

# ESPORTARE LA DOLCE VITA

The “beautiful and well-made”: the potential of made in Italy  
in the global landscape

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# EXECUTIVE SUMMARY AND POLICY RECOMMENDATIONS

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**Does “business unusual”<sup>1</sup> become the norm?** A global pandemic, lockdowns, disruptions to international supply chains, war in Europe, temporarily skyrocketing gas prices, forced mass migration, high inflation, growing debt burdens, restrictive monetary policies (especially in advanced countries). All of this has happened in just the last three years and the high degree of uncertainty persists with no indication of a rapid return to pre-pandemic business as usual. Recent forecasts offer a scenario of fragile recovery. The global economy could be moving towards a gradual recovery after the shocks of the pandemic and the war in Ukraine. China is strongly recovering following the reopening of its economy and disruptions along the supply chains are easing, while imbalances in energy and some food and other commodity markets caused by the war are receding. At the same time, the massive synchronized tightening of monetary policy by central banks should begin to produce the desired effect of bringing price growth closer to target.

**High interest rates are a risk factor especially for emerging economies** The monetary austerity of advanced countries can become a risk factor for some emerging economies, especially those characterized by structural vulnerabilities, such as imbalances in public and/or current accounts. Yield differentials can indeed translate into capital flight and sudden currency devaluations. In some countries, for example in Argentina, Iran, and Turkey, where currencies have depreciated significantly, symptoms of fragility are already visible.

**The risk of a world divided into blocs is increasing** The war in Ukraine could produce damage to international trade well beyond the already very serious ones caused by the sanctions imposed on and by Russia and the inability to trade in areas affected by the hostilities. In fact, a new Iron Curtain is being erected in Europe that, even in the event of the end of hostilities, is destined to remain for a long time due to the depth of wounds left by the conflict. The war has also exacerbated tensions between the US and China. In fact, the latter has compensated for the closure of trade between the Western bloc and Russia by adopting a neutral attitude towards the ongoing war. Tensions could indeed escalate if the already tense situation in Taiwan were to deteriorate.

**The technological evolution continues inexorably to produce effects** Online sales, increasingly massive storage of information on digital platforms, reduction of physical travel by people, the association of social media with mass media are some of the phenomena that, for over 25 years and particularly after the pandemic, continue to grow in intensity and importance, posing unprecedented challenges to production and sales models. First and foremost, the speed of adaptation required of companies becomes crucial as a factor of resilience to continue operating in international markets. Technological change has also brought to light giants and titans of the web that operate on a global scale with monopolistic rents that are difficult to undermine, at least in the short term, by other economic operators (Graph A).

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<sup>1</sup> “Business Unusual” is the title of the report by the European Bank for Reconstruction and Development (EBRD), 2022/2023 edition.

## Graph A Current trends



**Italy has limited the damage of the pandemic by leveraging (increasing) competitiveness...** During the 2018-2020 triennium, in the sectors related to the “beautiful and well-made” (bello e ben fatto, BBF), Italy saw its shares decrease due to a composition effect of the export basket, which instead rewarded Germany, Japan, and the Netherlands. However, the decline in shares was contained by a competitiveness and balancing effect of the basket towards more significant geographical destinations. Competitive improvement has been expressed mainly in the ability to apply higher prices, for example, compared to China, which continues to have difficulty in increasing prices to enhance its export value.

**...and diversifying the basket of its exported products** Italy exports 99% of the over 5,000 products traded in the world and, with the same proportion, the almost 1,400 final consumer products. Italy is second only to China in terms of the variety of BBF sector’s products which are exported.

### THE DISTINCTIVE FEATURES OF BBF



#### QUALITY OF MATERIALS



#### ACCURACY OF WORKMANSHIP

**Quality remains the key in distinguishing oneself from competitors** Quality is the distinctive element that protects BBF products from the tough price competition by placing them in a different market context than other goods formally classified in the same product categories. They are products that, in many cases, have their own market, placing themselves in areas where a small number of competitors operate, mostly located in advanced countries with cost structures similar to those in Italy. In this sense, the BBF goods exported by Italy (characterized by the orientation towards an evolved consumer, attention to quality, and the transfer of emotional value) compete with those produced by the more developed competitors, operating in niches protected by countries with lower production costs.

**BBF products can rely on a resilient network** The geographical alignment between the investment network and the trade network provides an important indication of the level of exposure to external shocks. The geographical distribution of export shares of BBF sectors, together with the percentage of incoming and outgoing equity investments, show a solid network of countries both in terms of economic stability and international relations. In 2022, EU countries alone accounted for 46% of BBF exports and 37.5% of foreign controlled Italian companies. The USA also plays a very important role in the BBF sectors, accounting for 13.3% of exports and 18.7% of equity investment in Italian companies controlled from abroad. Among emerging countries, China has a weight mainly as a destination for investments by Italian companies in the form of participation in Chinese companies.



DESIGN

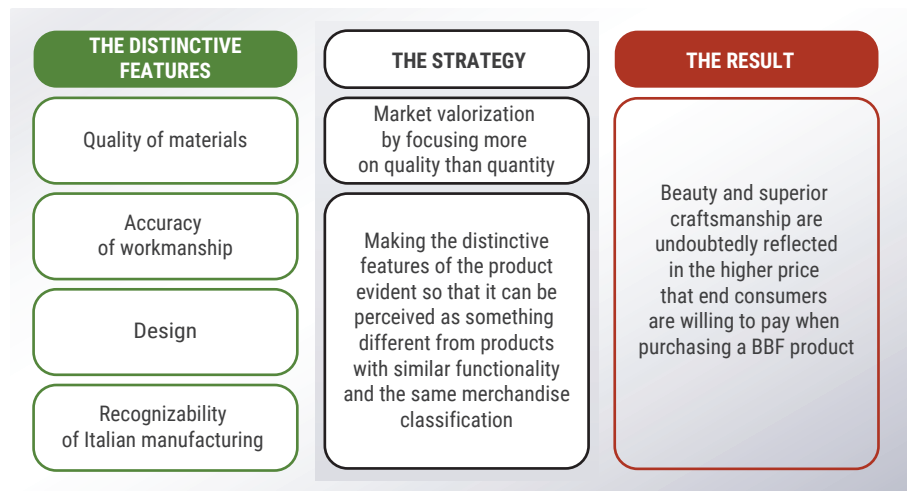


## RECOGNIZABILITY OF ITALIAN MANUFACTURING

### Graph B The "beautiful and well-made"\*: what are its distinctive features?

### BBF products continue to be a lever of competitiveness for the Made in Italy

The ease of recognizing Italian identity as a product characteristic and appreciating it has been established over time worldwide and this is why consumers are willing to recognize a higher value to a *made in Italy* product rather than that produced by a competitor and, consequently, to pay more to have it. BBF products and their distinctive features are the flag of Italian excellence in the world (Graph B). This category of products embodies all those goods that represent Italian excellence in terms of design, attention to detail, quality of materials and workmanship. We are referring to high-quality products that are distributed across all production sectors, but find their maximum expression in productions that are more closely related to taste and creativity. From this point of view, BBF is the most easily recognizable expression of the Made in Italy, taking up the most characteristic traits of Italy's cultural heritage, its traditions, landscapes and works of art, contributing to the image of Italian production. In this sense, the "beautiful and well-made", in addition to representing an important share of Italian exports in the world, also acts as a driving force for all Italian exports, having not only an economic but also an immaterial value.

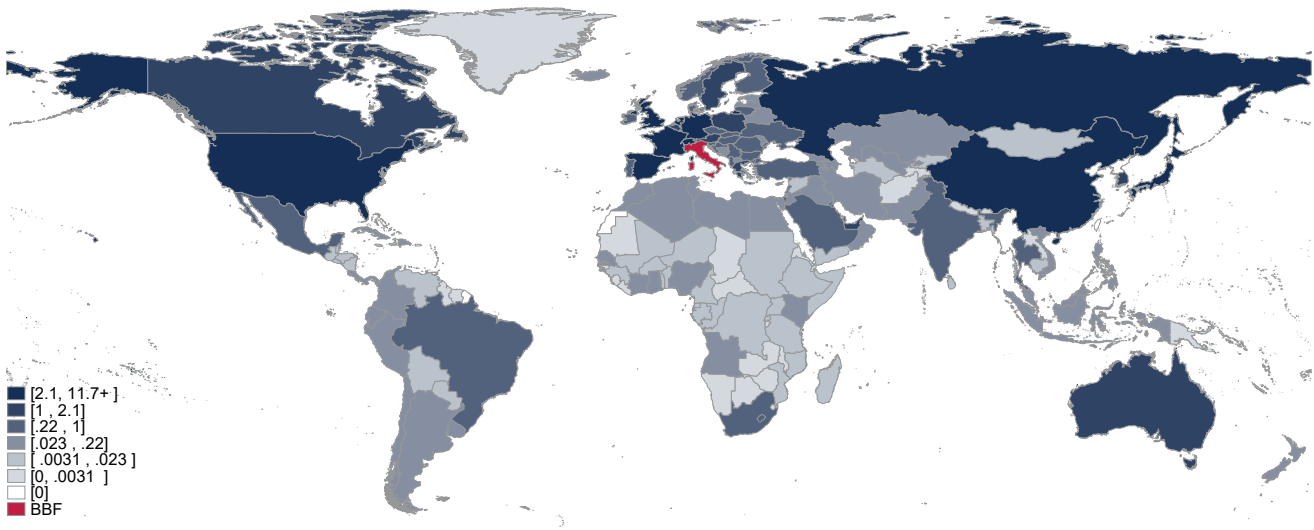


\* Bello e ben fatto (BBF).

**The BBF is worth 122 billion euro** The BBF represents a significant part of Italy's overall exports, cutting across all major sectors of Made in Italy, although more pronounced in the sectors related to the "3F" of Fashion, Food, and Furniture. Italian products of excellence are primarily directed towards advanced markets, which together absorb approximately 104 billion euro. The value of BBF products exported to emerging countries is, instead, just above the 19 billion euro. These countries, due to their high demographic and economic growth rates, despite their still limited weight, offer relatively greater growth margins, albeit with higher risks. Graph C provides a quick overview of the geographical distribution of Italian BBF in the world.

### Graph C - Outlet markets for BBF products

(Exports of goods in current dollars, % shares, 2018-2020 average)



Source: elaborations by Centro Studi Confindustria and Manlio Masi Foundation based on UN-Comtrade data.

### POTENTIAL MARGIN FOR ITALIAN EXPORT GROWTH



**74** billion euro in advanced countries  
**22** billion euro in emerging countries

**There is a 96 billion euro potential margin for export growth** The analysis presented in the Report provides a measure of Italian export potential in the BBF sector, against which the margin of improvement of the positions acquired so far can be assessed. The potential is calculated by evaluating the possible expansion of current market shares compared to those of competitors which, for production cost structures and quality of exported products, have characteristics similar to those of Italy. Over three-quarters of the potential is attributed to advanced countries (74 billion euro) and the remaining part to the emerging ones (22 billion euro).

**Advanced and emerging countries pose different challenges** Advanced countries represent larger markets and their demand for BBF goods is stronger (their per capita income is higher), since Italy's ties are historically closer to Western economies. However, since these are all mature economies, their demographic and economic growth rates are relatively slow and, therefore, export growth can only be achieved by either trying to erode market shares of competitors or, alternatively, by not losing them. In the presence of large volumes, in fact, even low growth rates can generate great gains and strong expansion for small or medium-sized companies. Emerging countries, on the other hand, have a smaller weight on world trade, but have been continuously expanding for two decades now and with prospects of faster growth than advanced countries. However, many emerging markets have critical issues related to both economic stability and uncertainty about ongoing geopolitical developments.

**An overview of the main markets by potential** The actual achievement of potential is made possible by increasing exports in countries and sectors where growth margins are higher. Each geographical market outlet presents peculiarities both in terms of sectors with higher potential and in terms of competition. A brief summary is provided in Table A, where, for the top five advanced and emerging markets, in terms of growth potential, the most important sectors and Italy's main competitors in those markets are presented.

The strong sharing of tastes and standards that reflect a substantial affinity of cultural contexts are the driving force behind exports to advanced countries.



## THE MAIN MARKETS BY POTENTIAL



UNITED STATES



GERMANY



SOUTH KOREA

These are also the main countries with which Italy has economic, political, and strategic relations and with which geoeconomic ties are particularly intertwined. The most important countries are the United States (22.6 billion euro), Germany (5.7 billion) and South Korea (4.7 billion). With respect to these countries, the sectors that export the most are those related to the “3F”, while the most recurring competitors are China and France.

Among the emerging economies, the main markets are China (2.4 billion euro), Saudi Arabia (2.0), and Qatar (1.4). In addition to the sectors related to the “3F”, in these countries there is the nautical sector as well, which is particularly flourishing in countries with a high-spending class. Even in emerging countries, the two main competitors for Italian companies are France and China.

In terms of exploitable potential, Russia would rank second in the emerging markets ranking, but due to geopolitical tensions arising from the war in Ukraine, it is no longer plausible to think that trade will maintain the same intensity as before.

In general, it is interesting to note how recent trends have been shifting the center of potential more towards advanced economies than emerging countries. In particular, China’s potential has slightly decreased compared to the EDV 2021 edition, as the intensity of Chinese trade with economic partners similar to Italy seems to have diminished and their exports could find an alternative in the Made in Italy. Such trends could be further strengthened by the ongoing geopolitical tensions. On the other hand, among emerging economies, an increasingly greater share is taken by the Arabian peninsula countries, where the top-of-the-line BBF products are sold.

**Table A - The countries with the highest potential for Italian BBF products\***

*(Ranking of the top 5 advanced and the top 5 emerging countries according to Italy’s export potential in billions of euro)*

Country	Exploitable potential	Main sectors	Main competitors by country
<b>FIRST FIVE ADVANCED COUNTRIES</b>			
USA	22,6	Wood and furniture, Footwear, Clothing	China, Mexico and India
Germany	5,7	Food and beverages, Cosmetics	China, France and Spain
South Korea	4,7	Leather goods, Footwear, and Ceramics	China, France and Japan
Canada	4,6	Food and beverages, Wood and furniture	USA, China and France
Japan	4,6	Clothing and home textiles, Leather goods	China, France and South Korea
<b>FIRST FIVE EMERGING COUNTRIES</b>			
China	2,4	Food and beverages, Cosmetics	France, Spain and Netherlands
Saudi Arabia	2,0	Wood and furniture	China, United Arab Emirates and Spain
Qatar	1,4	Nautical sector, Jewelry and goldsmithing	China, Turkey and France
United Arab Emirates	1,1	Clothing and home textiles, Wood	China, France and Malaysia
Mexico	0,9	Food and beverages, Wood and furniture	China, Spain and Hong Kong

\* The potential and identification of the main competitors by market are carried out using the Export Potential Analysis and Development (ExPanD) methodology of the Manlio Masi Foundation, which was developed by Tullio Buccellato and Enrico Marvasi in a research project started in 2012 and coordinated by Beniamino Quintieri.

Source: elaborations by Centro Studi Confindustria and Manlio Masi Foundation based on UN-Comtrade data.

## ITALIAN EXPORTS FOR "BEAUTIFUL AND WELL-MADE" IN ASEAN COUNTRIES



### **Asia is not only China; the ASEAN countries also show significant potential**

Italian exports for “beautiful and well-made” goods have shown great dynamism and high growth rates towards ASEAN countries<sup>2</sup>. Although the impact of the health crisis has significantly slowed BBF sales in these countries, where losses of almost 25% were registered, the post-pandemic recovery of BBF exports to these markets has been significant recording average growth rates of 32.2% per year between 2021 and 2022. These last figures have meant that Italian BBF exports to ASEAN in 2022 reached 1.6 billion euro. It is reasonable to expect that demand from the ASEAN countries for BBF will continue to be sustained in the coming years, considering the centrality of Southeast Asia in diversification strategies of international companies that are gradually focusing on countries other than China.

### **Among the ASEAN, BBF exports are particularly outstanding in Singapore, Malaysia, and Thailand**

Singapore remains the leading ASEAN market for BBF exports, accounting for 35.3% of exports in the considered area. The city-state, characterized by one of the world’s wealthiest populations with high spending power and international tastes, imported BBF goods worth approximately 562 million euro in 2022 alone. The demand for Italian products can also benefit from an expected surge in tourist flows in 2023. Compared to past years, however, the country’s share of BBF exports has been decreasing in favor of other rapidly growing destinations, including Malaysia and Thailand. Export growth to Malaysia - a country characterized by a large middle class with relatively high levels of disposable income - has been driven mainly by the jewelry sector, where sales in 2022 amounted to over 90 million euro. Thailand, which relies on a particularly developed tourism sector, rising incomes and an increasingly high level of urbanization, imported BBF goods worth 336 million euro last year, mainly in the leather goods, food and beverages, and jewelry sectors.

### **The quality of Italian goods displaces competition but must confront insidious entry barriers**

In general, Italian products face less competition from Asian players than Western ones, both in terms of total exports and with regard to the BBF subset, mitigating the competitive disadvantage deriving from the greater trade integration among countries in the region. However, access to ASEAN markets by Italian companies often faces obstacles in tariff barriers. These, in the form of *ad valorem* duties, increase the price of imported goods sold in those areas. This is particularly true for BBF products, subject to tariffs which are usually higher than the average of those applied to products imported from ASEAN countries, especially in Indonesia and Laos. Another obstacle to BBF exports to ASEAN is represented by non-tariff measures (NTMs) that entail significant costs for Italian companies.

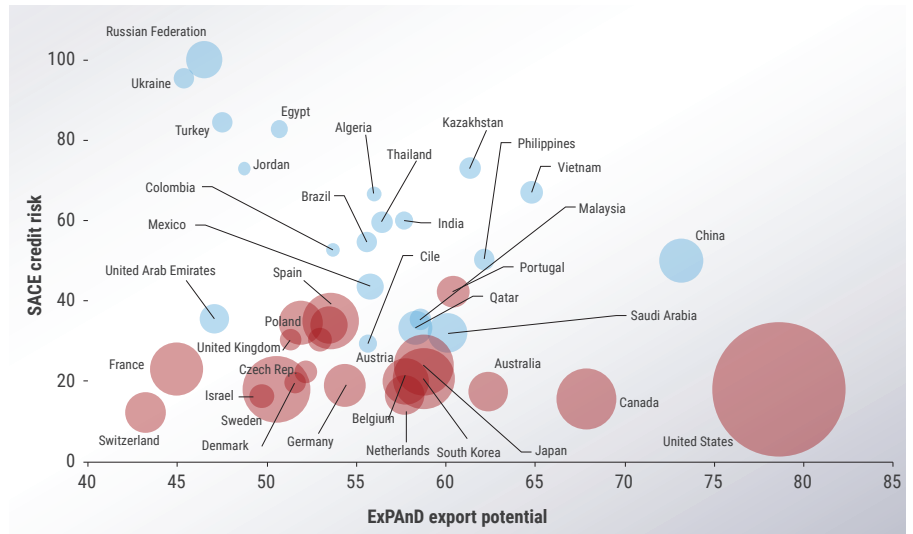
### **War, inflation and interest rates worsen the global credit risk**

International tensions related to the conflict in Ukraine, the resulting price increases and the restrictive monetary policies of central banks have contributed to a deteriorating global economic outlook, which was still suffering from the distorting effects of the pandemic crisis. The combination of these factors has led to higher indebtedness for both the public and private sectors, which in turn has induced a generalized deterioration in credit risk. To understand its implications, the analysis of potential is accompanied by that of the risk that each market presents (Graph D). It is not surprising to see Russia and Ukraine positioned so high on the credit risk scale since the two countries are directly involved in the conflict. Advanced countries, which indeed represent the most significant destination for BBF exports, remain quite safe, since, despite some difficulties, their more structured economies provide greater stability.

<sup>2</sup> Brunei, Cambodia, Philippines, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand, Vietnam.

## Graph D Assessing export potential in the light of risks

(Relationship between SACE 2023 credit risk and 2018-2020 ExPANd export potential)



Note: blue = emerging markets; red = advanced markets. The credit risk indicator developed by SACE is the average risk of default on payment to sovereign, corporate and banking counterparties to which an Italian exporting company is exposed. The ExPANd potential indicator considers export potential compared to similar competitors, the supply-demand compatibility of exports and the market expansion prospects.

Source: elaborations by Centro Studi Confindustria and Manlio Masi Foundation based on SACE and ExPANd data.

**Sustainability acquires a central role in pursuing potential** The recognition by the world's top institutions, as clearly defined by the Agenda 2030 and the Paris Agreement, of the need for a reversal of the economic paradigm in order to place sustainable development at the center, opens the doors to a new way of doing business. It is no longer sufficient for companies to aim for profit maximization, but it is necessary for them to become aware of the impact of their choices on the environment and thus improve (natural, financial, and human) resource management without ever exploiting them so intensively as to compromise the well-being of present and future generations. Essentially, it will be, and already is, the task of companies to pursue value maximization in the long term.

**The consumers' interest in sustainability is a factor that can no longer be neglected** Winning new market shares and ensuring the loyalty of current consumers cannot disregard the importance of the sustainable aspect present in the products sold. In fact, almost 70% of all consumers take sustainability into consideration in their purchasing decisions. Moreover, it would be a serious mistake to consider this a temporary phenomenon, as this trend has not faded despite the most serious economic turbulences of recent years.

**The sustainability of a company should start from its potential** The integration of the three dimensions of sustainable development (environmental, social, and economic) within the company's processes requires the adoption of strategies aimed at defining medium-term sustainability objectives and the path to achieving them, starting from its own vocations and specificities, seeking to enhance what has already been done. The adoption of a virtuous path aimed at integrating Corporate Social Responsibility (CSR) requires companies to integrate strategic sustainability objectives with their industrial plans and to evaluate their actual progress and improvement by relying on an internal monitoring system through reporting the results achieved in their CSR performance. Proper communication of these achievements would allow the company to pique the interest of various categories of customers, especially investors and financiers, and would bring considerable benefits to brand reputation.

**ALMOST 70%  
OF ALL CONSUMERS  
TAKE SUSTAINABILITY  
INTO CONSIDERATION**

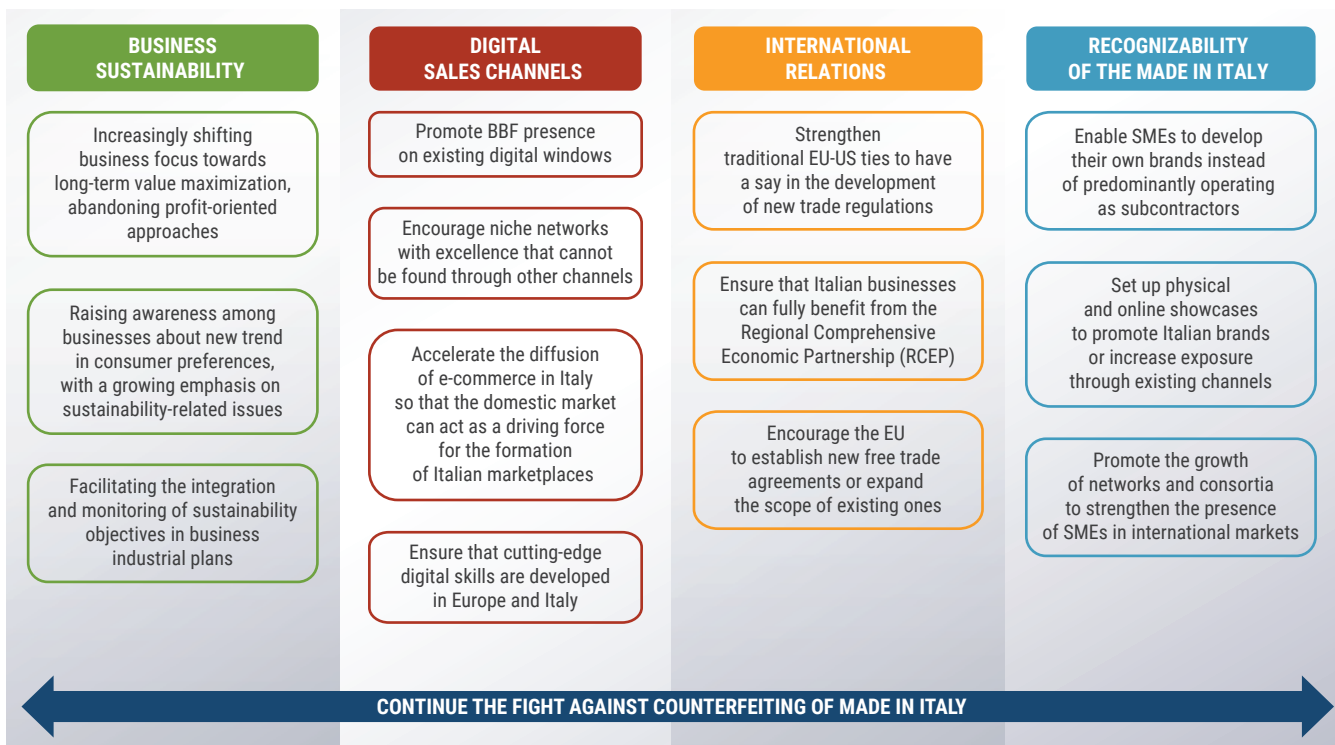


**Digital sales channels and the recognizability of the Made in Italy remain key tools for realizing potential**

In an increasingly connected world where on-line commerce continues to grow rapidly, strengthening digital sales channels is of vital importance, whether it involves promoting the presence of BBF in existing channels or in new ones. Failing to preside over these “virtual markets” would lead to an accumulation of competitive disadvantages that would be difficult, if not impossible, to overcome in any other way. Through these channels, but not only, it is possible to promote the creation of brands for small and medium-sized Italian companies as well. The recognizability of Made in Italy could also be enhanced by encouraging the creation of networks and company consortia aimed at extracting greater value from global value chains and overcoming the under-sizing of Italian entrepreneurship in many sectors.

**Agreements are the key to strengthening commercial channels** The significant performance of Italian exports in the world is also attributable to the numerous trade agreements that Europe, and consequently Italy, have established over the years. The promotion of new European treaties and the strengthening of EU-US ties contribute to the stabilization of international relations, which Italy cannot do without facing increasing competition. Market integration facilitates trade; in Asia, the largest trading area in the world, the Regional Comprehensive Economic Partnership (RCEP)<sup>3</sup> has recently been established. Equally fundamental for the performance of BBF exports are the Free Trade Agreements (FTAs), which, especially in ASEAN markets, help Italian companies overcome tariff and non-tariff barriers. Finally, in countries where there are no FTAs with the EU, it is important to pragmatically continue the dialogue at the bilateral level to overcome barriers and market access obstacles (Table B).

**Table B - Which instruments to activate to realize the potential**



<sup>3</sup> For further information on the subject, refer to Chapter 4 of “Esportare la dolce vita”, Rapporto 2021.

**The BBF between counterfeiting and Italian sounding**<sup>4</sup> The quality of Italian products and their excellent reputation worldwide makes them a target for imitation. The appeal of the Made in Italy aesthetic allows for higher sales prices to be applied, even though the intrinsic value is not reflected in the poor quality of materials and the limited accuracy of the workmanship. According to an OECD report, the companies that imitate the BBF the most are primarily located in China, Turkey, and Hong Kong<sup>5</sup>. The high market share loss associated with counterfeiting makes it urgent to fight it. Italian products must also be protected from another equally harmful phenomenon, which, unlike counterfeiting, is legal, namely Italian sounding. This consists of evoking the idea of the quality of Italian products on labels and packaging through the use, without resorting to illegal practices, of names, geographical references, images, color combinations, and the reproduction of similar marks to the originals. The consequences of these practices are particularly harmful and represent one of the major obstacles to the full deployment of potential of Made in Italy food<sup>6</sup>. The actions that can be taken to reduce the problem range from strengthening the protection of geographical indications within free trade agreements to the use of more effective marketing campaigns that help recognize the Made in Italy brand.

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<sup>4</sup> Italian sounding refers to the use of labels or other symbols or colors or figures on packaging aimed at evoking the Italian origin of raw materials, recipe, brand, or even the transformation process of products entirely made abroad and totally disconnected from our country.

<sup>5</sup> For further information on the topic, please see OECD, "Trade of Counterfeit Goods and the Italian Economy", 2018

<sup>6</sup> According to estimates published by The European House Ambrosetti, the phenomenon of Italian sounding in the agri-food sector is worth over 79 billion euro worldwide. This value, when combined with the current amount of exports indicated in the Ambrosetti report (approximately 50 billion euro), would imply a potential export value of nearly 130 billion euro.