

## Foreign Commerce

### A synthetic overview of 2003 and update on the first nine months of 2004

Treviso is the **4<sup>th</sup> province in Italy in terms of the value of its exports** (the figure for 2003 was 8,328 million Euros) and **3<sup>rd</sup> in terms of the balance of payments** between exports and imports (first in the Venetian region). The active balance of payments amounts to 3,972 million Euros: almost half of the regional amount and over three times the national figure.

Treviso's vocation for international exchange can be summarised by the **rate of coverage of exports over imports**: for every 100 Euros of goods imported, Treviso exports 191.2 Euros. This rate surpasses both the regional rate (128.8) and the national rate, which barely reaches parity (100.4 Euros of exports for every 100 Euros of imports).

But Treviso has not stopped at mere internationalisation of trade: the path of international integration of production that Treviso enterprise has undertaken en masse is equally important, particularly in the division of fashion. The areas of productive internationalisation are Eastern Europe and the Far East. Romania was Treviso's foremost supplier of imports in 2003.

Overall, **Treviso's most important export markets**, regardless of the lacklustre economic situation in recent years, remain Germany, France, the United Kingdom, Spain and the United States – but it is interesting to note how the geography and dynamics of exchanges have modified in relation to individual commodity divisions.

Although Treviso exports declined by –0.4% over the period from 2002 to 2003 (and by –3% with respect to 2001), the Venetian region and Italy recorded even heavier drops, respectively – 8.5% and –4% under 2002 figures and –7.7% and –5.4%, respectively, compared to 2001. The greater competitive resistance of Treviso's products can therefore be seen. Let us quickly examine in greater detail the **performance indications for the most important manufacturing divisions** in Treviso, compared to Venetian and national figures. The data refer to 2003, the latest year for which information is available at this writing.

**Textiles & Clothing.** With over 1,665 million Euros, this is the most important division in the Province in terms of the value of goods exported, accounting for 20% of Treviso's total exports. From the point of view of performance, there are more clouds than bright spots. The contraction in exports for this division is 5% compared to 2002: about 100 million Euros less in sales abroad. The national and regional figures are worse, of course (-7% and -10.3%, respectively) and Treviso's contribution to regional exports for the division climbed from 35.4% to 37.5%. In the face of these continual downturns, doubts sometimes arise that less exports from Treviso towards world markets are actually compensated for, at least in part, by flow from one foreign market to another (especially for products manufactured in Asia). This however is not an unequivocal reading of the situation. On many nearby markets of destination, negative variations have ruthlessly reached double figures: in Germany the decline for the period from 2001 to 2003 was 30.7% (-80 million Euros); in the United Kingdom, in 2003 alone, Treviso exports underwent a contraction of 18%. We are even failing to have a presence on emerging markets: Russia (-15%), Portugal (-17%). Among the first 20 export markets, only Eastern European countries and the area of the Mediterranean stand out (Croatia, Hungary and Romania; Tunisia, Turkey and Greece); it is easy to imagine that these flows are correlated with delocalisation (except for Greece).

A comparison can be made with the geography of imports: Tunisia occupies 3<sup>rd</sup> place among countries of origin (up 30% from 2001), closely following Romania and Croatia; China is 4<sup>th</sup>, with an increase of 30.6% over 2002. Considering the biennial period from 2001-2003, the

dynamics of imports also stand out for Turkey (+80%), Bulgaria (+55%), India (+49%), Slovakia (+521%), Ukraine (+180%) and Bosnia (+57%).

**Industrial Machinery.** Treviso exports of industrial machinery amount to 1,371 million Euros. This is the second most important division in the Province in terms of export volumes, and the dynamics reveal a positive counter-trend with respect to the regional and national level: the division grew by +5.1% in Treviso, as compared to Venetia, off 2%, and the figure for Italy, down by 1.5%. These results confirm that it is possible to hold our own on world markets, counting on quality niche products with a high technological content.

The positive performance is definitely supported by the demand for machinery in Eastern European countries, which grew by 17.3% in 2003 alone. The most noteworthy dynamics concern Russia (+62%, which constitutes a recovery from the drop experienced in 2002), Poland (+20.5%) and the Czech Republic (+30.8%). It is interesting to note that following an initial phase in which demand for machinery followed the trend of delocalisation (especially in Romania), business opportunities in the area today have significantly increased.

But our assertion in the reign of *made in Germany* products has been equally clamorous, where sales in this division have expanded by 21.4% (from 174 million to 210 million Euros). Exports towards France have also recovered in comparison with 2002 (but not with respect to 2001), representing the 2<sup>nd</sup> most important market; the dynamics of other European countries such as Spain and Belgium are also interesting (+6.3% and +21.8%, respectively).

On the import side of the ledger, China has asserted itself as the Province's third trading partner, accounting for 11.6% of Treviso's total machinery imports in 2001, while it is now commanding a share of 17.8%, approaching Germany's and the United States' shares of 18.5% and 20.6%, respectively. We import almost 73 million Euros worth of machinery from the Country of the Great Wall (+51% over 2001, +28% over 2002), while we sell them "only" 23 million Euros (on the upswing with respect to 2002, but a strong decline with respect to 2001). Paradoxically, we sell more machinery in Iran and Portugal, to cite only two countries that have definitely not seen the rate of industrial growth experienced by China in recent years.

**Furniture.** Furniture is the 3<sup>rd</sup> export division, with a total for volume of over 966 million Euros. The difficulties of the current economic situation are also being felt in this division, but with diminished effects compared to what has taken place on the regional and national levels: the downswing in Treviso furniture exports (off 1.3%) is in fact much less dramatic than in the Venetian region (-10.4%) and Italy (-8.6%). If the comparison is made for the two-year period from 2001-2003, the difference is even more marked. Treviso has defended itself, being almost stationary at -0.5%, while regional and national furniture exports underwent a contraction of 13% for the former (off 200 million Euros) and 10% for the latter (down by approximately 800 million). The considerably strengthened position of Treviso in its contribution to regional exports is worthy of note, going from 48.7% in 2001 to 55.8% in 2003.

The list of export markets is an alternating see-saw of negative and positive signs: the downswing in Germany is not surprising, while we are favourably impressed by the significant recovery in France (+17.6%, from 118 to 139 million Euros). The positive *performances* of most of the border countries of the Union (EU members or soon-to-be annexed members): Spain (+16%), Greece (+14%), Slovenia (+26%), Poland (+14%), Sweden (+18.7%) and Denmark (+13.6%). The Japanese market also reawakened in 2003, where Treviso furniture exports not only recovered from the strong downswing that occurred in 2002, but also showed a marked increase of +18.2% over sales in 2001.

**Sports footwear.** Sports footwear exports amounted to 856 million Euros: some 10.3% of Treviso's exports. It is a well-known fact that this division is part of the Montebelluna industrial district, the most internationalised in the Province and perhaps the most highly evolved district in Italy. The enterprises that make up this district are successfully experiencing the international

dimension of sales markets and productive externalisation, as a continuous source of learning to define their competitive strategies along the entire chain of value. Today we have not only the noted phenomenon of delocalisation in Romania to pursue advantages in terms of costs, but there is also growing attention towards direct involvement on foreign markets, through commercial subsidiaries or partnerships with local distributors.

This all seems to have positive effects on the performance of the district, since 2003 closed out with exports up 5.7%, against the 3.2% downturn in the Venetian region and the 7.8% decline in Italy. This is not a so-called “drugged” growth spurred by delocalisation: true, Romania has now become Montebelluna’s most important export market due to the flow of semi-processed goods and materials sent there, but the overall increase in exports towards Eastern European countries was only 3.3%, while what truly determined the result at the end of the year was the 14.3% increase in sales inside the European Union (+50 million Euros): this was vital for a market area where 48% of the district’s exports are concentrated.

Sales grew on traditional markets like Germany (+18.3% in 2003 and a hefty 31.9% for the 2001-2003 biennial period) and France (+13.1%), which alone accounted for 25% of the district’s total exports. But the dynamics of exports towards other countries are also extremely interesting: Spain (+46%), the Netherlands (+23%) and Sweden (+12.7%). These data abundantly compensate for the drop in exports towards the USA (-9%) and Canada (-18%) caused by the strong Euro and the now well known attitude of “*buy in America*”, which has come to the fore after 11 September and which makes it difficult to gain the confidence of these markets.

The import figures could also be read as a map of the areas of productive delocalisation: Romania is of course at the top of the list, closely followed by Slovakia (imports from this country have doubled over the last two years). The flow from the Far East has increased, with Vietnam and China at the top of the list, followed at a distance by Indonesia and India; the trajectories of delocalisation are more uncertain in the Balkans and North Africa. Imports from Bosnia, Serbia and Macedonia have diminished, while imports from Morocco are off by 51% over the two-year period.

**Home Appliances.** Statistical experts know that this commodity is incorporated in the ATECO DK29 “Machinery and Mechanical Equipment” division. Nevertheless, since we feel that home appliances and industrial machinery are necessarily two distinct manufacturing divisions, due to the nature of the products and the market destination, they have been disaggregated, and this has brought to light the division’s negative performance: Treviso exports are down by 4.5%, which is better than Venetia, off by 6.9%, but not better than Italy, down by 3.3%. In absolute values the Province of Treviso exports almost 760 million Euros worth of home appliances.

Imports have experienced a staggering increase of 165 million Euros: the variation in imports in Treviso is more than double than the rise in Italy (+19.8%, as compared to a national average of +8.2%). Imports of Chinese appliances have grown by almost three times the 2001 figure (+175%) and the country now represents ¼ of Treviso’s imports in this division (the 2001 share was 12.8%), immediately following Romania, where 50% of the home appliances imported by Treviso are produced.

**Updating export flows for the first nine months of 2004** brings to light a recovery of 3.2% in Treviso’s exports with respect to the same period of 2003. The amount exceeds the variation in regional exports (+2.3%), which is in any case positive.

In particular, Treviso stands out in Venetia with the highest percentile variation in exports over the two-year period, which grew by 4.9% during the first 9 months of 2004, with respect to the same period of 2002. This is even more important if it is taken into consideration that the Province of Vicenza, whose economic structure is often compared to Treviso, saw a decrease of 8.7% in exports for the biennial period.

The most positive results for the **individual divisions**, are indicated below, again as a comparison between the first nine months of 2004 and the same period of the previous year (or the biennial period).

- **Agricultural & Forestry Products:** +13.9% for Treviso, -8.8% for Venetia;
- **Footwear & Leather:** +3.0% for Treviso, compared to -1.3% for Venetia; over the biennial period Treviso was up by +11.3%, against the region's -8.0%;
- **Wood & Wood Products:** recovery over 2003, but not 2002. Growth in exports last year was 8.5% (against Venetia's 2.4%), while the variation is still negative for the biennial period (-8.9% and still worse for Venetia, at -10.2%);
- **Furniture Industry:** Treviso exports +4.7% over the first nine months of 2003, against -0.4% for Venetian exports;
- **Rubber & Plastics:** good percentile variation for the biennial period of +12.4% (+2.5% for Venetia);
- **Metals & Metal Products:** increases are recorded for the year (+14.3% for the Province, +18.5% for the region); and for the biennial period (+19.9% for the Province, +16.3% for the region);
- **Machinery:** +6% for the year, +18.3% for the biennial period. Strong recovery again places Treviso at a distance from the regional performance (+3.3% for 2003-2004 and +5.9% for the biennial period);
- **Electrical Equipment:** recovery is recorded over the previous year, +7.5% for the Province, and +8.6% for the region.

*Drawn up by the  
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