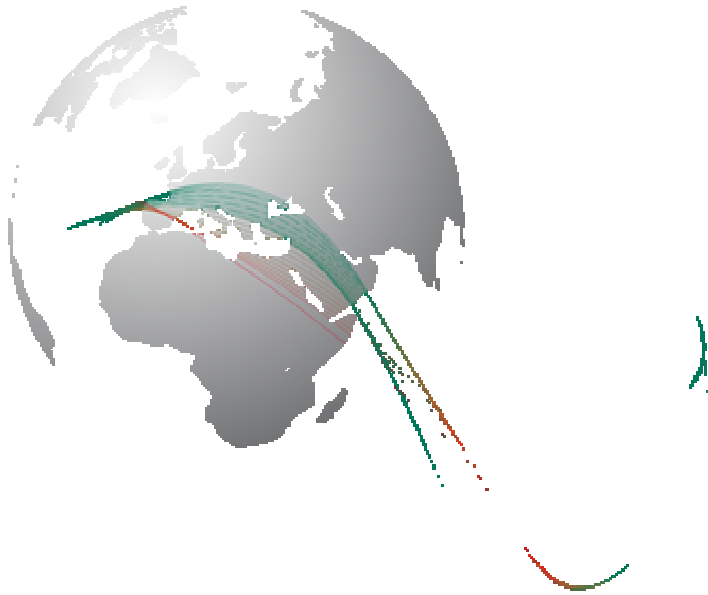


ITALY'S EXPORT PLAN



**2015 TARGET :
over 600 billion euros**

Rome January 16, 2013

ITALIA

Agenzia per la promozione all'estero e
l'internazionalizzazione delle imprese italiane

Executive Summary

In 2012 export confirmed its role as a major economic development engine while economic problems persist in both Italy and the European Union. Italy managed to defend its market shares within a global context characterized by a remarkable slowdown of some major emerging economies and limited national promotional efforts.

2012 ended for Italy with a surplus of about 10.8 billion Euros in total trade balance (including oil bill, despite the high cost of oil), for the first time since 2002, thanks to an increase of about 5% in the value of exports and a parallel decrease in imports.

Last year a major overhaul of the support system for internationalisation was initiated. Based on a new entity, the Board of Institutions (Cabina di Regia), the new operational model includes:

- Strong coordination among all the components of the international business support network
- A new shared planning process which engages the Italian Trade Promotion Agency ICE, the Chambers of Commerce and other bodies
- A new finance cluster for international business activities at the Cassa Depositi e Prestiti (Deposits and Loans Public Bank)

By restructuring and boosting the system, Italy can generate 150 billion € of additional exports reaching a total of € 620 billion by the end of 2015 (goods and services).

The next steps to be undertaken to achieve this target:

- Increasing resources for the Italian national promotional plan
- Prompt opening of new ICE offices in high potential markets
- Overcoming non-tariff barriers in the food sector
- Further tools to promote exporting companies' aggregation and tax incentives to promote investment abroad
- Activation of a network of information points to support export with the Chambers of Commerce



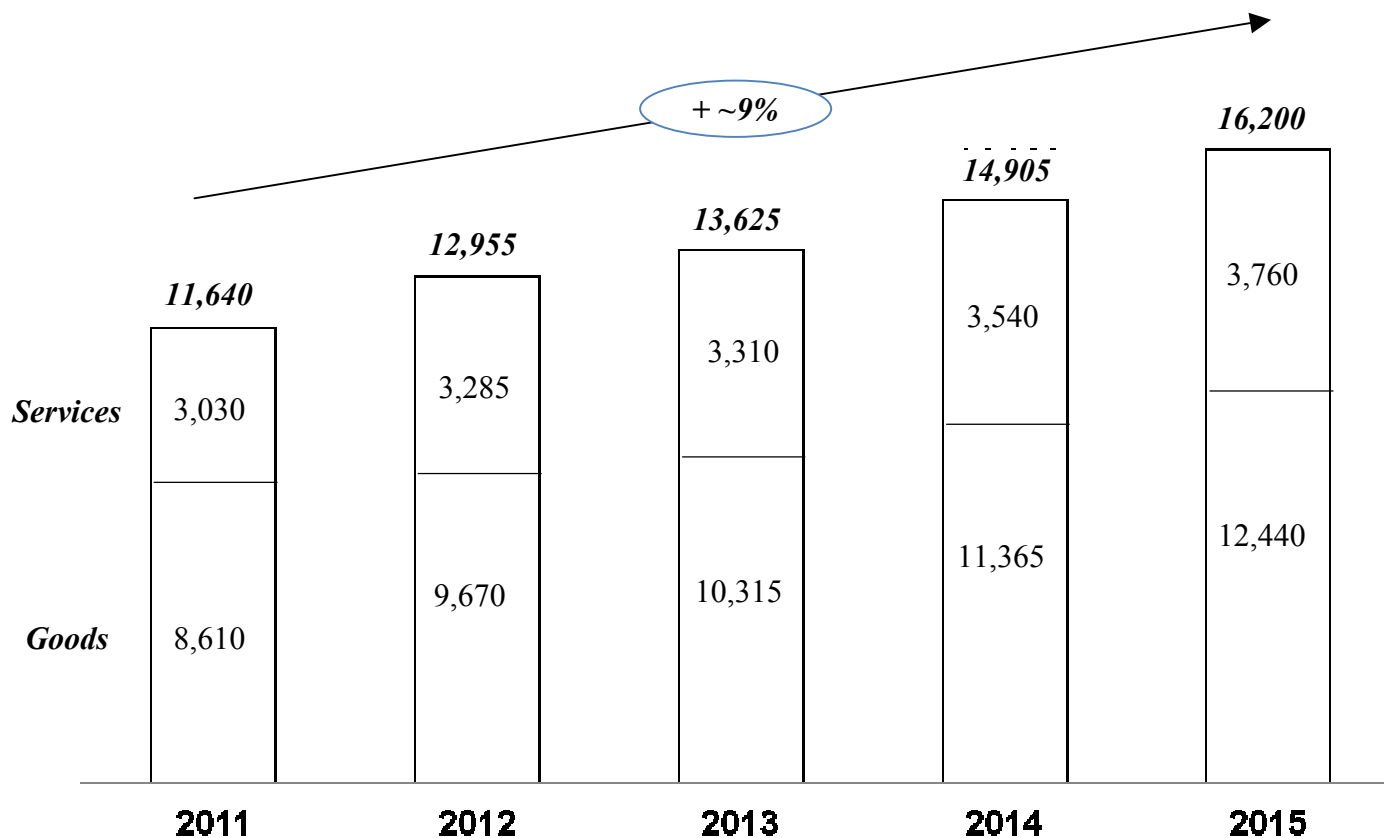
- The general framework: evolution of world and Italian Exports

- 2013-15 Plan

World exports are expected to grow in the coming years ...

World Exports: 2011-2015

Billion Euro; %, goods and services



Source: FIPICE, WTO and IMF

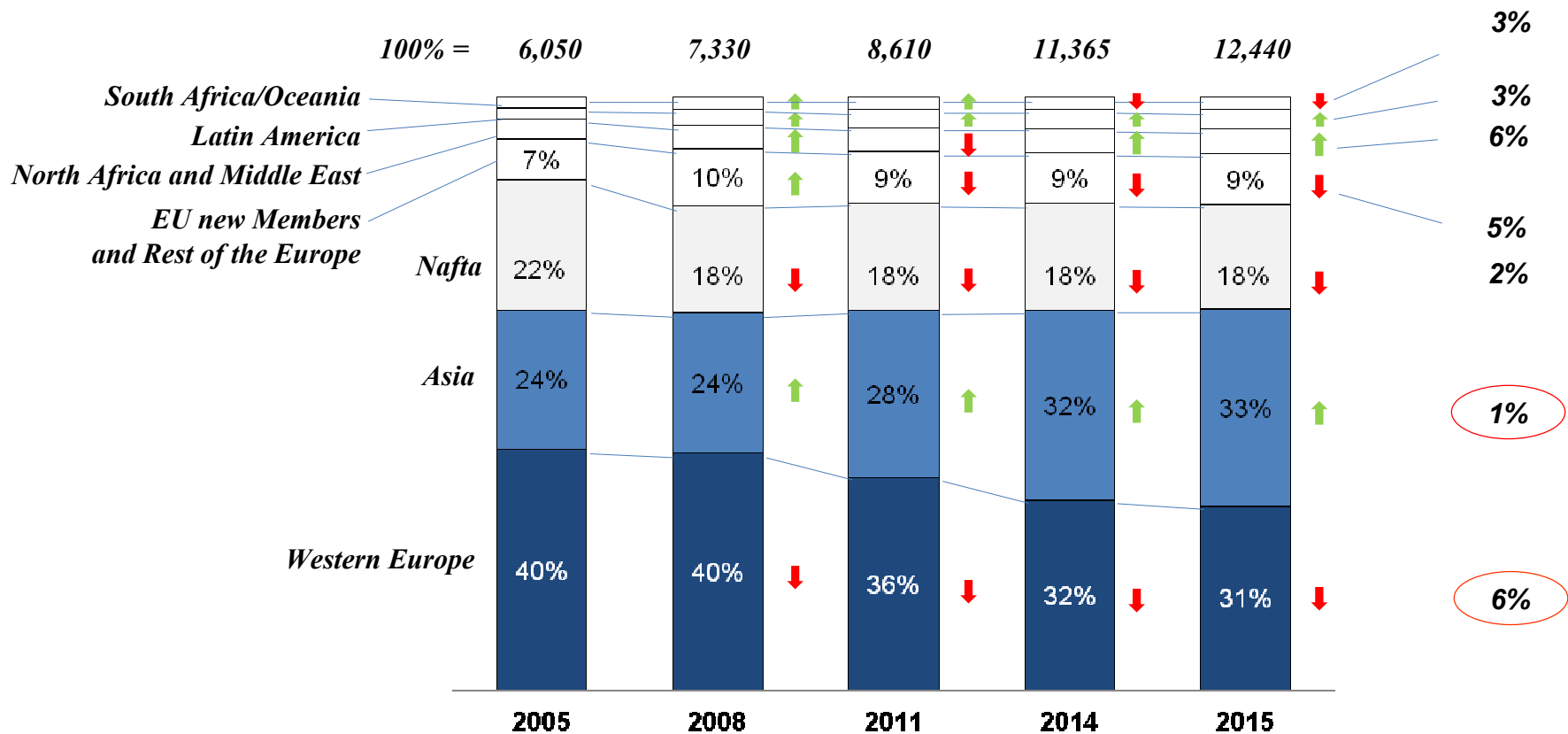
But...more and more towards markets where Italian market shares are less strong

World Merchandise Imports: distribution by Region

Base 100; Imports of goods

↑↓ % compared to previous year

Italy's market share by Area



Note: Market shares are calculated considering the "world" as composed by the 64 countries of the FIPICE database

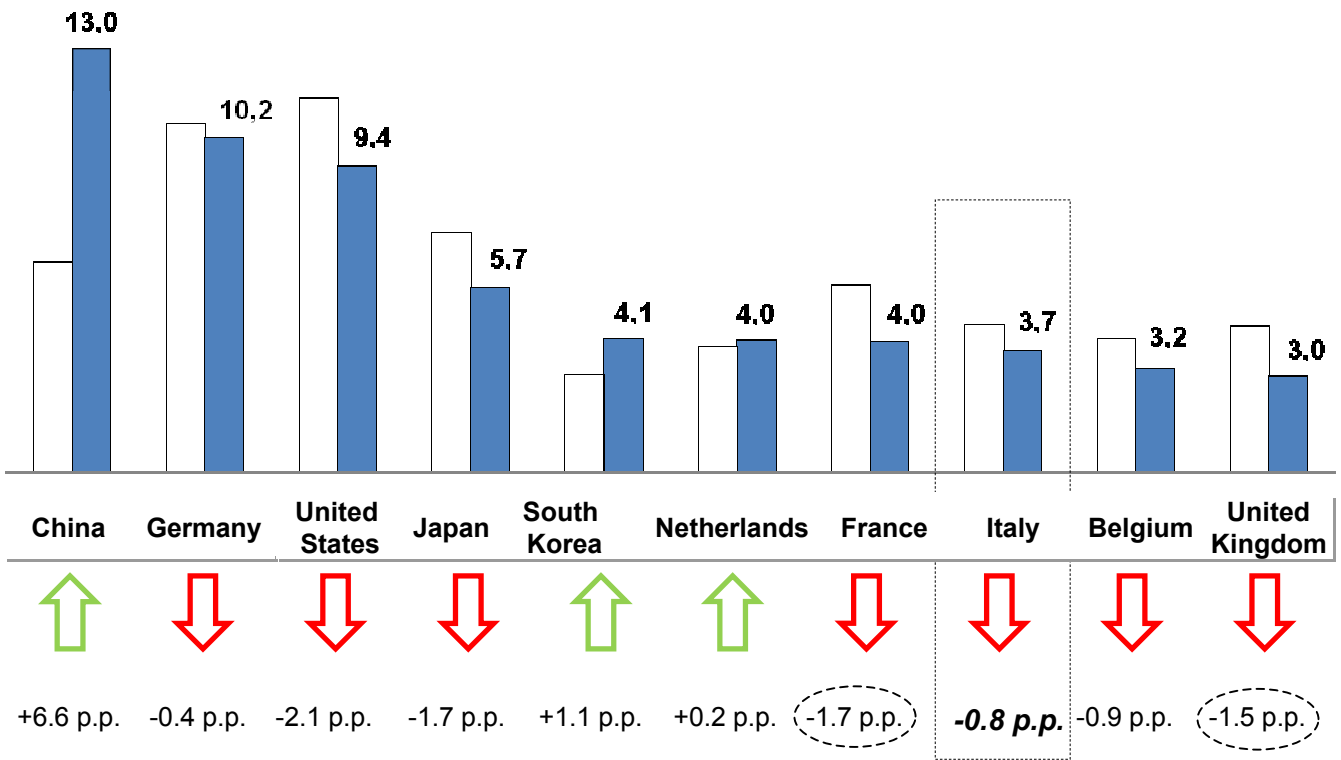
Source: FIPICE data

Traditional exporting countries decreased their market shares in favour of emerging countries: Italy's share, albeit declining, is holding up with respect to its main competitors

Evolution of world exports market shares (goods)

%; exports of goods

□ 2002 ■ 2011
 ↑↓ 2011 vs. 2002 change

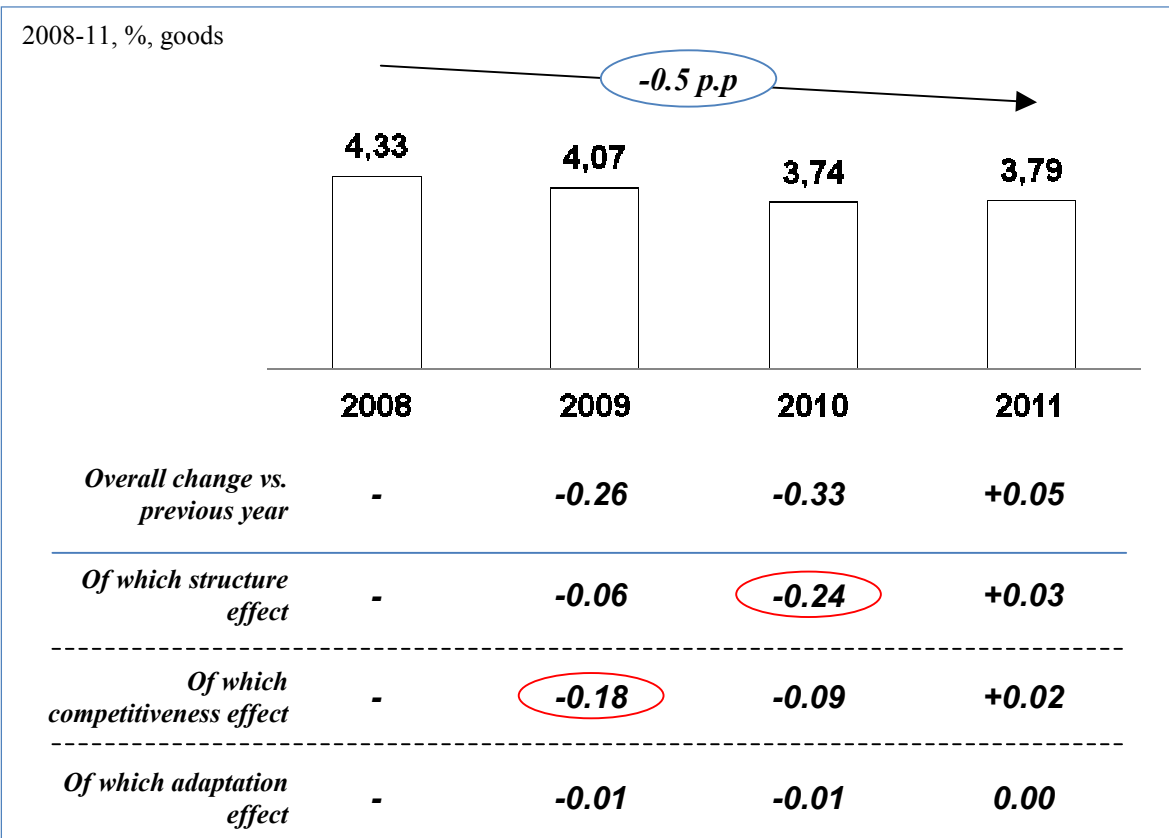


- Among main difficulties associated to the Italian export performance:
- Limited average size of firms
- High cost of credit
- Limited access to export credit
- Limited promotion activities compared to peers

Source: ICE based on Eurostat and Istat

Recent decline of the Italian Exports' market share is due to: limited competitiveness of our production system as well as weakness in Italy's geographic and sectoral specialization model

Trend in Italian Exports Market Share



- **Competitiveness effect** measures the factors, both in terms of cost and quality, which determine market success vis à vis competitors
- **Structure effect** measures the degree of conformity between Italy's geographical and sectoral specialization model and trends in world demand
- **Adaptation effect** measures the flexibility to changes in the composition of world demand

Source: ICE based on FIPICE

Many factors might push Italian exports up

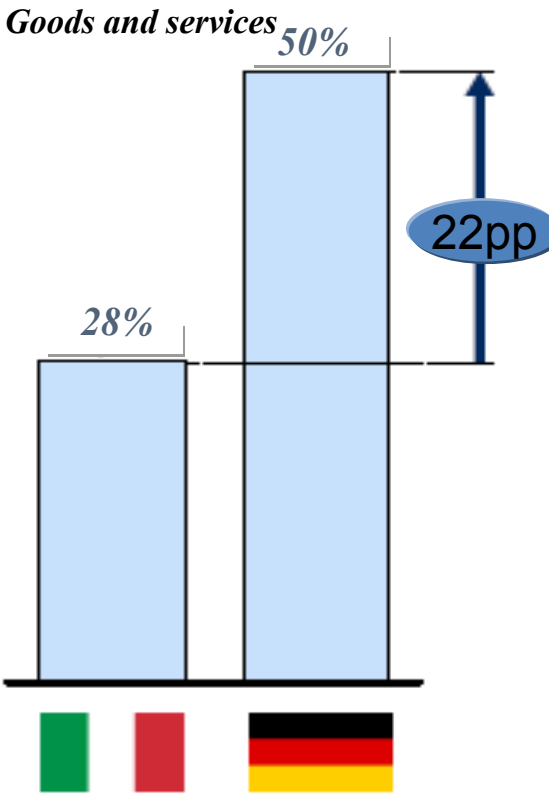
- 1 Emersion of a new **middle class** with propensity to **luxury and branded products' consumption**
- 2 Rapid affirmation of **new foreign destination markets** for Italian exports (Indonesia, Nigeria, Angola, Mexico, Pakistan, Egypt...)
- 3 Growing diffusion of **free trade agreements** promoted by the WTO (early negotiations EU-Japan, EU-Canada, ...)
- 4 Growing **global demand** for **high quality food products**
- 5 Higher **globalization** of **import-export value chains**
- 6 **Diffusion** of a steep “learning curve” for a **larger number of firms to get international** and to **increase their export turnover**
- 7 **Growing number of countries** developing their own manufacturing industry and **buying Italian machinery**
- 8 **Very strong Made in Italy brand reputation** around the world

A large number of such factors “naturally” promote **Italian Exports** around the world

Germany has an Export/GDP ratio about twice as large as our country: Italy can then set ambitious targets to increase its exports

Year: 2011

Export/GDP Ratio



- *A reduction in Exp/GDP ratio gap with Germany is possible thanks to the comparability of:*
- *Legal / regulatory European framework*
- *Same currency*
- *Strong manufacturing base devoted to Exports*

Source: Eurostat



- The general framework: evolution of world and Italian Exports

- 2013-15 Plan

In 2012, in spite of Italian economic and institutional problems, important export results were recorded

Italy's foreign trade (goods and services)

Bln €, CAGR



Balance

<i>Goods</i>	-25.4	+ ~9
<i>Services</i>	-7	- ~0.5
<i>Total</i>	-32.4	+ ~8-10

- *In spite of* high interest rates, limited access to export credit, strong slow down in some markets and limited promotional activity, **in 2012 Italy recorded the First Total Trade Surplus of about 8-10 billion Euros (including energy) in 10 years**
- This 2012 surplus has been achieved notwithstanding high Oil and Gas prices (in 2002 oil price was 25 US \$ per barrel) thanks to a **record surplus in manufacturing** (~ 80 Bill. Euros) and a generalized reduction of imports

Italy may speed up export development and reverse the decrease in market shares if it strengthens actions undertaken in the past 12 months...

Activities

Description

- 1** *Focus on overall objectives*
 - *Sharing development targets* by Geographic Areas and Sectors **among all public and private actors** involved in international business support activities
- 2** *Rationalization and streamlining of the Network of Offices abroad*
 - **Re-organization** of the Network through strong coordination efforts among all the “segments” of the Italian presence abroad, (Diplomatic Network, Italian Trade Promotion Offices, Chambers of Commerce abroad, Enit, Sace and Simest offices) **in due consideration of:**
 - **Markets’ size and GDP growth potential**
 - **Italian export specialization, historical and political matters**
- 3** *Coordination and new approach to promotional activities*
 - First time development of a **shared and systematic planning process**, through:
 - **One common classification of Sectors and Types of initiatives** in order to simplify comparisons and speed up discussions
 - **sharing of promotional programmes between the Agency and the System of Chambers of Commerce**. This coordination effort involves also other actors such as **Confindustria, Rete Imprese Italia**, etc.
Shortly also the **Regions** will complete the integration process
 - **Innovation of promotional activities through thematic actions and projects**, with due attention to geographic targets, value chains and innovative sectors
 - **Focus on information diffusion and arrangement direct contact points at the Chambers of Commerce (local desks)**

Italy may speed up export development and reverse the decrease in market shares if it strengthens actions undertaken in the past 12 months...

Activities

Description

4 *Financial support to international business activities*

- Setting up of an internationalization finance pole made of **CDP-SACE-SIMEST** with subsidiary tools by “size” and sectors
- Definition of guidelines for the establishment of an Italian “**Export Bank**” to guarantee (at competitive costs) **resources availability, financial services** and **export insurance** for companies exporting or investing abroad. This Export Bank will focus on, among other things, promoting Italian companies participation in international infrastructure projects
- Strengthening of the “**Security Fund**” established by MiSE/ ICE/ Chambers of Commerce

5 *Stronger focus on Distribution Chains and IT*

- Strengthening of initiatives addressed to **international distribution chains** as well as of training activities and support for IT platforms for E-Commerce

6 *Increase in number of exporting firms and markets*

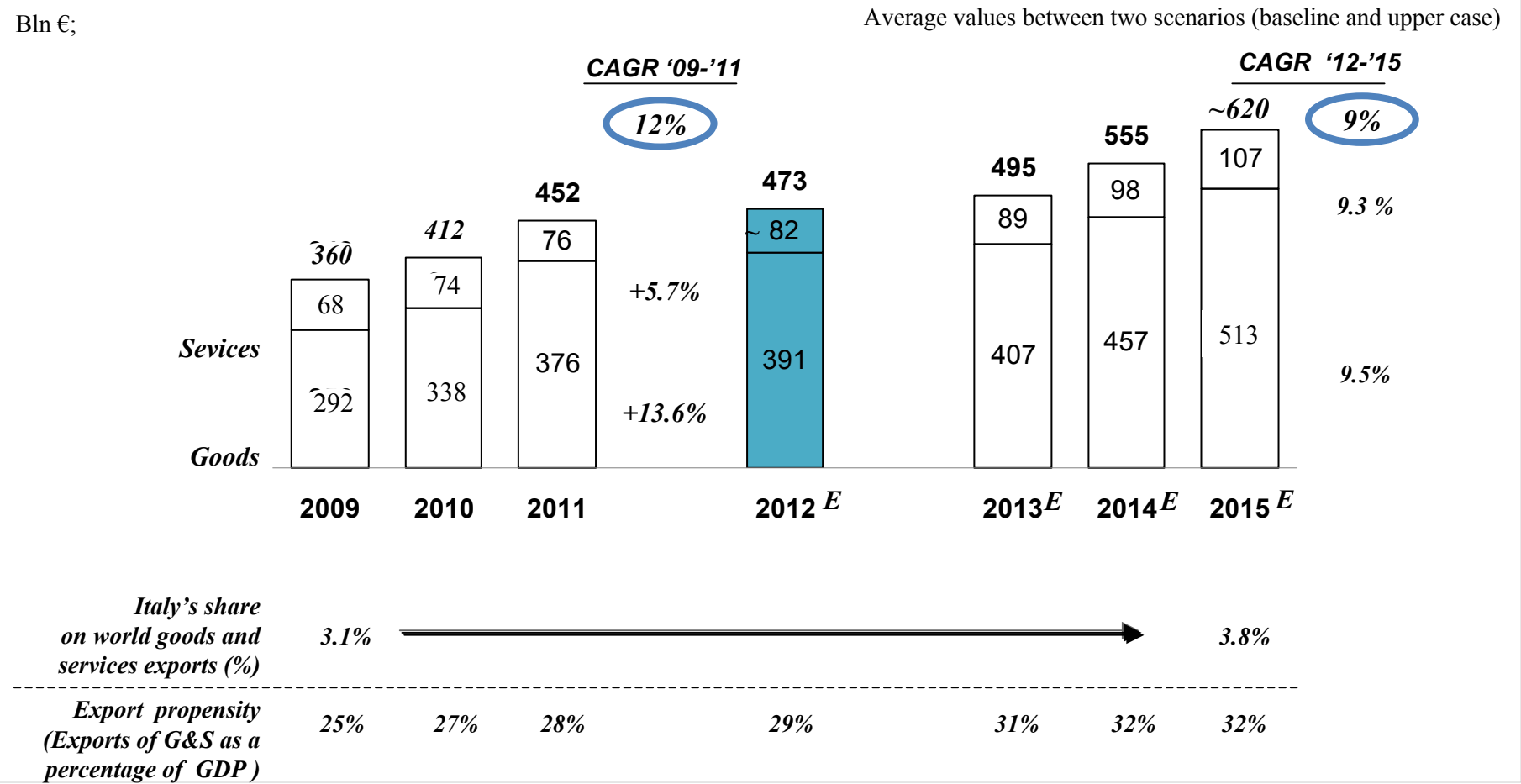
- Kick-start of a programme aimed at strengthening export capacity for Southern Italian Regions – **Export South Project**
- Enhancing promotional activities in **under-represented strategic sectors** such as High Tech, innovative Start-ups, Green Energy, Defence and the Services sector (traditionally less promoted))

7 *Development of synergies between exports and investment attraction*

- Focus of **Trade promotion offices abroad in investment attraction to Italy** in order to activate virtuous circles for value creation. Foreign Capital facilitates access to international markets and generates:
 - further investment opportunities (for example to enhance international trade penetration, R&D etc)
 - possible **cross-fertilization of know-how**

Starting from about 470 billion euros of Goods and Services exported in 2012, Italy may get more than 145 billions of additional exports in 2013-2015 reaching 620 billions by the end of 2015

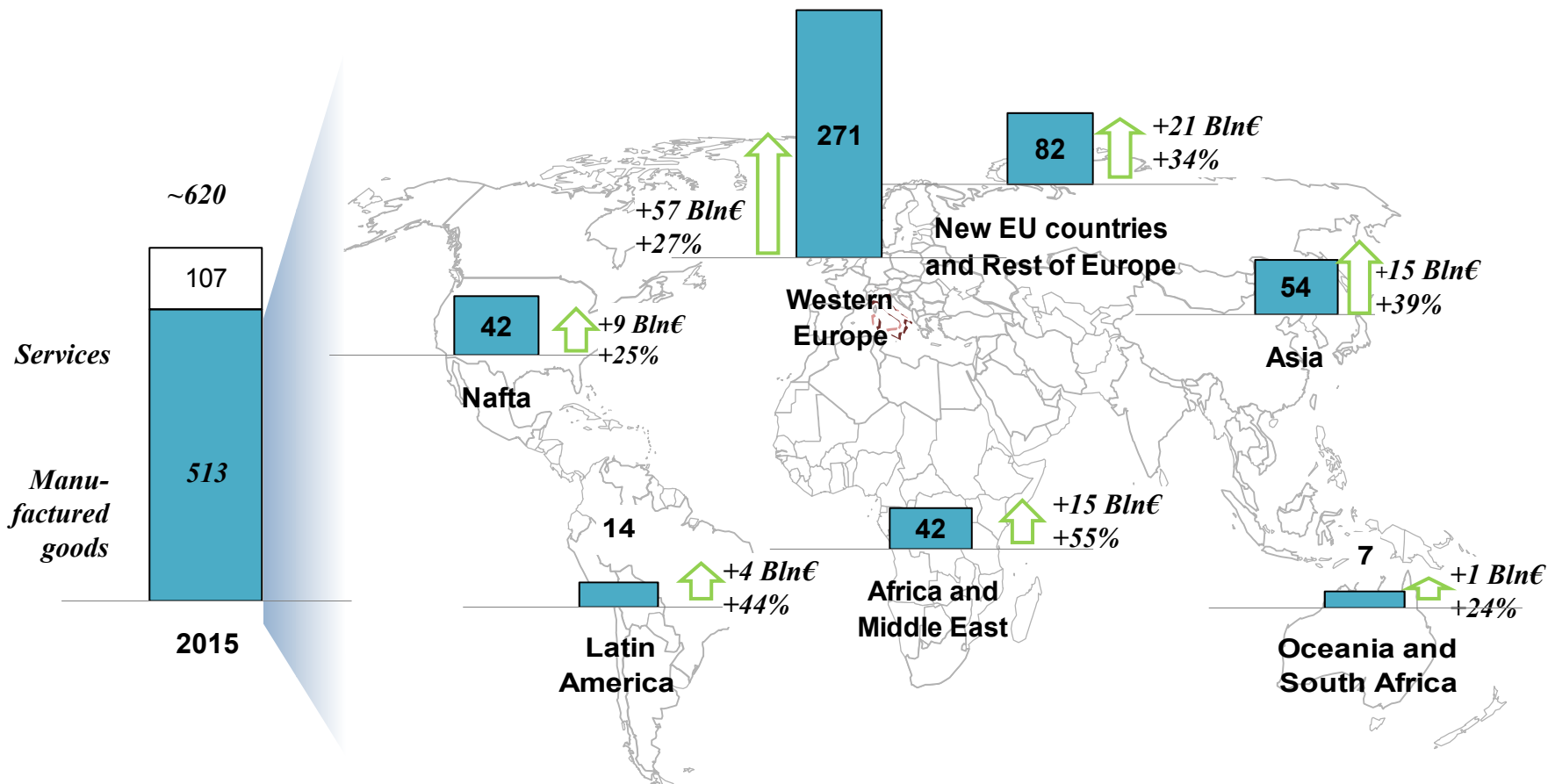
Italian exports' development



Source: Ice on Istat and Fipice data

Italian exports may record important growth in all main Geographical Areas...

Italian exports: 2015 year-end forecasts and expected 2012-2015 growth rates and value changes by geographical Region

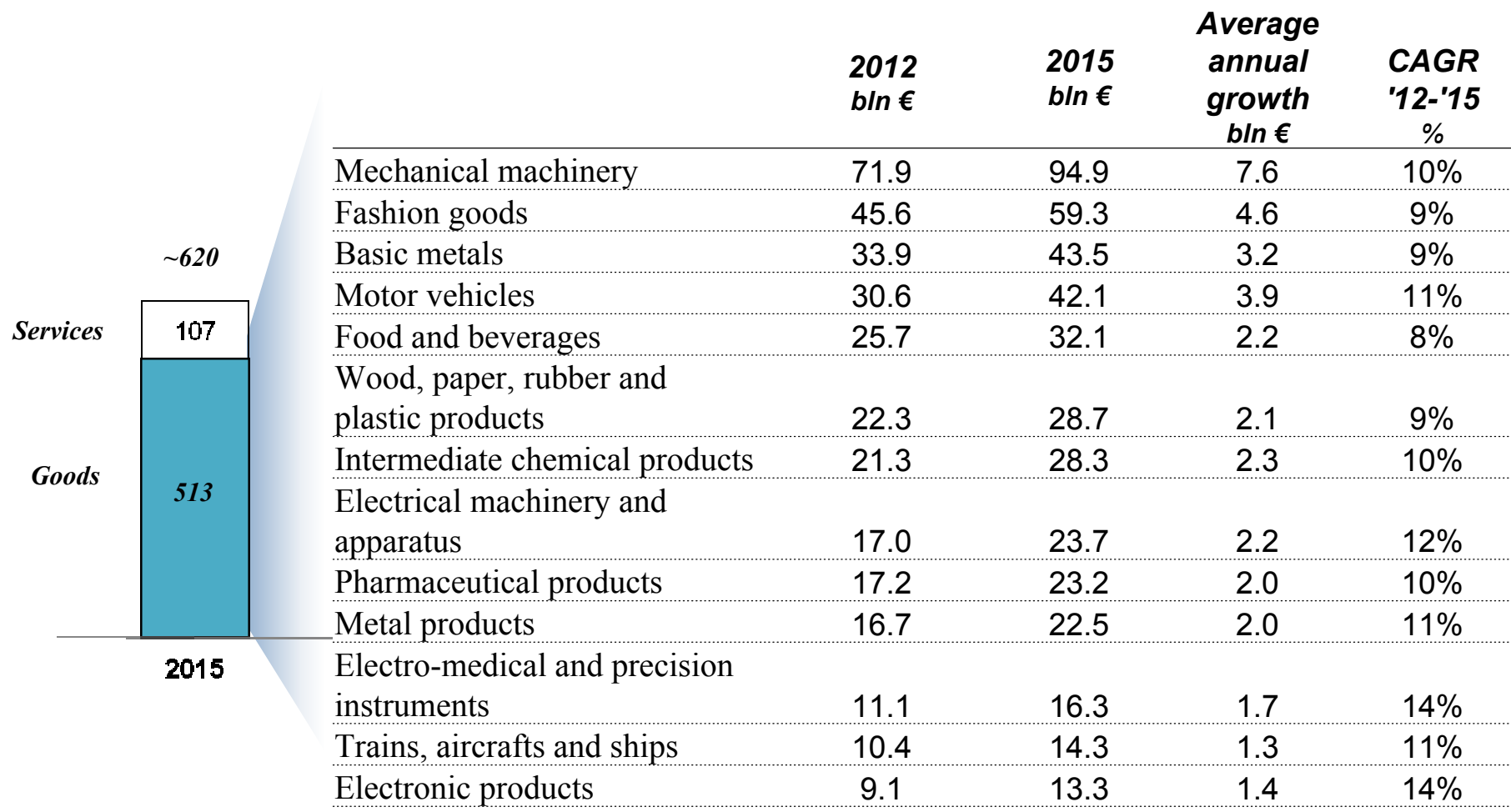


Source: Ice on Fipice data

... and in main sectors: goods

Italian exports by sector

Values in billion euros and CAGR - Compound Annual Growth Rate (%)



Source: Ice on Istat data

... and in main sectors: services

Italian exports by sector

Values in billion euros and CAGR - Compound Annual Growth Rate (%)

	2012 bln €	2015 bln €	Average annual growth bln €	CAGR '12-15
Commercial services	82	107	8.4	9.3%
- <i>Travel*</i>	33.1	42.3	3.1	8.5%
- <i>Transportation**</i>	13.0	17.2	1.4	9.8%
- <i>Other commercial services</i>	35.7	47.4	3.9	9.9%
. <i>Other business services</i>	21.5	28.3	2.3	9.5%
. <i>Communications services</i>	5.2	6.7	0.5	8.9%
. <i>Royalties and license fees</i>	2.6	3.7	0.4	12.9%
. <i>Insurance services</i>	2.2	3.2	0.3	12.8%
. <i>IT services</i>	1.5	2.1	0.2	11.6%
. <i>Financial services</i>	2.3	2.9	0.2	7.6%
. <i>Construction</i>	0.2	0.3	0.0	19.0%
. <i>Personal, cultural and recreational services</i>	0.2	0.3	0,0	11,1%

~620

Services 107

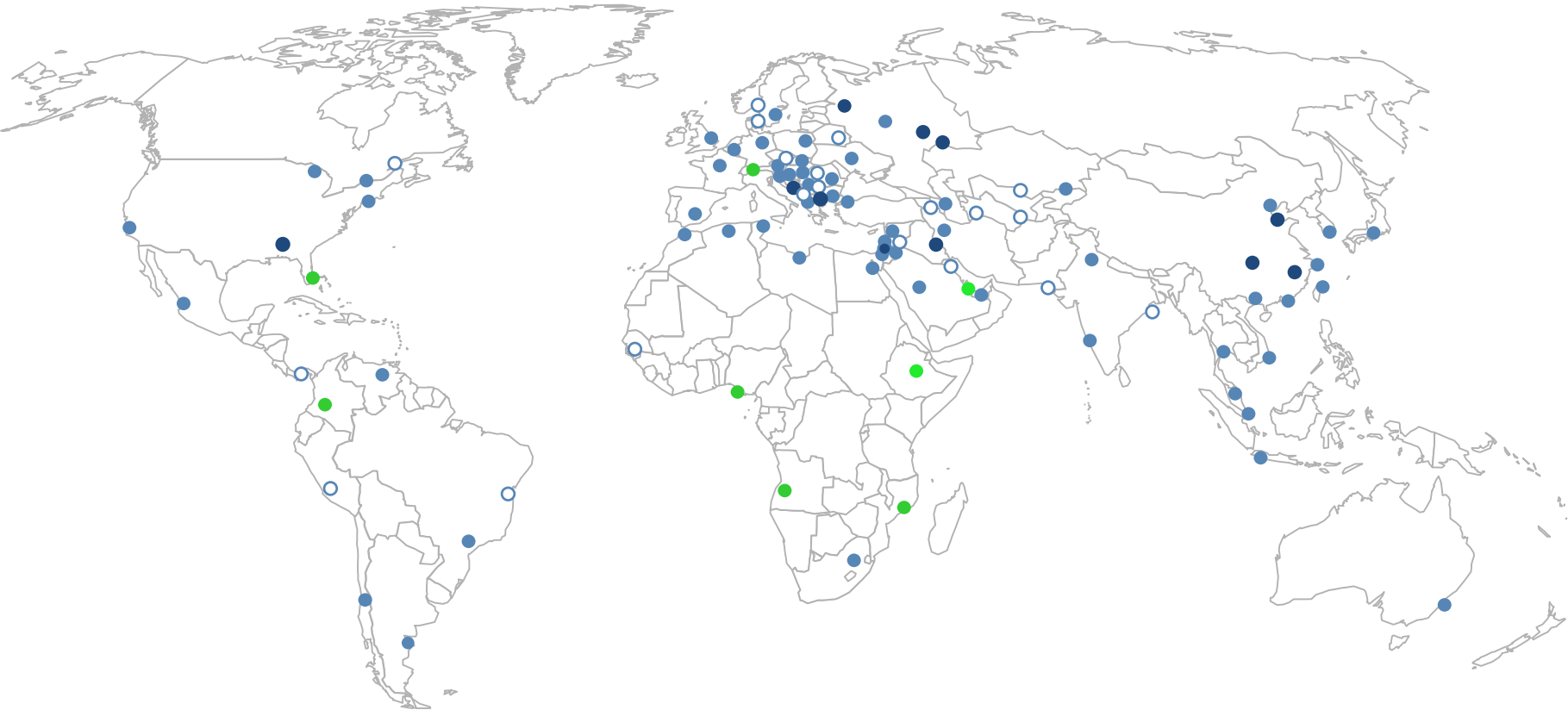
Manufactured goods 513

2015

Source: Ice on Bank of Italy and WTO data

Activities underpinning indicated targets will be supported by offices of the Italian Trade Promotion Agency which will be strengthened and integrated with other institutions

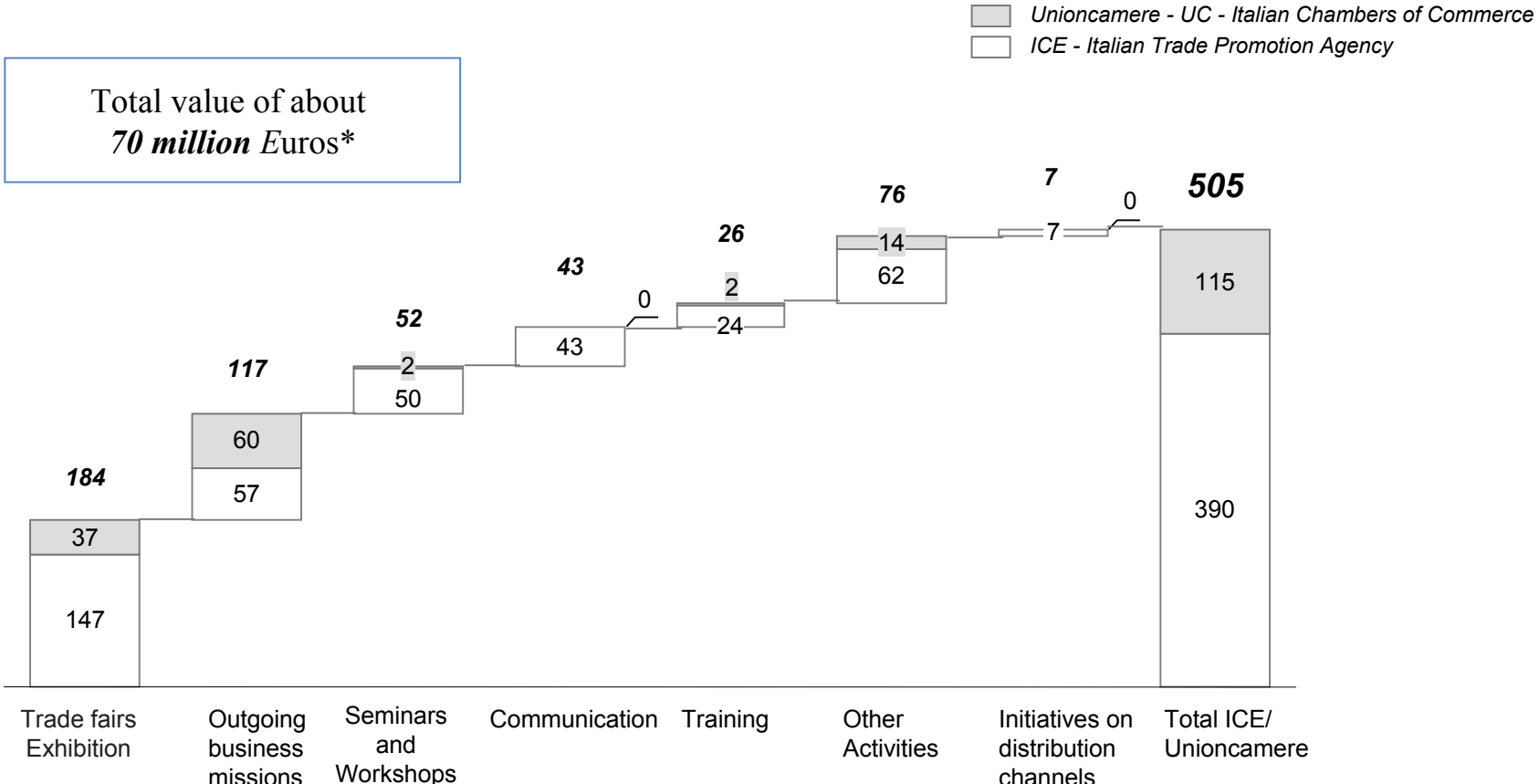
 New offices	 Local Desks
 Existing offices	 Offices to be closed



- **8** New offices
- **15-20** Offices about to be to closed or merged with other institutions

Promotional activities are kicking off in the next few weeks envisaging more than 500 coordinated projects among all the actors

Early evidence of coordination exercise between ICE and UC: total identified initiatives II sem. 2012- 2013



* ICE and Unioncamere, public and private funds

In order to implement the Export Plan also other concrete export development actions will become necessary

Esempi di azioni puntuali

Descrizione

Increase of funds for promotional activities

- **Increase of promotional financial resources for the Italian Trade Promotion Agency** from about **30 million** euros in 2012 to about **60 mln** euros in 2013 (against an average of 80 million euros in the years 2008-10 (included enterprises' private contributions, in 2010 totalled 122 million euros)

Tax incentives for enterprises

- **Increase of tax deduction threshold** for entertainment expenses abroad and for **incoming missions' costs** (invitations to foreign **buyers, journalists etc**) and **accelerated depreciation in case of stable establishments abroad. Enactment of a Unified Legal Code** for laws and regulations on international activities (simplifications asked for by companies).

Strengthening of E-Commerce

- Measures to enhance diffusion of **E-Commerce** such as the forthcoming "virtual window-shops" platform by **the Italian Trade Promotion Agency** (web catalogues to promote products and to get in touch with potential partners) and Google-Unioncamere (talian Association Chambers of Commerce) Programme

Overcoming non tariff barriers

- Actions to protect Made in Italy products against obstacles arising from **non tariff barriers** (particularly in agro-business sector).
- Kick-start of communication campaigns on the "Italian sounding" phenomenon, awareness for national and international institutions to safeguard Italian typical products and geographic reference, stronger legal and tax assistance to export companies through the establishment of networks of professional services, training on multilateral rules (WTO) on non tariff barriers

In order to implement the Export Plan also other concrete export development actions will become necessary

Examples of detailed actions

Description

Strengthening tools for firms' dimensional growth and to support aggregation/networks

- ***Finance measures aimed at boosting dimensional growth and aggregation and entrepreneurial collaboration*** (network contracts for internationalisation, consortiums, temporary partnerships to participate to international tenders, etc.)

Incentives to hire professionals devoted to international business support

- ***Incentives to hire*** young professionals as ***export manager, procurement analysts and e-commerce manager*** and specialized training programmes in the field abroad, like French traineeship programmes (***Ubi France's Volontariat International en Enterprise***)

Activation of information systems to support export

- ***Coordination and simplification*** of existing information systems to support internationalisation
- Kick-start of information desks at the Chambers of Commerce
- Release of the International Trade Hub portal