,637	-10,335	-1,607	-8,491
private	1,401	-344	-536	738	-24	1,191	475	-1,181	-1,965
remittances	1,485	1,009	653	679	410	161	44	55	-226
others	-84	-1,353	-1,189	59	-434	1,030	431	-1,236	-1,739
public	-4,191	-7,026	-7,419	-9,314	-9,269	-5,828	-10,810	-426	-6,526
EU accounts	-1,377	-2,610	-2,148	-4,512	-4,812	-1,944	-7,198	1,232	-6,156
others	-2,814	-4,416	-5,271	-4,802	-4,457	-3,884	-3,612	-1,658	-370
TOTAL CURRENT ACCOUNT	-19,058	-29,053	-35,042	15,272	22,725	43,590	61,576	60,925	39,069

Source: Banca d'Italia

Table 4.1

TRADE (FOB-CIF)

(percentage variations on the corresponding period)

Periods		EXPORTS values	EXPORTS average unit values	EXPORTS quantity	IMPORTS values	IMPORTS average unit values	IMPORTS quantity	TRADE coverage rate in value	TRADE terms of trade	TRADE real coverage rate
1990		5.6	2.1	3.5	3.7	-0.7	4.5	1.8	2.9	-0.9
1991		3.1	2.9	0.1	3.7	-0.7	4.5	-0.6	3.7	-4.2
1992		4.6	0.7	3.8	2.8	-0.6	3.4	1.8	1.4	0.3
1993		21.3	11.4	8.9	0.4	11.7	-10.2	20.6	-0.3	21.0
1994		15.7	3.7	11.7	16.9	4.0	12.4	-0.9	-0.3	-0.6
1995		23.7	9.3	11.9	23.2	12.3	8.7	0.4	-2.7	2.9
1996		2.0	0.8	1.2	-4.3	-1.3	-3.0	6.6	2.1	4.4
1997		5.2	0.6	4.6	11.3	1.4	9.7	-5.5	-0.8	-4.7
1998		2.8	1.3	1.6	4.7	-2.6	7.5	-1.8	4.0	-5.5
1997										
	I trim.	-3.4	-1.9	-1.3	-3.2	-2.1	-1.1	-0.2	0.2	-0.2
	II trim.	5.8	-0.1	6.1	13.9	0.3	13.8	-7.1	-0.4	-6.8
	III trim.	9.4	1.8	7.8	18.4	4.2	13.9	-7.6	-2.3	-5.4
	IV trim.	9.4	2.4	6.8	17.7	3.3	14.0	-7.1	-0.9	-6.3
1998										
	I trim.	9.1	2.4	7.2	15.3	1.0	15.0	-5.4	1.4	-6.8
	II trim.	6.2	2.1	4.5	7.0	-1.0	8.6	-0.7	3.1	-3.8
	III trim.	2.8	0.6	2.5	3.0	-4.1	7.7	-0.2	4.9	-4.8
	IV trim.	-5.2	-0.1	-4.6	-4.0	-6.2	2.9	-1.3	6.5	-7.3
1999										
	I trim.	-8.7	-1.8	-6.9	-6.7	-7.4	0.8	-2.1	6.0	-7.6

Source: ICE processing of ISTAT data

Table 4.2

ITALY'S FOREIGN TRADE BY GEOGRAPHICAL AREA

(billions of Lira and percentage variations from the previous year)

Areas and countries	Exports			Imports			Saldi		
	1996	1997	1998	1996	1997	1998	1996	1997	1998
Advanced Economies	**295,035**	**307,108**	**318,011**	**243,624**	**270,001**	**288,298**	**51,411**	**37,107**	**29,713**
	-0.3%	***4.1%***	***3.6%***	***-4.4%***	***10.8%***	***6.8%***	***10,348***	***-14,304***	***-7,394***
European Union	215,740	224,868	237,174	196,197	218,283	230,490	19,543	6,585	6,684
	-1.2%	*4.2%*	*5.5%*	*-4.0%*	*11.3%*	*5.6%*	*5,386*	*-12,958*	*99*
EFTA	16,296	16,391	17,110	15,082	15,267	16,484	1,214	1,124	626
	2.4%	*0.6%*	*4.4%*	*-6.4%*	*1.2%*	*8.0%*	*1,417*	*-90*	*-498*
North America	31,197	35,378	39,472	18,564	20,334	21,729	12,633	15,.044	17,743
	0.8%	*13.4%*	*11.6%*	*-2.5%*	*9.5%*	*6.9%*	*727*	*2,411*	*2,699*
Other industrialized countries	11,806	11,368	10,447	8,347	9,618	11,133	3,459	1,750	-686
of which:	*1.4%*	*-3.7%*	*-8.1%*	*-11.8%*	*15.2%*	*15.8%*	*1,280*	*-1,709*	*-2,436*
Japan	8,614	8,028	7,022	6,136	7,180	8,222	2,478	848	-1,200
	-1.1%	*-6.8%*	*-12.5%*	*-16.1%*	*17.0%*	*14.5%*	*1,084*	*-1,630*	*-2,048*
Israel	3,431	3,301	3,026	867	1,127	1,378	2,564	2,174	1,648
	-3.8%	*-3.8%*	*-8.3%*	*-1.7%*	*30.0%*	*22.3%*	*-121*	*-390*	*-526*
NICs (a)	16,564	15,802	11,243	4,567	5,372	7,153	11,997	10,430	4,090
	7.5%	*-4.6%*	*-28.9%*	*-9.9%*	*17.6%*	*33.2%*	*1,656*	*-1,567*	*-6,340*
Countries in Transition	**29,604**	**33,590**	**34,585**	**22,220**	**25,406**	**26,842**	**7,384**	**8,184**	**7,743**
of which:	***17.1%***	***13.5%***	***3.0%***	***-9.9%***	***14.3%***	***5.7%***	***6,785***	***800***	***-441***
Russia	5,735	6,557	5,245	7,250	7,280	6,462	-1,515	-723	-1,217
	22.7%	*14.3%*	*-20.0%*	*-16.1%*	*0.4%*	*-11.2%*	*2,455*	*792*	*-494*
Developing Countries	**62,475**	**66,580**	**65,818**	**54,864**	**61,429**	**58,459**	**7,611**	**5,151**	**7,359**
	7.3%	***6.6%***	***-1.1%***	***-1.2%***	***12.0%***	***-4.8%***	***4.906***	***-2.460***	***2.208***
Middle East and European Developing Countries	23,551	24,938	25,373	18,933	20,527	16,410	4,618	4,411	8,963
	7.2%	*5.9%*	*1.7%*	*4.6%*	*8.4%*	*-20.1%*	*759*	*-207*	*4,552*
Asia	13,722	13,402	9,139	13,426	15,381	17,398	296	-1,979	-8,259
of which:	*6.9%*	*-2.3%*	*-31.8%*	*-4.3%*	*14.6%*	*13.1%*	*1,500*	*-2,275*	*-6,280*
China	4,425	4,305	3,567	6,225	7,516	8,407	-1,800	-3,210	-4,840
	0.8%	*-2.7%*	*-17.1%*	*-2.5%*	*20.7%*	*11.9%*	*195*	*-1,410*	*-1,630*
Latin America	15,691	17,686	18,649	7,856	8,749	9,166	7,835	8,937	9,483
	16.0%	*12.7%*	*5.4%*	*-9.5%*	*11.4%*	*4.8%*	*2,992*	*1,102*	*546*
Africa	9,512	10,554	12,657	14,649	16,773	15,486	-5,137	-6,219	-2,829
	-4.1%	*11.0%*	*19.9%*	*-0.5%*	*14.5%*	*-7.7%*	*-343*	*-1.082*	*3.390*
Other destinations and origins	1,771	1,851	1,888	579	751	614	1,192	1,100	1,274
	2.7%	*4.5%*	*2.0%*	*0.2%*	*29.7%*	*-18.2%*	*45*	*-92*	*174*
WORLD	**388,885**	**409,128**	**420,764**	**321,286**	**357,587**	**374,283**	**67,599**	**51,541**	**46,481**
	2.0%	***5.2%***	***2.8%***	***-4.3%***	***11.3%***	***4.7%***	***22,085***	***-16,058***	***-5,060***
Extra-EU	173,145	184,260	183,590	125,089	139,304	143,793	48,056	44,956	39,797
	6.4%	*6.4%*	*-0.4%*	*-4.8%*	*11.4%*	*3.2%*	*16,699*	*-3,100*	*-5,159*
MEU (b)	175,987	180,048	190,463	165,118	183,748	195,367	10,869	-3,700	-4,904
	-2.4%	*2.3%*	*5.8%*	*-4.8%*	*11.3%*	*6.3%*	*3,978*	*-14,569*	*-1,204*

(a) South Korea. Hong Kong. Singapore and Taiwan.
(b) The 11 countries which joined the third phase of the Economic and Monetary Union starting from January 1st. 1999.

Source: ICE processing of ISTAT data

Table 5.1

THE FIRST 20 DESTINATION COUNTRIES FOR ITALIAN EXPORTS

	COUNTRIES	Ranking in 1997	1998 Values in bilions of Lira	% Change 98-97	Perecentage Weights 1997	1998	Accumulated percentages 1998
1)	Germany	1	69,423	3.0	16.5	16.5	16.5
2)	France	2	53,681	7.2	11.9	12.8	29.3
3)	United States	3	36,044	12.0	7.7	8.6	37.8
4)	United Kingdom	4	30,315	3.6	7.0	7.2	45.0
5)	Spain	5	24,376	14.3	5.1	5.8	50.8
6)	Switzerland	6	14,683	5.6	3.3	3.5	54.3
7)	Netherlands	7	12,087	3.2	2.8	2.9	57.2
8)	Belgium- Luxembourg	8	11,470	2.9	2.6	2.7	59.9
9)	Austria	9	9,624	3.2	2.2	2.3	62.2
10)	Greece	11	8,356	3.7	1.9	2.0	64.2
11)	Turkey	12	7,105	-5.0	1.8	1.7	65.9
12)	Japan	10	7,022	-12.5	1.9	1.7	67.5
13)	Poland	15	6,716	5.8	1.5	1.6	69.1
14)	Portugal	17	5,913	7.9	1.3	1.4	70.5
15)	Brazil	16	5,727	-4.4	1.4	1.4	71.9
16)	Hong Kong	13	5,351	-21.5	1.6	1.3	73.2
17)	Russia	14	5,245	-20.0	1.6	1.2	74.4
18)	Sweden	19	4,505	10.0	1.0	1.1	75.5
19)	China	18	3,567	-17.1	1.0	0.8	76.3
20)	Denmark	21	3,535	4.1	0.8	0.8	77.2
	WORLD		**420,764**	**2,8**	**97,2**	**100,0**	**100,0**

Source: ICE processing of ISTAT data

Table 5.2

THE FIRST 20 COUNTRIES BY ORIGIN OF ITALIAN IMPORTS

	COUNTRIES	Raking in 1997	Values bilions of Lira 1998	% change 98-97	Percentage weights 1997	1998	Accumulated percentages 1998
1)	Germany	1	70,403	8.9	18.1	18.8	18.8
2)	France	2	49,274	3.6	13.3	13.2	32.0
3)	United Kingdom	3	24,072	-0.2	6.7	6.4	38.4
4)	Netherlands	4	23,114	4.8	6.2	6.2	44.6
5)	United States	5	18,895	8.7	4.9	5.0	49.6
6)	Belgium - Luxembourg	7	18,024	7.6	4.7	4.8	54.4
7)	Spain	6	16,987	-0.3	4.8	4.5	59.0
8)	Swizerland	8	15,185	10.5	3.8	4.1	63.0
9)	Austria	9	8,976	8.0	2.3	2.4	65.4
10)	China	11	8,407	11.9	2.1	2.2	67.7
11)	Japan	13	8,222	14.5	2.0	2.2	69.9
12)	Russia	12	6,462	-11.2	2.0	1.7	71.6
13)	Sweden	15	5,726	13.9	1.4	1.5	73.1
14)	Libya	10	5,515	-27.4	2.1	1.5	74.6
15)	Algeria	14	4,442	-12.1	1.4	1.2	75.8
16)	South Africa	16	4,152	-11.4	1.3	1.1	76.9
17)	Ireland	18	4,138	15.6	1.0	1.1	78.0
18)	Brazil	19	3,711	14.6	0.9	1.0	79.0
19)	Rumania	23	3,334	15.2	0.8	0.9	79.9
20)	Denmark	21	3,232	6.4	0.8	0.9	80.8
	WORLD		**374,283**	**4,7**	**100,0**	**100,0**	**100,0**

Source: ICE processing of ISTAT data

Table 5.3

ITALY'S MARKET SHARES BY GEOGRAPHIC AREA

(percentage ratios between imports from Italy and imports from the rest of the world at current prices)

Areas and countries		1992	1993	1994	1995	1996	1997	1998
Advanced Economies		**4.8**	**4.2**	**4.2**	**4.3**	**4.3**	**4.0**	**4.2**
European Union		6.8	6.1	6.2	6.1	6.2	5.8	6.0
Austria		8.6	9.2	8.8	8.8	8.8	8.4	8.1
Belgium-Luxembourg		4.5	4.3	4.2	4.2	4.1	3.8	3.6
Denmark		3.7	3.9	4.2	4.3	4.4	4.5	4.7
Finland		3.6	3.7	3.9	4.1	4.1	4.0	4.2
France		10.5	10.0	9.8	9.8	9.7	9.5	9.7
Germany		9.3	8.1	8.3	8.3	8.2	7.8	7.8
Greece		14.4	13.5	16.1	18.8	18.9	18.1	17.7
Ireland		2.4	2.1	2.3	2.0	2.1	1.7	1.9
Netherlands		3.7	3.6	3.6	3.4	3.3	3.5	3.0
Portugals		10.1	8.6	8.6	8.4	8.3	8.1	8.6
United Kingdom		5.4	4.4	4.5	4.4	4.7	4.6	4.6
Spain		9.8	9.1	8.9	9.1	9.5	9.4	9.6
Sweden		4.2	3.9	4.1	3.1	3.2	3.0	3.8
EFTA	8.1	8.0	8.0	8.1	8.6	7.8	7.9	
Iceland		3.5	3.5	3.2	3.2	3.2	3.2	3.1
Norway		3.4	3.7	3.5	3.5	3.9	3.8	4.3
Switzerland		10.0	9.8	9.9	10.1	10.7	9.9	9.6
Canada		1.2	1.1	1.3	1.5	1.2	1.1	1.1
United States		2.3	2.3	2.2	2.2	2.3	2.2	2.3
Australia		2.4	2.3	2.7	2.8	2.9	2.8	2.9
Japan		1.8	1.6	1.8	1.9	1.9	1.8	1.8
New Zeland		2.3	2.5	2.2	2.5	2.5	2.2	2.2
South Korea		1.6	1.7	1.9	1.8	2.1	1.6	1.1
Hong Kong		1.6	1.7	1.8	1.9	2.1	1.9	1.6
Singapore		1.8	1.3	1.4	1.4	1.7	1.5	1.2
Countries in Transition		**7.8**	**7.2**	**6.4**	**6.5**	**7.3**	**7.1**	**6.8**
Russia		-	4.1	4.1	4.0	5.2	5.1	4.6
Developing Countries		**3.8**	**3.9**	**3.7**	**3.6**	**3.7**	**3.5**	**3.6**
Middle East and Europe		6.1	6.5	7.4	6.8	6.5	5.8	5.7
Asia		1.8	1.8	1.8	1.8	2.0	1.6	1.3
China		2.1	2.6	2.7	2.4	2.3	1.7	1.5
Latin America		2.7	2.9	3.2	3.0	3.2	3.2	3.4
Argentina		5.1	5.8	6.4	6.4	6.3	5.7	5.1
Brazil		4.0	3.6	6.2	5.8	5.4	5.6	5.7
Africa		6.0	5.7	5.4	5.6	5.7	5.9	6.5
WORLD		**4.7**	**4.1**	**4.1**	**4.2**	**4.2**	**4.0**	**4.0**

Source: ICE procesing of IMF-DOTS

Table 5.4

ITALY'S TRADE BY SECTOR

(billions of Lira)

SECTIONS AND SUBSECTSION OF ECONOMIC ACTIVITY	Exports			Imports			Balances	
	1997	1998	var %	1997	1998	var %	1997	1998
AGRICULTURAL. FORESTRY AND FISHERY PRODUCTS	6,826	6,808	-0.3	16,779	16,773	0.0	-9,953	-9,965
MINING AND QUARRY PRODUCTS	867	823	-5.0	30,578	25,206	-17.6	-29,712	-24,382
TRANSFORMED AND MANUFACTURED PRODUCTS	399,362	411,037	2.9	307,109	329,248	7.2	92,253	81,790
Food. berverages and tobacco products	21,009	21,876	4.1	29,852	29,773	-0.3	-8,843	-7,896
Textile and clothing industry products	46,546	46,988	0.9	19,397	20,418	5.3	27,149	26,570
Textile products	30,970	31,266	1.0	13,271	13,812	4.1	17,700	17,454
Clothing and fur products	15,576	15,722	0.9	6,126	6,606	7.8	9,450	9,116
Leather and leather products	22,214	21,231	-4.4	7,739	7,777	0.5	14,475	13,454
Wood and wood products	2,290	2,369	3.5	4,902	5,290	7.9	-2,612	-2,920
Paper and paper products. press and publishing products	9,027	9,367	3.8	10,537	11,216	6.4	-1,511	-1,849
Refined petroleum products	5,729	4,575	-20.1	7,373	5,260	-28.7	-1,644	-684
Chemical products and synthetic and artificial fibers	33,562	34,501	2.8	49,414	51,082	3.4	-15,853	-16,581
Articles in rubber and plastic materials	14,811	15,453	4.3	7,776	8,491	9.2	7,034	6,962
Mineral and non-metalliferous mineral worked products	15,506	15,819	2.0	4,395	4,518	2.8	11,111	11,301
Metals and metal products	34,433	35,330	2.6	39,198	41,874	6.8	-4,765	-6,544
Machinery and engineering equipment	85,608	86,696	1.3	26,363	30,680	16.4	59,245	56,016
Electrical and precision equipment	39,067	40,579	3.9	49,518	53,931	8.9	-10,451	-13,352
Transport Equipment	42.019	48,628	15.7	44,804	52,722	17.7	-2,.785	-4,094
Motor Vehicles	31,379	33,877	8.0	39,205	44,237	12.8	-7,826	-10,360
Other transport equipment	10,640	14,751	38.6	5,599	8,484	51.5	5,041	6,267
Other manufacturing industry products	27,541	27,624	0.3	5,840	6,218	6.5	21,701	21,406
Furniture	14,685	14,922	1.6	1,148	1,335	16.2	13,536	13,587
Electrical energy and gas	44	42	-4.7	2825	2820	-0.2	-2,781	-2,778
Other products n.c.a.	2,030	2,054	1.2	296	237	-19.9	1,734	1,817
TOTAL	**409,128**	**420,764**	**2.8**	**357,587**	**374,283**	**4.7**	**51,542**	**46,481**

Source: processing of ISTAT data

Table 6.1

EXPORTS AND IMPORTS BY SECTOR IN 1998 (PRICES AND QUANTITIES)

(percentage variations compared to the previous year)

SECTIONS AND SUBSECTIONS OF ECONOMIC ACTIVITY	EXPORTS average unit values	EXPORTS quantity	IMPORTS average unit values	IMPORTS quantity	Terms of trade (1)	Real coverage rate (2)
AGRICULTURAL. FORESTRY AND FISHERY PRODUCTS	0.5	-0.9	-1.3	1.1	1.8	-2.0
MINING AND QUARRY PRODUCTS	-2.9	-2.1	-23.5	7.8	27.0	-9.2
Food. beverage and tabacco products	1.0	3.1	-3.5	3.4	4.7	-0.4
Textile and clothing industry products	3.9	-2.9	-0.1	5.4	4.0	-7.9
Leather and leather products	1.3	-5.7	-4.6	5.4	6.3	-10.6
Wood and wood products	-0.1	3.5	1.7	6.0	-1.8	-2.4
Paper and paper. press and publishing products	2.9	0.8	5.9	0.5	-2.9	0.3
Refined petroleum products	-20.1	-0.1	-20.4	-10.3	0.3	11.3
Chemical products and synthetic and artificial fibers	1.1	1.6	1.6	1.7	-0.4	-0.1
Articles in rubber and plastic materials	0.0	4.4	-0.9	10.1	0.9	-5.2
Mineral and non-metalliferous mineral worked products	1.6	0.4	0.6	2.1	1.0	-1.7
Metals and metal products	0.4	2.2	-3.8	10.9	4.4	-7.9
Machinery and engineering equipment	1.1	0.3	1.9	14.2	-0.8	-12.2
Electrical and precision equipment	-1.6	5.6	-2.5	11.7	1.0	-5.5
Transport equipment	5.3	9.9	4.5	12.7	0.8	-2.5
Other manufacturing industry products	-0.8	1.0	1.8	4.6	-2.5	-3.4
Eletrical energy and gas	0.6	-5.2	-5.4	5.5	6.4	-10.1
TOTAL	**1.3**	**1.6**	**-2.6**	**7.5**	**4.0**	**-5.5**

(1) Percentage ratio of average unit values indexes of exports to those of imports
(2) percentage ratio of indexes of quatities exported to those imported

Source: processing of ISTAT data

Table 6.2

TRADE OF SERVICES BY SECTOR

(billions of Lira and chages from the previous year)

Sectors	Credits 1996	Credits 1997	Credits 1998	Outlays 1996	Outlays 1997	Outlays 1998	Balances 1996	Balances 1997	Balances 1998
International transport	16,791	18,181	18,457	21,279	23,187	23,645	-4,488	-5,006	-5,188
	-4.8%	*8.3%*	*1.5%*	*-2.3%*	*9.0%*	*2.0%*	-339	-518	-182
Transport of merchandise	4,753	5,512	5,823	7,315	7,532	7,827	-2,562	-2,020	-2,004
	-14.8%	*16.0%*	*5.6%*	*25.6%*	*3.0%*	*3.9%*	-354	542	16
Transport of passengers	2,883	2,900	2,648	4,338	5,175	5,106	-1,445	-2,275	-2,458
	4.4%	*0.6%*	*-8.7%*	*63.8%*	*19.3%*	*-1.3%*	-321	-830	-183
Assistance services	9,155	9,769	9,986	9,626	10,480	10,712	-471	-711	-726
	-1.5%	*6.7%*	*2.2%*	*-3.6%*	*8.9%*	*2.2%*	336	-240	-15
Travel abroad	46,250	50,847	51,782	23,898	28,394	30,214	22,352	22,453	21,568
	-1.2%	*9.9%*	*1.8%*	*0.9%*	*18.8%*	*6.4%*	-765	101	-885
Other services	43,617	50,992	50,930	49,747	55,008	60,281	-6,130	-4,016	-9,351
	0.6%	*16.9%*	*-0.1%*	*-3.6%*	*10.6%*	*9.6%*	2,121	2,114	-5,335
Constrution	4,874	5,705	7,756	1,867	2,131	2,436	3,007	3,574	5,320
	-5.6%	*17.0%*	*36.0%*	*-24.3%*	*14.1%*	*14.3%*	310	567	1,746
Communications	829	1,165	1,164	1,457	1,801	2,460	-628	-636	-1,296
	74.5%	*41.4%*	*-0.1%*	*42.6%*	*23.6%*	*36.6%*	-81	-8	-660
Brokerage	12,627	15,180	13,861	16,448	18,685	17,898	-3,821	-3,505	-4,037
	4.7%	*20.2%*	*-8.7%*	*-0.7%*	*13.6%*	*-4.2%*	685	316	-532
Insurance	7,902	7,907	5,712	6,356	7,556	6,585	1,546	351	-873
	-11.9%	*0.1%*	*-27.8%*	*-21.6%*	*18.8%*	*-12.9%*	674	-1,195	-1,224
Pers. cult and rec services.	843	1,083	1,117	2,504	2,504	3,258	-1,661	-1,421	-2,141
	-2.9%	*28.5%*	*3.1%*	*-11.4%*	*0.0%*	*30.1%*	297	240	-720
Services to business firms	11,620	13,984	14,200	16,480	17,677	20,929	-4,860	-3,693	-6,729
	5.9%	*20.3%*	*1.5%*	*6.9%*	*7.3%*	*18.4%*	-411	1,167	-3,036
Services to the government	1,150	988	1,597	883	485	852	267	503	745
	53.5%	*-14.2%*	*61.6%*	*20.6%*	*-45.1%*	*75.7%*	250	236	242
Unclassified services	3,772	4,980	5,523	3,752	4,169	5,863	20	811	-340
	-7.6%	*32.0%*	*10.9%*	*-15.9%*	*11.1%*	*40.6%*	400	791	-471
TOTAL	**106,658**	**120,020**	**121,169**	**94,924**	**106,589**	**114,140**	**11,734**	**13,431**	**7,029**
	-0.9%	***12.5%***	***1.0%***	***-2.6%***	***12.3%***	***7.1%***	**1,427**	**1,697**	**-6,402**

Source: ICE processing of Banca d'Italia data

Table 6.3

EXPORTS OF ITALIAN REGIONS IN 1998

(values in billions of Lira. variations on the previous year and percentage weight at current prices)

	REGIONS	(*)	billions of Lire 1998	var. % 1998/1997	Percentage Weights 1998	Accumulated Percentages 1998
1	Lombardy	(1)	121,713	1.7	29.0	29.0
2	Veneto	(2)	58,171	2.4	13.8	42.8
3	Piemonte	(3)	51,887	-0.3	12.3	55.1
4	Emilia Romagna	(4)	49,459	5.3	11.8	66.9
5	Tuscany	(5)	33,942	-0.3	8.1	75.0
6	Lazio	(6)	16,882	6.9	4.0	79.0
7	Friuli Venezia Giulia	(7)	15,738	17.3	3.7	82.7
8	The Marches	(8)	12,543	-2.0	3.0	85.7
9	Campania	(9)	12,240	13.0	2.9	88.6
10	Puglia	(10)	9,527	5.1	2.3	90.9
11	Abruzzo	(11)	8,239	8.4	2.0	92.9
12	Trentino Alto Adige	(12)	7,190	4.3	1.7	94.6
13	Sicily	(13)	6,699	1.2	1.6	96.2
14	Liguria	(14)	5,407	-16.3	1.3	97.5
15	Umbria	(15)	3,612	-1.1	0.9	98.4
16	Sardinia	(16)	2,865	-13.5	0.7	99.1
17	Basilicata	(18)	1,794	138.2	0.4	99.5
18	Molise	(17)	941	-0.4	0.2	99.7
19	Valle d'Aosta	(19)	558	19.6	0.1	99.8
20	Calabria	(20)	463	12.6	0.1	99.9
TOTAL OF THE REGIONS			**419.870**	**2.8**	**100.0**	**100.0**

(*) Place occupied in the ranking in 1997

Source: ICE processing of ISTAT data

Table 7.1

EXPORTS OF SERVICES BY ITALIAN REGIONS IN 1998 (1)

(values in billions of Italian Lira, variations from the previous year and percentage weight in current prices)

	REGIONS	(*)	billions of Lira 1998	var. % 1998/1997	Percentage Weight 1998	Accumulated percentages 1998
1	Lombardy	(1)	31,589	4.3	27.3	27.3
2	Lazio	(2)	23,173	-7.3	20.0	47.3
3	Veneto	(3)	11,311	15.0	9.8	57.1
4	Tuscany	(4)	9,056	-6.0	7.8	64.9
5	Liguria	(5)	8,492	5.1	7.3	72.3
6	Emilia Romagna	(6)	6,218	8.7	5.4	77.7
7	Friuli Venezia Giulia	(7)	6,132	10.1	5.3	83.0
8	Piemonte	(8)	5,707	16.1	4.9	87.9
9	Campania	(9)	3,663	-5.1	3.2	91.1
10	Trentino Alto Adige	(11)	3,519	154.1	3.0	94.1
11	Sicily	(10)	1,740	24.5	1.5	95.6
12	Puglia	(12)	1,074	-15.9	0.9	96.5
13	The Marches	(13)	1,036	13.8	0.9	97.4
14	Sardinia	(14)	805	-5.0	0.7	98.1
15	Umbria	(16)	679	3.5	0.6	98.7
16	Abruzzo	(15)	601	-18.7	0.5	99.2
17	Calabria	(17)	380	5.8	0.3	99.6
18	Valle d'Aosta	(18)	342	54.8	0.3	99.9
19	Molise	(19)	117	44.4	0.1	100.0
20	Basilicata	(20)	46	-40.3	0.0	100.0
TOTAL OF THE REGIONS (1)			**115,680**	**0,9**	**100,0**	**100,0**

(*) Place occupied in the 1997 ranking.
(1) The total does not include the item miscellaneous and unspecified provinces

Source: ICE processing of ISTAT data

Table 7.2

DEGREE OF REGIONAL EXPORT CONCENTRATION AND OTHER INDICATORS

Macro-areas and regions	Degree of Export Concentration 1998 (1)	Exports per person employed (2) (billions of Lira)	Exports by resident pop. (3) (billions of Lira)	Degree of GDP concentration 1997 (4)	Degree of openess to foreign markets 1997 (5)	Degree of concentration of Italian Firms with foreign holdings (6)	Degree of concentration of foreign firms with Italian holdings (7)
NORTH CENTER	**89.7**	**78.4**	**10.3**	**75.6**	**111.3**	**88.3**	**95.6**
NORTH WESTERN ITALY	**42.7**	**83.2**	**11.9**	**32.3**	**112.7**	**51.1**	**57.9**
Piemonte	12.3	80.9	12.1	8.6	120.9	13.7	16.4
Valle d'Aosta	0.1	50.7	4.7	0.3	67.5	0.3	0.0
Lombardy	29.0	87.2	13.5	20.2	115.2	34.9	36.0
Liguria	1.3	49.2	3.3	3.3	59.4	2.2	5.5
NORTH EASTERN ITALY	**31.1**	**81.4**	**12.4**	**22.7**	**118.9**	**23.5**	**27.6**
Trentino Alto Adige	1.7	68.5	7.8	2.0	105.5	2.6	0.8
Veneto	13.8	78.9	13.0	9.4	123.1	8.5	11.6
Friuli Venezia Giulia	3.7	87.0	13.3	2.6	141.2	2.3	1.8
Emilia Romagna	1.8	82.0	12.5	8.8	111.3	10.1	13.4
CENTRAL ITALY	**15.9**	**64.0**	**6.1**	**20.6**	**96.4**	**13.7**	**10.1**
Tuscany	8.1	77.7	9.6	6.5	123.1	5.0	3.8
Umbria	0.9	40.6	4.3	1.4	63.4	1.3	0.4
The Marches	3.0	57.3	8.6	2.6	111.1	1.5	2.6
Lazio	4.0	55.9	3.2	10.1	66.3	5.9	3.3
MEZZOGIORNO	**10.2**	**29.7**	**2.0**	**24.4**	**51.0**	**11.6**	**4.1**
SOUTHERN ITALY	**7.9**	**31.8**	**2.3**	**16.5**	**55.3**	**9.5**	**4.0**
Abruzzo	2.0	60.6	6.5	1.9	87.8	2.5	0.3
Molise	0.2	28.5	2.9	0.4	59.7	0.5	0.1
Campania	2.9	32.6	2.1	6.5	59.5	3.9	2.7
Puglia	2.3	27.0	2.3	4.8	53.5	1.6	0.9
Basilicata	0.4	30.9	2.9	0.7	27.3	0.7	0.0
Calabria	0.1	5.3	0.2	2.1	7.6	0.3	0.0
ISLANDS	**2.3**	**25.4**	**1.4**	**7.8**	**41.5**	**2.1**	**0.1**
Sicily	1.6	25.0	1.3	5.8	38.2	1.2	0.1
Sardinia	0.7	26.5	1.7	2.1	50.1	0.9	0.0
ITALY	**100.0**	**66.5**	**7.3**	**100.0**	**100.0**	**100.0**	**100.0**

(1) Weight percentages of national exports.
(2) People employed in agriculture and industry in the strict sense (excluding construction) in 1998.
(3) Resident population in 1998 (provisory data).
(4) Value added at the cost of factors for the total of 1997 economic activities in weight percentages on national total.
(5) Ratio of the degree of the regions' openess to foreign markets the Italy's degree of openess to foreing markets. The degree of openess is calculated as the ratio of exports to value added at industrial factor costs in the strict sense (excluding construction). The index is a measure of the overseas orientation of the regions.
(6) Share percentage on the total plants of Italian industrial firms with foreign shareholding present as of 1.1.1998.
(7) Share percentage on total of direct Italian investments abroad as of 1.1.1998. by region of origin of the parent company

Source: ICE processing of ISTAT. Istituto Tagliacarne. and Database Reprint R&P data

Table 7.3

EXPORTERS BY ANNUAL INCOME FROM EXPORTING CLASSES

(value in billions of Lira. percentage variations. class limits deflated with export price index . 1994= 100 (1))

Annual Income Classes	1994	1995	1996	1997	1998	1994	1995	1996	1997	1998
	NUMBER OF EXPORTERS					EXPORTS IN BILLIONS OF LIRA (2)				
0 - 50 million	83,023	84,387	84,614	81,594	80,271	1,098	1,221	1,269	1,235	1,234
var. %	n. d.	1.6	0.3	-3.6	-1.6	n. d.	11.1	4.0	-2.6	-0.1
50 million - 1 billion	57,367	59,701	60,245	59,075	59,989	16,471	18,899	19,973	19,672	20,144
var. %	n. d.	4.1	0.9	-1.9	1.5	n. d.	14.7	5.7	-1.5	2.4
1 - 3.5 billion	15,521	16,103	16,377	16,645	16,912	29,593	33,674	35,552	36,304	36,686
var. %	n. d.	3.7	1.7	1.6	1.6	n. d.	13.8	5.6	2.1	1.1
3.5 - 15 billion	9,692	10,248	10,202	10,305	10,396	68,229	78,440	81,991	82,211	83,341
var. %	n. d.	5.7	-0.4	1.0	0.9	n. d.	15.0	4.5	0.3	1.4
15 - 100 billion	3,034	3,320	3,241	3,443	3,536	96,946	116,761	119,780	127,755	131,919
var. %	n. d.	9.4	-2.4	6.2	2.7	n. d.	20.4	2.6	6.7	3.3
100 - 500 billion	251	305	282	302	329	46,090	62,444	60,657	63,677	70,543
var. %	n. d.	21.5	-7.5	7.1	8.9	n. d.	35.5	-2.9	5.0	10.8
more than 500 billion	40	44	44	48	47	44,309	60,295	60,352	66,072	67,363
var. %	n. d.	10.0	0.0	9.1	-2.1	n. d.	36.1	0.1	9.5	2.0
Total	168,928	174,108	175,005	171,412	171,480	302,737	371,732	379,574	396,926	411,231
var. %	n. d.	3.1	0.5	-2.0	0.0	n. d.	22.8	2.1	4.6	3.6
	PERCENTAGE BREAKDOWN									
0 - 50 million	49.15	48.47	48.35	47.60	46.81	0.36	0.33	0.33	0.31	0.30
50 million - 1 billion	33.96	34.29	34.42	34.46	34.98	5.44	5.08	5.26	4.96	4.90
1 - 3.5 billion	9.19	9.25	9.36	9.71	9.86	9.78	9.06	9.37	9.15	8.92
3.5 - 15 billion	5.74	5.89	5.83	6.01	6.06	22.54	21.10	21.60	20.71	20.27
15 - 100 billion	1.80	1.91	1.85	2.01	2.06	32.02	31.41	31.56	32.19	32.08
100 - 500 billion	0.15	0.18	0.16	0.18	0.19	15.22	16.80	15.98	16.04	17.15
more than 500 billion	0.02	0.03	0.03	0.03	0.03	14.64	16.22	15.90	16.65	16.38
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(1) Compare methodological note.

(2) The export value varies from those treated by other ISTAT data banks "because the NACE-CLIO "Electrical Energy" group was overlooked"

Source: ICE processing of ISAT data

Table 8.1

MANUFACTURING AND SERVICE FIRMS WITH EXPORTS ACTIVITIES BY CLASSES OF EMPLOYEES (1996)

(number, values in billion of Lira)

	Classes of employees							
	Small-sized firms			Medium-sized firms		Large firms		
	1-9	10-19	20-49	50-99	100-249	250-499	500 e oltre	Totale
	ABSOLUTE VALUES							
Number of firms	95,145	31,626	22,249	6,543	3,823	1,052	733	161,171
Values exported	35,089	28,260	53,743	41,567	57,156	34,959	113,531	364,.305
Number of employees	369,998	435,064	662,389	455,758	574,852	358,264	1,796,478	4,652,803
Average exports per firm	*0.4*	*0.9*	*2.4*	*6.4*	*15.0*	*33.2*	*154.9*	*2.3*
Average number of employees per firm	*4*	*14*	*30*	*70*	*150*	*341*	*2,451*	*29*
Average exports per employee	*0.095*	*0.065*	*0.081*	*0.091*	*0.099*	*0.098*	*0.063*	*0.078*
	PERCENTAGE BREAKDOWN							
Number of firms	59.0	19.6	13.8	4.1	2.4	0.7	0.5	100.0
Values exported	9.6	7.8	14.8	11.4	15.7	9.6	31.2	100.0
Number of employees	8.0	9.4	14.2	9.8	12.4	7.7	38.6	100.0
	PERCENTAGE RATIO COMPARED TO ACTIVE FIRMS							
Number of firms	2.7	26.9	44.3	57.5	63.8	64.7	67.9	4.3
Number of employees	5.4	27.9	45.6	58.0	64.2	64.3	80.1	32.4

N.B. Because of the methodological differences in taking and processing the data. the statistics of this table is not comparable with those published in other tables of the present chapter.

Source: ICE processing of ISTAT data

Table 8.2

ITALY'S FOREIGN DIRECT INVESTMENTS IN INDUSTRY

(as of 31.12 1991. 1993. 1995 e 1997)

	Absolute values (var. %)				Percentage break down (abs. var.)			
	Classes of employees			Total	Classes of employees			Total
Years	1 - 49	50 - 249	250 and more		1 - 49	50 - 249	250 and more	
				NUMBER OF HOLDINGS				
				Controlling holdings				
1991	50	131	841	1,022	4.9	12.8	82.3	100.0
1993	96	209	959	1,264	7.6	16.5	75.9	100.0
1995	126	250	1,080	1,456	8.7	17.2	74.2	100.0
1997	142	310	1,079	1,531	9.3	20.2	70.5	100.0
var. 1991 - 1997	184.0	136.6	28.3	49.8	4.4	7.4	-11.8	-
				Minority or equal partner holdings				
1991	27	68	277	372	7.3	18.3	74.5	100.0
1993	36	98	311	445	8.1	22.0	69.9	100.0
1995	52	111	331	494	10.5	22.5	67.0	100.0
1997	58	154	291	503	11.5	30.6	57.9	100.0
var. 1991 - 1997	114.8	126.5	5.1	35.2	4.3	12.3	-16.6	-
				Number of employees in the subsidiary				
				Controlling holdings				
1991	4.414	8,800	328,921	342,135	1.3	2.6	96.1	100.0
1993	14.822	18,119	351,332	384,273	3.9	4.7	91.4	100.0
1995	16.453	26,873	354,232	397,558	4.1	6.8	89.1	100.0
1997	18.017	29,175	388,416	435,608	4.1	6.7	89.2	100.0
var. 1991 - 1997	308.2	231.5	18.1	27.3	2.8	4.1	-7.0	-
				Minority or equal partner holdings				
1991	1.567	10,466	197,397	209,430	0.7	5.0	94.3	100.0
1993	4.546	8,856	180,619	194,021	2.3	4.6	93.1	100.0
1995	5.657	11,665	174,558	191,.880	2.9	6.1	91.0	100.0
1997	6.540	17,486	146,632	170,658	3.8	10.2	85.9	100.0
var. 1991 - 1997	317.4	67.1	-25.7	-18.5	3.1	5.2	-8.3	-
				TURNOVER OF SUBSIDIARIES				
				Controlling holdings				
1991	340	1,610	73,522	75,472	0.5	2.1	97.4	100.0
1993	586	2,249	95,726	98,561	0.6	2.3	97.1	100.0
1995	1,098	3,227	120,822	125,147	0.9	2.6	96.5	100.0
1997	1,174	3,851	144,292	149,317	0.8	2.6	96.6	100.0
var. 1991 - 1997	245.3	139.2	96.3	97.8	0.3	0.4	-0.8	-
				Minority or equal partner holdings				
1991	92	613	30,696	31,401	0.3	2.0	97.8	100.0
1993	230	993	38,269	39,492	0.6	2.5	96.9	100.0
1995	438	1,167	44,324	45,929	1.0	2.5	96.5	100.0
1997	473	1,721	35,188	37,382	1.3	4.6	94.1	100.0
var. 1991 - 1997	414.1	180.8	14.6	19.0	1.0	2.7	-3.6	-

Source: ICE processing of CNEL - R&P - Politecnico di Milano data

Table 8.3

CREDIT FACILITIES FOR ITALIAN EXPORTS

Years	Number of operations accepted	var. %	Capital credit extended (billions of Lira)	var. %	(A) Facilities supplies (billions of Lira)	var. %	(B) Export totals (billions of Lira)	var. %	(C) (A/B %)	(D) Export of investment and durable comsummer goods (billions of Lira)	var. %	(E) (A/D %)
1978	429	-	2,301	-	2,856	-	47,505	-	6.0	20,668	-	13.8
1979	846	97.2	3,301	43.5	4,231	48.1	59,926	26.1	7.1	25,235	22.1	16.8
1980	1.025	21.2	3,388	2.6	4,766	12.6	66,719	11.3	7.1	29,110	15.4	16.4
1981	1.376	34.2	5,156	52.2	6,573	37.9	86,040	29.0	7.6	37,431	28.6	17.6
1982	2.115	53.7	7,731	49.9	10,144	54.3	99,231	15.3	10.2	43,021	14.9	23.6
1983	1.163	-45.0	4,665	-39.7	5,993	-40.9	110,530	11.4	5.4	48,893	13.6	12.3
1984	940	-19.2	7,314	56.8	9,338	55.8	129,027	16.7	7.2	56,200	14.9	16.6
1985	775	-17.6	6,913	-5.5	9,307	-0.3	149,724	16.0	6.2	64,822	15.3	14.4
1986	483	-37.7	5,303	-23.3	6,474	-30.4	145,331	-2.9	4.5	66,179	2.1	9.8
1987	441	-8.7	4,956	-6.5	6,337	-2.1	150,879	3.8	4.2	69,842	5.5	9.1
1988	533	20.9	5,792	16.9	7,076	11.7	166,380	10.3	4.3	78,864	12.9	9.0
1989	644	20.8	8,165	41.0	9,928	40.3	192,797	15.9	5.1	94,178	19.4	10.5
1990	645	0.2	8,197	0.4	9,671	-2.6	203,516	5.6	4.8	100,467	6.7	9.6
1991	653	1.2	8,115	-1.0	9,659	-0.1	209,728	3.1	4.6	103,701	3.2	9.3
1992	611	-6.4	12,508	54.1	14,864	53.9	219,436	4.6	6.8	106,978	3.2	13.9
1993	468	-23.4	9,128	-27.0	10,712	-27.9	266,214	21.3	4.0	129,917	21.4	8.2
1994	808	72.6	14,077	54.2	16,805	56.9	308,046	15.7	5.5	150,041	15.5	11.2
1995	987	22.2	13,109	-6.9	15,366	-8.6	381,175	23.7	4.0	186,431	24.3	8.2
1996	146	-85.2	1,357	-89.6	1,442	-90.6	388,885	2.0	0.4	195,195	4.7	0.7
1997	318	117.8	6,549	382.6	8,017	456	405,732	4.3	2.0	202,012	3.5	4.0
1998	148	-54.09	4,337	-33.8	4,939	-38	420,764	3.7	1.2	284,054	40.6	1.7

Source: ICE processing of SIMEST and ISTAT data

Table 9.1

PUBLIC INSURANCE OF EXPORT CREDITS BY GEOGRAPHICAL AREA COMMITTED BY THE SACE

(billions of Lira)

	1994	1995	1996	1997	1998
INDUSTRIALIZED COUNTRIES	**562**	**700**	**373**	**334**	**547**
European Union	538	687	362	321	248
EFTA	2	1	1	1	0
North America	22	12	10	10	297
Other industrialized countries	1	1	1	2	2
COUNTRIES IN TRANSITION	**11,560**	**9,973**	**7,774**	**8,242**	**8,811**
Ex-USSR	8,175	7,388	5,970	7,047	6,270
Central and Eastern Europe	3,384	2,585	1,804	1,194	2,541
DEVELOPING COUNTRIES	**33,357**	**32,442**	**27,849**	**23,613**	**20,851**
Middle East and Europe	11,589	12,569	9,424	8,975	5,783
Asia	4,786	5,784	6,741	5,299	5,287
America	5,706	4,592	4,019	3,452	3,990
Africa	11,275	9,498	7,664	5,887	5,791
Other countries	**103**	**65**	**41**	**70**	**51**
TOTAL	**45,581**	**43,180**	**36,036**	**32,258**	**30,.260**

Source : ICE processing of SACE data

Table 9.2

Italian Institute
for Foreign Trade