

ITALY JAPAN

BUSINESS GROUP

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FDIs as an engine of global integration.

1. Quantitative overview

FDIs growth continues to outpace that of world trade and output. At the end of 1995 (UNCTAD, World Investment Report) the total stock of world FDIs exceeded \$2,700 bn. (of which about one fourth hosted by developing countries) (fig. 2), almost double the 1988 level and equal to 10% of world economic output. In 1995 world FDI outflows reached \$318 bn. (+38% over 1994), against an average of \$200 bn. in 1990-95 and of \$121 bn. in 1984-89 (table 2).

FDI inflows were 5.5% of total gross fixed capital formation in host countries (more than 7% for developing countries), twice the level of early 1980s.

However most traffic is across Atlantic or into Asia. In 1995, 10 countries attracted about two thirds of all FDI inflows. The smallest 100 recipient countries accounted for about 1% of world FDI inflows. And just five countries (U.S., U.K., Germany, Japan, France) provided two thirds of total FDI outflows.

Total sales by foreign affiliates of TNCs, estimated at \$5.2 trillion in 1993, outweigh the value of world trade of goods and commercial

services. Roughly two thirds of world trade originates in TNC's, half of which is due to intra-company transactions (hence intra-firm trade accounts for one third of world trade).

Industrialized countries still are the main source of FDI outflows (**fig. 1**), despite the recent upsurge of outward investment by Hong Kong and Taiwan (mainly in China) and S. Korea. The share of industrial countries as destination (almost two thirds of inflows in 1995) (**table 1**) increased over time after the LDCs debt crisis of early 1980s, and mainly consists of mergers and acquisitions (unlike green-field investments which dominate inflows to LDCs).

U.S. were the main recipient in 1995 (\$60 bn.), followed by Britain (\$30 bn.) and France (\$20 bn.). Within Europe Britain was the most favoured country of destination, not only for U.S. investors but also for investment from Europe and Japan. Almost half of all mergers and acquisitions in Western Europe last year took place in Britain. Germany received only \$9 bn., but generated an outflow of \$35 bn. FDI flows to Central and Eastern Europe almost doubled to \$12.8 bn. in 1995, three quarters of which in only three countries: Hungary (\$3.5 bn.), the Czech Republic and Poland (\$2 bn. each). Also inflows into developing areas area highly concentrated in about 15

countries: China alone (\$38 bn.) accounted for 40%, Asia accounts for 70% of total FDI stock in these areas. Inward FDI growth in Latin America is still quite moderate, much affected by privatization programmes. Africa and West Asia remain marginalized.

Since 1992 FDIs have outpaced the inflow of official development assistance and have become the single largest component of all net external resource flows.

With foreign assets of \$1,400 bn., the top 100 TNCs control one third of world stock of FDIs and employ 16% of the 73 million total employment.

2. FDI as driving force for country development and performance.

The TNC system generates and disseminates capital, technology, skills, organizational and managerial practices which give to their member units competitiveness - enhancing resources.

Estimates on U.S. data suggest that total profits generated by world foreign affiliates were \$175 bn. in 1994, half of which (at least in U.S. case) reinvested. Capital internally generated spread over the whole TNC system.

About 80% of world civilian R&D and of cross-border flows of royalties and fees takes place within the TNC system. An increasing share of R&D undertaken by TNCs is accounted for by foreign affiliates. Patent data confirm this tendency. The TNC acts as generator and disseminator of innovation capabilities. Pushed by competitive pressure TNCs continuously try to reach and tap pools of human resources, skills and knowledge wherever they are located.

The TNC system gives parent companies and their foreign affiliates privileged access to old and new organizational and managerial practices.

Host countries economic performance may greatly benefit from these direct and indirect effects, via reinvested earnings, technological and human spillovers, demonstration effects and the like.

The very presence of foreign investors often acts as a powerful catalyst for change in managerial culture and methods, in manufacturing and in services as well.

Nevertheless, all countries tend to be on average much less open to inflows of FDIs in several service sectors (banks and financial services, TLC, retail trade, air transport, etc.). Liberalization and integration in services is a high point in WTO and OECD agendas.

Inward FDI may provide guidance and impetus to the host country restructuring and reshaping of its competitive advantage, through supply of tangible and intangible assets, access to a wider pool of resources, pressure to benchmarking, human capital mobility, reinvention of managerial practices. All this is suggested by the recent experience not only of East Asian recipient countries, but also of U.S. and Britain as recipient of Japanese investment.

Moreover, TNC may provide local resources of host country better access to specific foreign markets, even aside from the specific case of delocation. Especially in developing countries, foreign affiliates often show a higher propensity to export than domestic firms of similar size.

3. Italy and foreign direct investment: recent trends

Italy entered the 1990s as a laggard outward investor but as a rather open host country for inward FDI. Circumstances which may explain the former (lag in outward direct investment) include:

- (a) the long and painful restructuring of medium and large manufacturing industry during the stormy 1970s following the "hot Autumn 1969";

- (b) the relatively domestic-oriented attitude of many State-owned enterprises (with obvious exceptions such as ENI, Ansaldo and others);
- (c) the handicap of a weak currency, contributing to a costly and uncertain environment for decisions of "going abroad";
- (d) the delayed (1990) full liberalization of financial markets;
- (e) the missing role of the Italian bank system behind traditional export activities;
- (f) a long-dated weakness and fragmentation of well organized and consistent support by political institutions to Italian business going multinational.

In the early 1990s Italian multinationals underwent a significant catching-up. As early as the end of 1993 the estimated number of employees (575.000) at foreign subsidiaries and companies with equity participation of 445 Italian investors (including minority equity) surpassed that of employees (497.000) at Italian subsidiaries and branches of 868 foreign multinationals (**table 3**). Taking into account only majority ownership or full control, the relative weight of foreign multinationals becomes dominant (410.000 against 372.000), yet the catching up by Italian multinationals stays remarkable.

A rough measure of the degree of internationalization in terms of employees (**table 4**) puts Italy still in a lagging position as investor abroad, but very close to France and Germany and above Britain as a host country for foreign investors.

Italy is attractive for foreign investors mainly as a large and fragmented domestic market, but (recently) increasingly as a highly specialized and skill-intensive production and export base, including subcontracting.

Major obstacles to inward FDI tend to remain bottlenecks in physical infrastructures, fiscal disincentives, lengthy and unreliable bureaucratic procedures.

A specific legislation aimed at attracting inward FDIs (legge Baratta n. 156 of March 20, 1993) and consequent initiatives to implement it are still in search of a coherent national framework. In the meantime the Ministry of Foreign Trade and ICE (Istituto per il Commercio Estero) are providing financial and organizational support to twelve local projects. These include local consortia as well as some initiatives at a regional base (Piemonte, Lombardia, Umbria, Campania).

4. Italy and FDIs: recent trends

Data from UNCTAD's last *World Investment Report* disclosed that in 1995 Italy received inflows of Foreign Direct Investments valued at 4.347 billion dollars, compared to 2.199 for 1994. The outflows from our country decreased from 5.106 to 3.210 billion dollars.

Regarding the stock of investments, Italy placed eleventh worldwide and seventh amongst the members of the European Union, with a share equal to 2,4% of world stock and 6,3% of the stock of the European Union.

Our country is sixth worldwide for exports of goods, and therefore, seems to be lagging with respect to other forms of internationalization.

At the beginning of 1996 1.700 foreign companies were operational in Italy, with a total of 500.000 employees.

The late eighties represent a period of major development for foreign investments in Italy. The early nineties witnessed, after the end of propulsive effect owing to the single European market, a decrease of new initiatives, in terms of acquisitions as well as green-field settlements (carried out by setting up new production units). The two year period 1992-93 registered a decrease of 1,7% of the number of employees in firms with foreign participation.

There was a slight recovery in 1993, due to at least three propitious factors:

- . the depreciation of the lira which began in 1992;
- . the privatization of a few state owned companies (Nuovo Pignone, Italgel, Gruppo Dolciario Italiano, but also a few of companies which belonged to the former ENI);
- . the difficulty of a few private groups, whose restructuring programmes occasionally caused the cessation of specific activities pertaining to multinational groups (it is the case of Ferruzzi, which ceded Erbamonte to the Swedish company Procordia, and Pirelli who ceded shares of some of their diversified industries).

During the two year period 1994-95 the number of new ventures remained stable on the same level of previous years, but inferior with respect to the last decade, even if there was an increase in number of employees, due to the size of shares acquired by foreign investors.

However, the devaluation did not favour the sizable increase of inflows one would have presumed. In actual fact, the effect which prevailed on account of the variable exchange rate seemed to induce foreign investors to suspend acquisitions of Italian companies until Italy regains political and economic stability. Another cause for concern is the evidence of the fact that green-field investments are scarce.

One cannot, therefore, underestimate the risk of Italy being excluded from the circuit of large industrial investments, which would become more sizable, according to certain observers, also because of the unsatisfactory level of both quality and quantity of the infrastructures and of the services offered to the companies.

In any case, the balance between the new shares and the dismissals for the period 1994-1995 illustrates, according to the preliminary data from the R&P source, an acceleration in growth, in terms of ventures rather than number of employees, with different trends within various sectors. (see table 5)

If one delves further into detail, one will observe that two sectors of raw material transformation, ferrous and non ferrous minerals and chemical products are at the top of the list for the number of employees in the new ventures, due to increases of over 15.000 and 9.000 units, respectively.

Investments within the iron and steel industry were mostly made by Indian and German companies, whereas the Dutch, American and French invested primarily in the chemical industry.

Inflows related to a few sectors of the metal and mechanical industry, such as agricultural and other industrial machinery, electrical equipment and supplies are placed at equally high levels. The positive balance of acquisitions within this second group of sectors confirms Italy's capacity to attract foreign investors. This goes along with the competitive advantages due to the favourable trade exchange.

The most important investments are made by the United States, United Kingdom and Germany.

Other sectors, such as textiles, clothing, leather goods and footwear, also important in terms of trade, appear to be of minor interest to FDI entries, whereas a negative balance, still in terms of employees, is recorded in three sectors, that is, rubber and plastics, energy products, office equipment and precision tools.

During the last two year period (1994-1995) what appeared to be particularly significant for the new FDI's was the influence of both the privatization and sell off of state owned companies and the collaboration agreements between the important Italian and foreign groups.

Over a third of the number of employees in the new Foreign Direct Investments of 1994 and almost 70% of those of 1995 is linked to the phenomenon of privatization: The experiences of Nuovo Pignone, General Electric, Acciai speciali Terni - Krupp/Hoesch, Italtel - Siemens, Ilva laminati piani - Essar and Enicem Augusta - various partners, immediately come to mind. Among the agreements of international cooperation with the exchange of shares, those of Snia-Rhone Poulenc, Montedison - Shell, Fiat - Lear Seating and Bormioli - Bsn (1), are worth mentioning. (see tables 6-8)

Within the first nine months of 1996, according to KPMG data, there was a notable increase of foreign Mergers and Acquisitions in Italy: The Foreign acquisitions in Italy were 117 compared to 93 for the same period of 1995. The positive results are to be connected to the numerous dismissals carried out by the top Italian groups during the phase of restructuring (Montedison, Olivetti-CIR, GFT). They concern, KPMG Consulting observes, small transactions or transactions of an exclusively financial nature.

The US continues to be the principal investor on the Italian market (39 transactions recorded) predominantly in the following sectors: mechanical, electrical, office automation, electronics, telecommunications, and the agricultural and food industry. The US is followed by Germany (17 transactions), France (14 transactions) and Great Britain (14 transactions).

The FDI's from Japan to Italy are few. According to available data in/out flows and stock are to be considered at best modest if compared to those from other industrialized countries.

A detailed look at the UIC data expressed in value and regarding all investments, will allow us to see that within the first 5 months of 1996, the balance of direct investments and dismissals by Japan in Italy remained positive even if it was reduced from 89 to 50 billion of lire. (see table 9).

From the Bank of Italy's Report one learns that between the years 1994 - 1995 the stock of direct investments in Italy held by Japanese citizens increased slightly, passing them from 1.825 billion to 1.932; the growth tendency experimented during the last four years, showed signals of a slowdown.

Concerning industrial FDI's, it is noteworthy, according to R & P CNEL - Politecnico of Milan, that the inflows from Japan appeared to be stationary for at least four years, registering a total balance between new shares and dismissals equal to zero for the two year period 1992 - 1993 and equal to one for the two years 1994 - 1995.

(see table 10) The chemical sector was the only one for which a positive balance was recently recorded and was equal to a single venture for a total of 200 employees.

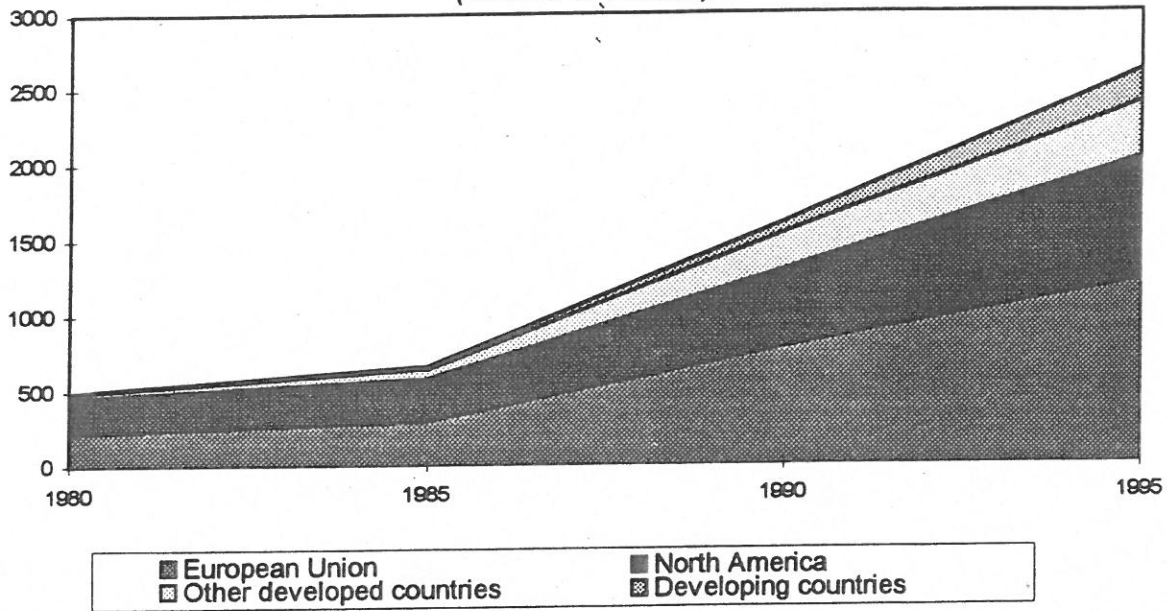
The situation of the number of Japanese acquisitions of Italian companies is not brilliant in service sector either. According to data distributed by the Laboratory of Industrial Policies of NOMISMA, during the five year period 1991 - 1995, of the total 495 acquisition for all services, the number pertaining to the Japanese citizens amounted to 15, mainly wholesale and retail trade, or holding companies. (see table 11)

Japanese outflow data, published by the Finance Ministry of Tokyo, for the fiscal year 1995, show that Italy accounts for 0,2% of the total FDI destinations, half the quota of the previous year.

Most of the Japanese investments in Europe are oriented towards the green-field type, because it is more easily moulded on an organizational level. According to some analysts they have been directed towards locations better equipped than Italy, and not only from the stand point of infrastructure, but also because of the incentives offered.

(1) S. Mariotti e Mutinelli *Gli investimenti diretti italiani all'estero ed esteri in Italia nel triennio 1993 - '95*, in ICE, *Rapporto sul commercio estero*, Roma 1996, pp.332 sgg.

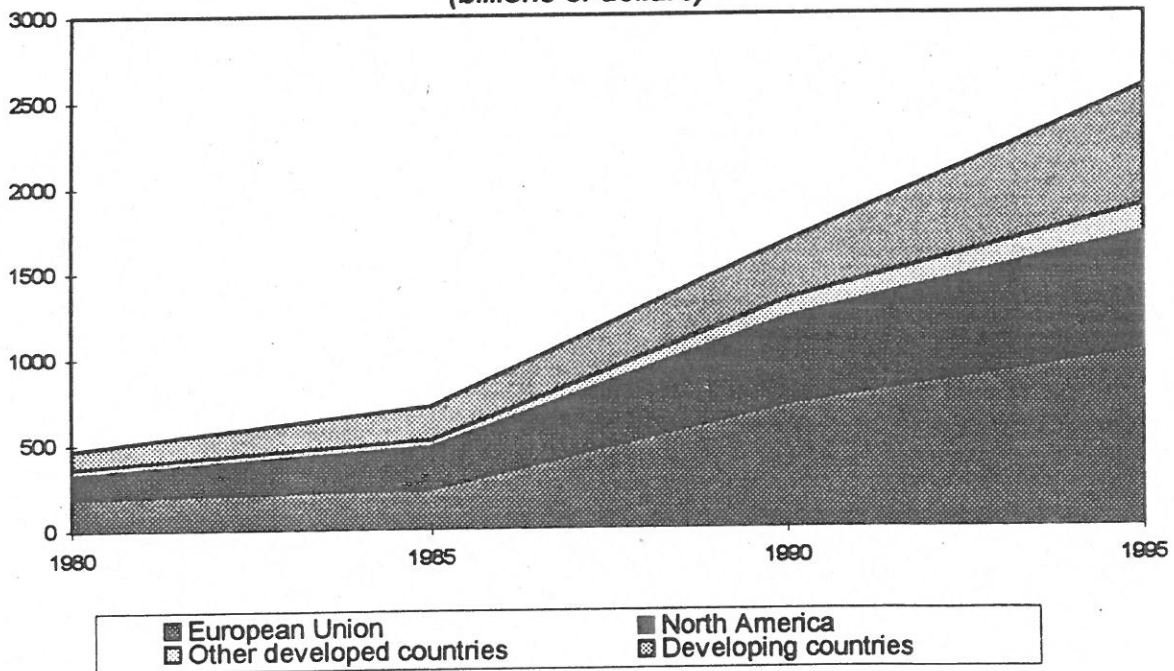
FDI OUTWARD STOCK BY HOME REGION
(billions of dollars)



Source: ICE based on UNCTAD, World Investment Report 1996

Fig. 1

FDI INWARD STOCK BY HOST REGION
(billions of dollars)



Source: ICE based on UNCTAD, World Investment Report 1996

Fig. 2

FDI INFLOWS, BY HOST REGION AND ECONOMY, 1984-1995
(millions of dollars and percentage changes)

Host region/economy	Annual average		1990	1991	1992	1993	1994	1995*
	1984-1989	1990-1995						
Developed countries	93.117	121.708	169.777	114.001	114.002	129.302	132.758	203.168
		30,7		-32,9	0,0	13,4	2,7	53,0
European Union	37.702	73.550	97.387	77.715	79.812	74.467	64.017	111.920
		95,1		-20,2	2,7	-6,7	-14,0	74,8
France	5.364	15.175	13.183	15.153	21.840	20.752	17.136	20.124
		182,9		14,9	44,1	-5,0	-17,4	17,4
Germany	1.833	3.067	2.689	4.071	2.370	277	-2.993	8.996
		67,3		51,4	-41,8	-88,3	-1180,5	..
Italy	2.560	3.336	6.411	2.401	3.105	3.749	2.199	4.347
		30,3		-62,5	29,3	20,7	-41,3	97,7
United Kingdom	13.545	17.993	32.430	16.208	14.834	14.475	10.085	29.910
		32,8		-50,0	-7,9	-3,1	-30,3	196,6
North America	48.656	36.696	55.773	24.760	22.097	46.125	55.803	71.418
		-24,6		-55,6	-10,8	108,7	21,0	28,0
Canada	4.718	5.215	7.855	2.740	4.517	4.997	6.043	11.182
		10,5		-65,1	64,9	10,6	20,9	85,0
United States	43.938	31.480	47.918	22.020	17.580	41.128	49.760	60.236
		-28,4		-54,0	-20,2	133,9	21,0	21,1
Other developed countries	4.706	8.521	10.612	8.674	10.026	5.693	8.554	16.120
		81,1		-18,3	15,6	-43,2	50,3	88,4
Japan	81	1.208	1.753	1.730	3.490	234	908	39
		1390,9		-1,3	101,7	-93,3	288,0	-95,7
Developing countries	22.195	49.707	33.735	41.324	50.376	73.135	87.024	99.670
		124,0		22,5	21,9	45,2	19,0	14,5
Africa	2.728	2.676	2.303	2.809	2.987	3.300	5.084	4.657
		-1,9		22,0	6,3	10,5	54,1	-8,4
Latin America and the Caribbean	7.739	14.663	8.900	15.362	17.698	19.456	25.302	26.560
		89,5		72,6	15,2	9,9	30,0	5,0
Asia	11.540	31.993	22.122	22.694	29.114	49.979	56.286	68.051
		177,2		2,6	28,3	71,7	12,6	20,9
China	2.282	14.004	3.487	4.366	11.156	27.515	33.787	37.500
		513,7		25,2	155,5	146,6	22,8	11,0
Central and Eastern Europe	59	4.015	300	2.448	3.744	5.500	5.878	12.095
		6704,2		718,0	52,9	46,9	6,9	105,8
Total inflows	115.370	175.430	203.812	157.773	168.122	207.937	225.660	314.933
		52,1		-22,6	6,6	23,7	8,5	39,6

* Estimates

Source: ICE based on UNCTAD, World Investment Report 1996

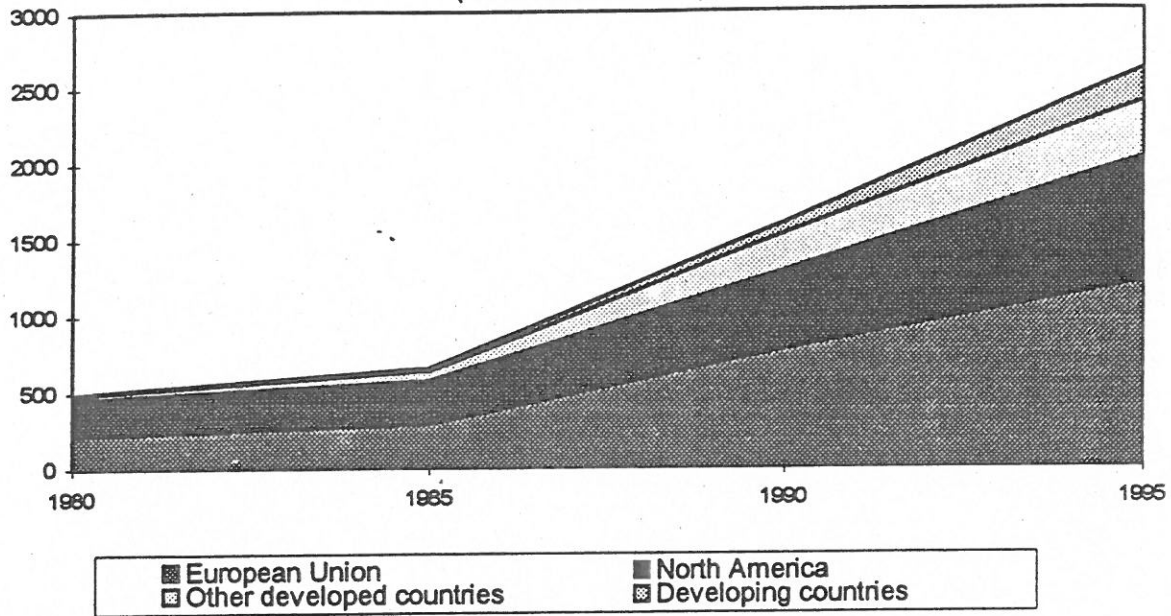
FDI OUTFLOWS, BY HOME REGION AND ECONOMY, 1984-1995
(millions of dollars and percentage changes)

Home region/economy	Annual average		1990	1991	1992	1993	1994	1995*
	1984-1989	1990-1995						
Developed countries	113.995	178.113	222.450	201.930	181.387	192.366	190.852	270.546
		56,2		-9,2	-10,2	6,1	-0,8	41,8
European Union	62.641	95.382	132.959	106.842	108.716	91.488	101.070	132.285
		52,3		-19,6	1,8	-15,8	10,5	30,9
France	8.828	21.330	34.823	23.932	31.269	20.403	22.802	17.554
		141,6		-31,3	30,7	-34,8	11,8	-23,0
Germany	9.599	19.352	24.214	23.723	19.698	13.176	14.653	35.302
		101,6		-2,0	-17,0	-33,1	11,2	140,9
Italy	2.775	5.220	7.585	7.222	5.891	7.409	5.106	3.210
		88,1		-4,8	-18,4	25,8	-31,1	-37,1
United Kingdom	23.283	19.687	19.327	16.304	18.982	25.671	25.334	37.839
		-15,4		-15,6	16,4	35,2	-1,3	49,4
North America	21.511	48.225	31.900	39.111	42.613	74.803	50.421	100.921
		124,2		22,6	9,0	75,5	-32,6	100,2
Canada	4.664	4.104	4.725	5.655	3.635	5.825	4.781	4.782
		-12,0		19,7	-35,7	60,2	-17,9	0,0
United States	16.847	44.016	27.175	33.456	38.978	68.978	45.640	95.509
		161,3		23,1	16,5	77,0	-33,8	109,3
Other developed countries	24.523	27.709	50.741	47.644	23.071	16.432	27.182	28.368
		13,0		-6,1	-51,6	-28,8	65,4	4,4
Japan	20.793	24.886	48.024	42.619	21.916	15.471	18.521	21.286
		19,7		-11,3	-48,6	-29,4	19,7	14,9
Developing countries	7.621	21.372	17.765	8.853	21.629	32.981	38.612	47.001
		180,4		-50,2	144,3	52,5	17,1	21,7
Africa	1.031	667	1.408	975	337	731	592	553
		-35,3		-30,8	-65,4	116,9	-19,0	-6,6
Latin America and the Caribbean	597	2.128	4.536	-425	2.612	2.231	3.873	3.815
		256,5		-109,4	-714,6	-14,6	73,6	-1,5
Asia	5.984	18.573	11.816	8.307	18.680	30.013	34.145	42.623
		210,4		-29,7	124,9	60,7	13,8	24,8
China	581	2.268	830	913	4.000	4.400	2.000	3.467
		290,4		10,0	338,1	10,0	-54,5	73,4
Central and Eastern Europe	14	112	38	37	99	197	550	301
		700,0		-2,6	167,6	99,0	179,2	-45,3
Total inflows	121.630	199.597	240.253	210.821	203.115	225.544	230.014	317.849
		64,1		-12,3	-3,7	11,0	2,0	38,2

* Estimates

Source: ICE based on UNCTAD, World Investment Report 1996

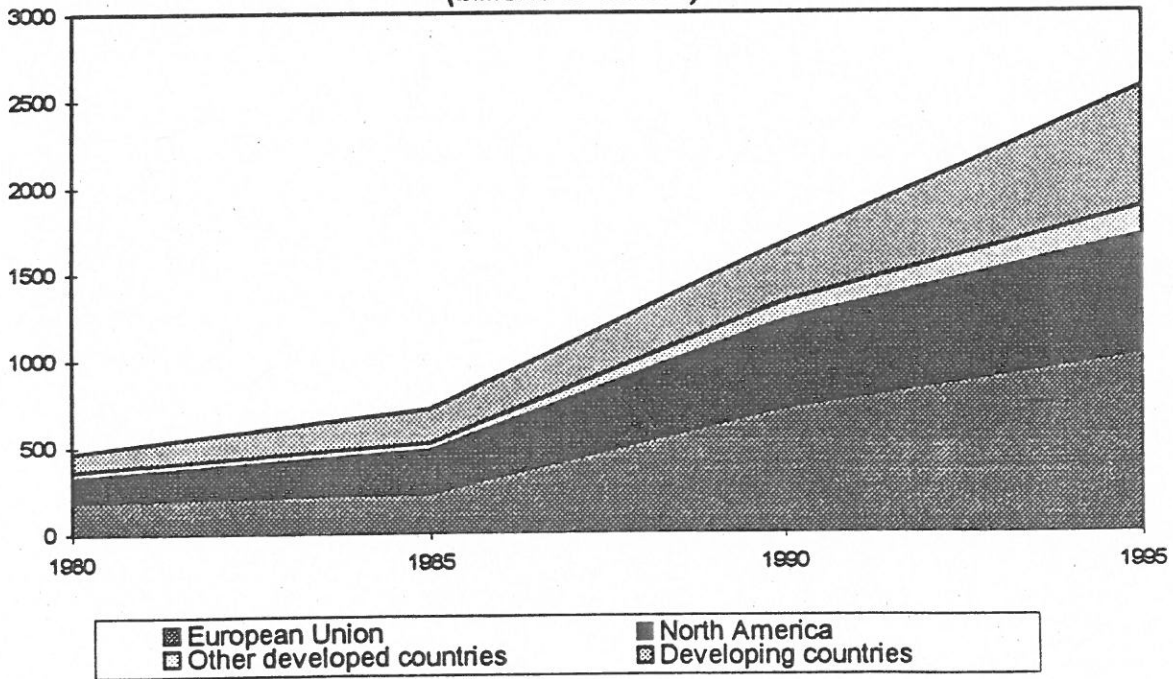
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European Union	62.641	95.382	132.959	106.842	108.716	91.488	101.070	132.285
		52,3		-19,6	1,8	-15,8	10,5	30,9
France	8.828	21.330	34.823	23.932	31.269	20.403	22.802	17.554
		141,6		-31,3	30,7	-34,8	11,8	-23,0
Germany	9.599	19.352	24.214	23.723	19.698	13.176	14.653	35.302
		101,6		-2,0	-17,0	-33,1	11,2	140,9
Italy	2.775	5.220	7.585	7.222	5.891	7.409	5.106	3.210
		88,1		-4,8	-18,4	25,8	-31,1	-37,1
United Kingdom	23.283	19.687	19.327	16.304	18.982	25.671	25.334	37.839
		-15,4		-15,6	16,4	35,2	-1,3	49,4
North America	21.511	48.225	31.900	39.111	42.613	74.803	50.421	100.921
		124,2		22,6	9,0	75,5	-32,6	100,2
Canada	4.664	4.104	4.725	5.655	3.635	5.825	4.781	4.782
		-12,0		19,7	-35,7	60,2	-17,9	0,0
United States	16.847	44.016	27.175	33.456	38.978	68.978	45.640	95.509
		161,3		23,1	16,5	77,0	-33,8	109,3
Other developed countries	24.523	27.709	50.741	47.644	23.071	16.432	27.182	28.368
		13,0		-6,1	-51,6	-28,8	65,4	4,4
Japan	20.793	24.886	48.024	42.619	21.916	15.471	18.521	21.286
		19,7		-11,3	-48,6	-29,4	19,7	14,9
Developing countries	7.621	21.372	17.765	8.853	21.629	32.981	38.612	47.001
		180,4		-50,2	144,3	52,5	17,1	21,7
Africa	1.031	667	1.408	975	337	731	592	553
		-35,3		-30,8	-65,4	116,9	-19,0	-6,6
Latin America and the Caribbean	597	2.128	4.536	-425	2.612	2.231	3.873	3.815
		256,5		-109,4	-714,6	-14,6	73,6	-1,5
Asia	5.984	18.573	11.816	8.307	18.680	30.013	34.145	42.623
		210,4		-29,7	124,9	60,7	13,8	24,8
China	581	2.268	830	913	4.000	4.400	2.000	3.467
		290,4		10,0	338,1	10,0	-54,5	73,4
Central and Eastern Europe	14	112	38	37	99	197	550	301
		700,0		-2,6	167,6	-99,0	179,2	-45,3
Total inflows	121.630	199.597	240.253	210.821	203.115	225.544	230.014	317.849
		64,1		-12,3	-3,7	11,0	2,0	38,2

* Estimates

Source: ICE based on UNCTAD, World Investment Report 1996

INTERNATIONALIZATION OF ITALIAN FIRMS

FDI inward and outward stocks : some indicators (1.1.1994)

	Italian FDI abroad (A)		FDI in Italy (B)		(B/A)
	N.	%	N.	%	
<i>Total</i>					
Investors	445	100,0	868	100,0	1,95
Participated firms (N.)	1.457	100,0	1.474	100,0	1,01
Employees (N.)	575.069	100,0	497.126	100,0	0,86
Turnover (bn.It £)	143.912	100,0	170.956	100,0	1,19
<i>Majority Interest</i>					
Investors	325	73,0	705	81,2	2,17
Participated firms (N.)	1.066	73,2	1.256	85,2	1,18
Employees (N.)	372.444	64,8	410.254	82,5	1,10
Turnover (bn.It £)	98.704	68,6	141.445	82,7	1,43
<i>Minority and Even Interest</i>					
Investors	192	43,1	249	28,7	1,30
Participated firms (N.)	391	26,8	218	14,8	0,56
Employees (N.)	202.625	35,2	86.872	17,5	0,43
Turnover (bn.It £)	45.208	31,4	29.510	17,3	0,65

Source: database Reprint, CNEL - R&P - Politecnico di Milano.

Tab. 3

**Degree of active and passive internationalization
within the manufacturing industries
of principal countries**

Employees in inward and outward participated firms as % of total industrial work force

Country	Year	Degree of outward internationalization (a)	Year	Degree of inward internationalization (b)
Australia	..	..	1987	23,8
Austria	1982	34,1	1985	36,5
Denmark	..	..	1986	12,4
Finland	1988	36,7	1988	8,4
France	1992	30,1	1990	16,4
Germany	1992	24,0	1992	17,0
Japan	1991	8,1	1990	1,0
Greece	..	..	1977	21,3
Ireland	..	..	1983	42,8
Italy	1993	18,5	1993	16,0
Norway	1981	2,5	1989	6,4
New Zealand	..	..	1990	23,7
Netherland	1987	60,5	1987	14,0
Portugal	..	..	1984	12,9
United Kingdom	1981	22,9	1990	14,9
United States	1991	20,8	1991	10,8
Sweden	1990	47,0	1990	11,5
Switzerland	1992	95,5	..	..
Turkey	..	..	1990	3,2

(a) Ratio of employees in firms based in home country with participation abroad and total employment in host country manufacturing industry

(b) Ratio of employees in firms with foreign participation and total employment in host country manufacturing industry

Sources: United Nations (1994); Italy's figures from database Reprint, CNEL - R&P - Politecnico di Milano.

Tab. 4

FOREIGN PARTICIPATIONS IN ITALIAN INDUSTRIAL FIRMS

	Balance of new participations and dismissals in each period				Balance of employees in participated firms in each period				Total inflows 1988-1995	
	1988-89		1990-91		1988-89		1990-91		(*)	(*)
	1992-93	1994-95	1992-93	1994-95	1992-93	1994-95	1992-93	1994-95	Firms	Employees
Energy	1	0	0	-1	225	-137	25	-1.170	0	-1.057
Ferrous and non ferrous minerals	5	-2	3	8	2.090	-5.383	280	15.663	14	12.650
Non-metals minerals and products	12	9	5	4	2.617	2.640	4.606	3.870	30	13.733
Chemical products	55	22	27	26	7.082	729	6.541	9.228	130	23.580
Metal products	3	7	6	9	497	695	1.507	2.279	25	4.978
Agricultural & industrial machinery	18	20	10	16	4.398	4.421	4.916	7.932	64	21.667
Office equipment	9	-1	4	-2	-17.665	590	10.440	-8.386	10	-15.021
Electrical materials and supplies	33	17	14	22	23.165	-4.466	2.834	7.430	86	28.963
Motor vehicles and their parts	14	4	2	8	2.433	-5.647	3.550	3.198	28	3.534
Other means of transport	4	3	-2	1	3	-30	200	20	6	193
Food, beverages & tobacco	28	15	4	10	17.207	-417	3.683	1.955	57	22.428
Textile	2	1	9	0	398	405	2.215	1.512	12	4.530
Clothing	1	2	2	1	122	96	857	204	6	1.279
Footwear & leather	1	3	0	1	750	100	150	170	5	1.170
Wood & furniture	1	0	2	0	10	69	680	20	3	779
Paper, paper products & printing	31	17	-2	9	5.793	-5.874	2.233	3.059	55	5.211
Rubber & plastics	18	17	3	8	2.147	2.950	1.250	-34	46	6.313
Other manufacturing industries' products	1	1	-1	3	50	-160	187	300	4	377
TOTAL	237	135	86	123	51.322	-9.419	46.154	47.250	581	135.307

(*) provisional figures

Source: database Reprint, CNEL - R&P - Politecnico di Milano

Tab. 5

NEW FOREIGN PARTICIPATION IN ITALIAN INDUSTRY OUTCOMING FROM PRIVATIZATIONS

Main initiatives in the industrial sector, 1993-1996

Year	Participated firm	Sector	Stake (a)	Foreign investor	Country
1993	SIV-Società Italiana Vetro	Glass	[C]	Pilkington	U. Kingdom
		Glass	[P]	Gruppo Rocca	Argentina
1994	AST - Acciai Speciali Terni	Iron & steel	[C]	Krupp-Hoesch	Germany
1994	Bertolli	Food	[C]	Unilever	Holland
1994	Cogne Acciai Speciali	Iron & steel	[C]	Ge.Val. Marzorati	Switzerland
1994	Enichem Augusta	Chimica	[C]	Rwe-Dea	Germany
1994	Enichem Synthesis (branch)	Chimica	[C]	Sud Chemie	Germany
1994	ILP - Ilva Laminati Piani	Iron & steel	[M]	Essar	India
Table	MAC - Marconi Alenia Communications	Telecomm.	[P]	GEC	Regno Unito
1994	Nuovo Pignone	Mech. eng.	[C]	General Electric	USA
1994	Ponte Nossa	Mech. eng.	[C]	Metallgesellschaft	Germany
1994	Enichem Synthesis (branch)	Chemicals	[C]	Great Lakes Chem.	USA
1995	Enichem (branch)	Chemicals	[C]	Elf Atochem	France
1995	Enichem Synthesis (branch)	Chemicals	[C]	Sud Chemie	Germany
1995	Italtel SIT	Telecomm.	[P]	Siemens	Germany
1995	Polimeri Europa	Chemicals	[P]	Union Carbide	USA
1996	former activity of Alumix	Iron & steel	[C]	Alcoa	USA
1996	Dalmine	Iron & steel	[C]	Gruppo Rocca	Argentina
1996	Italimpianti (branch)	Telecomm.	[C]	Gruppo Rocca	Argentina
1996	Italimpianti (branch)	Telecomm.	[C]	Mannesmann	Germany

(a) [C]: control stake; [P]: even stake; [M]: minority stake

Source: database REPRINT, CNEL - R&P - Politecnico di Milano

Table 6

GEOGRAPHICAL COVERAGE OF FDI IN ITALY

Composition of new participations by home geographical areas, 1990 - 1995

	1990-1992		1993-1995		Variation (b) / (a)
	(a)		(b)		
	N.	%	N.	%	
Europe	254	77,0	181	68,0	-28,7%
North America	48	14,5	77	28,9	+60,4%
Japan	21	6,4	2	0,8	-90,5%
Other countries	7	2,1	6	2,3	-14,3%
Total	330	100,0	266	100,0	-19,4%

Source: database REPRINT, CNEL - R&P - Politecnico di Milano

Table 7

SECTORAL COVERAGE OF FDI IN ITALY

Composition of new participations by Pavitt's macro - sectors, 1990 - 1995

	1990-1992		1993-1995		Variation (b) / (a)
	(a)		(b)		
	N.	%	N.	%	
Science based sectors	59	17,9	44	16,5	-25,4%
Specialized suppliers	70	21,2	41	15,4	-41,4%
Scale intensive sectors	161	48,8	150	56,4	-6,8%
Traditional sectors	40	12,1	31	11,7	-22,5%
Total	330	100,0	266	100,0	-19,4%

Source: database REPRINT, CNEL - R&P - Politecnico di Milano

Table 8

JAPANESE PARTICIPATIONS IN ITALIAN INDUSTRIAL FIRMS

	Balance of new participations and dismissals in each period				Balance of employees in participated firms in each period				Total inflows 1988-1995		
	1988-89		1990-91		1988-89		1990-91		Firms Employees		
	1992-93	1994-95	1992-93	1994-95	1992-93	1994-95	1992-93	1994-95	(*)	(*)	
Ferrous and non ferrous minerals	0	0	1	0	0	0	0	0	0	1	64
Non-metals minerals and products	0	0	-1	0	0	-23	0	0	0	-1	-23
Chemical products	4	0	0	1	318	0	0	200	5	5	518
Agricultural & industrial machinery	3	4	2	0	600	955	263	0	0	9	1.818
Office equipment	1	1	-1	-2	100	0	0	-168	-1	-1	-68
Electrical materials and supplies	3	3	0	0	398	494	0	0	0	6	892
Motor vehicles and their parts	0	1	0	0	0	1.008	0	0	0	1	1.008
Other means of transport	1	0	0	0	52	0	0	0	0	1	52
Clothing	2	3	0	0	288	212	250	0	0	5	750
Footwear & leather	0	3	-1	0	0	100	0	0	0	2	100
Rubber & plastics	0	2	0	0	0	60	0	0	0	2	60
Total	14	17	0	-1	1.756	2.806	577	32	30	30	5.171

(*) provisional figures

Source: ICE based on database Reprint, CNEL - R&P - Politecnico di Milano

Tab. 10

BALANCE BETWEEN JAPANESE INVESTMENTS AND DISMISSALS IN ITALY
(billions of liras and variations on corresponding period)

periods	value (ITL bn.)	% change
1992	66	53
1993	388	322
1994	307	-81
1995	101	-206
1995 jan - may	89	n.d.
1996 jan - may	50	-39

Source: ICE on Italian Central Bank and UIC data

Table 9

**FOREIGN MERGERS AND ACQUISITIONS
OF ITALIAN FIRMS IN THE SERVICES SECTORS**

JAPANESE MERGERS AND ACQUISITIONS OF ITALIAN FIRMS

Branch of participated firm	1991	1992	1993	1994	1995	Total
Transport, communications and public services	0	0	0	0	2	2
Wholesale & retail trade	3	1	1	0	0	5
Banking	0	0	0	1	0	1
Holding and other investment offices	1	2	2	0	1	6
Services	0	1	0	0	0	1
Total	4	4	3	1	3	15

TOTAL MERGERS AND ACQUISITIONS OF ITALIAN FIRMS

Branch of participated firm	1991	1992	1993	1994	1995	1996(*)	Total
Transport, communications and public services	11	18	22	12	13	3	79
Wholesale & retail trade	23	12	26	14	20	4	99
Banking	8	9	6	22	10	0	55
Credit firms other than banks	3	2	2	2	0	0	9
Insurance	15	6	10	5	12	0	48
Real estate	5	1	2	4	0	0	12
Holding and other investment offices	25	25	20	23	25	1	119
Services	9	14	13	18	12	7	73
Total	99	87	101	100	92	15	494

Source: Data bank "Laboratorio di politica industriale" - Nomisma

(*) January through April

N.B.: nationality of firms refers to majority stake

Table 11

