



The 21st Century Maritime Silk Road

Investments, Trade and GVCs: the Role of Italy

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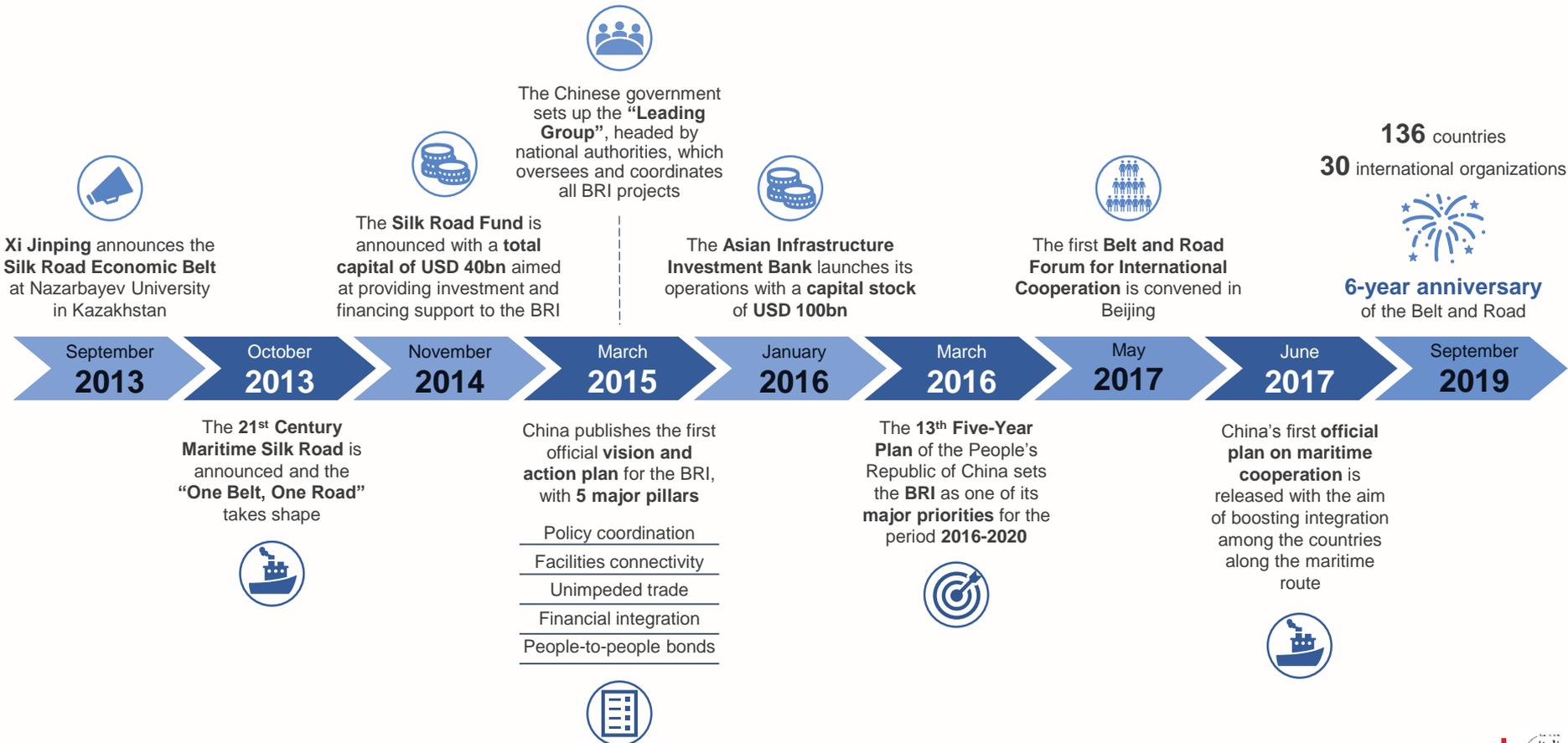
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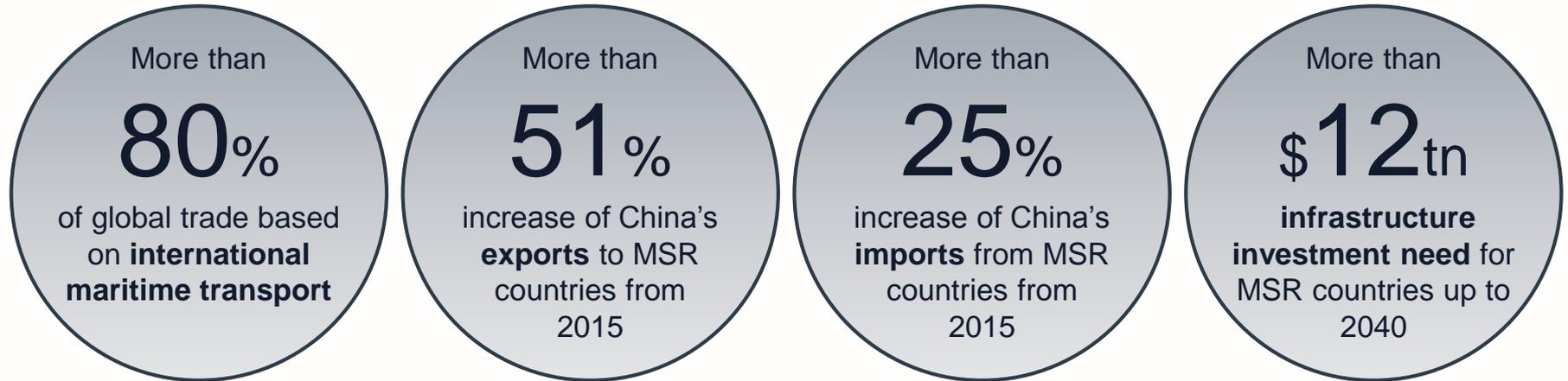
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Key Takeaways

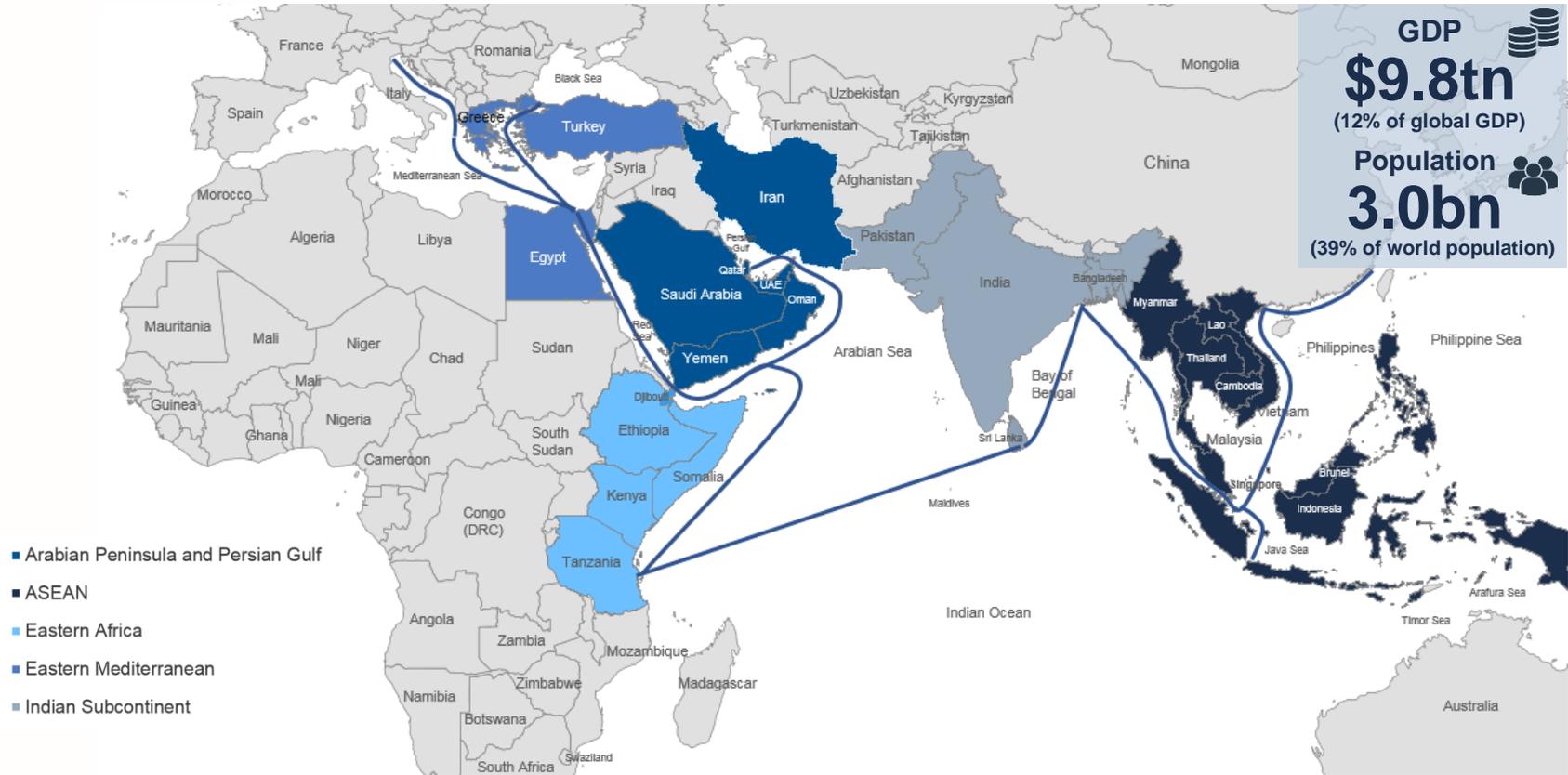
The Belt and Road Initiative (BRI) has achieved important milestones...



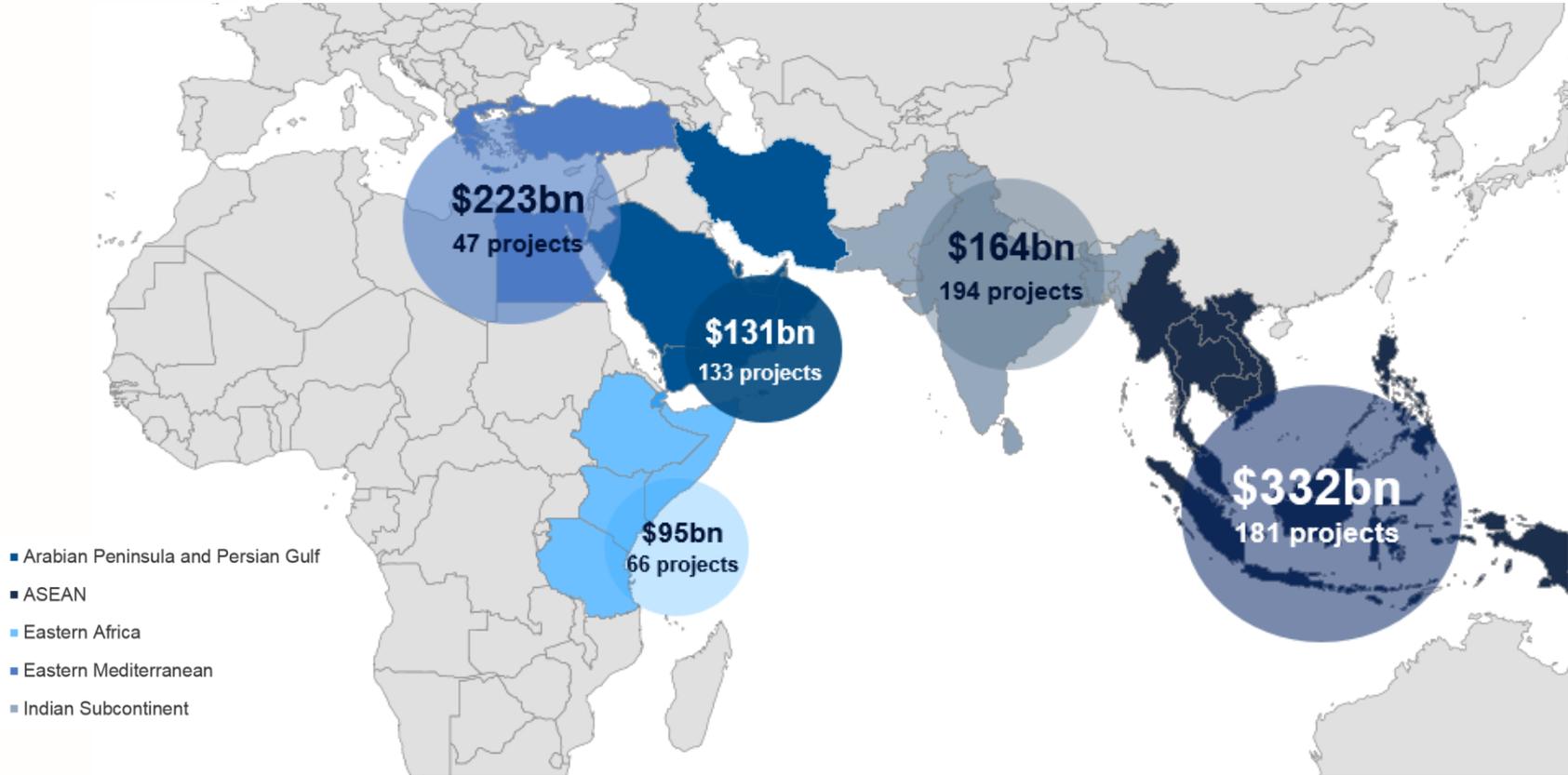
...and the figures behind the Maritime Silk Road (MSR) are impressive



The MSR crosses at least 29 countries, representing 12% of global GDP and 39% of world population...



...and involves more than 600 projects worth around USD 1tn...

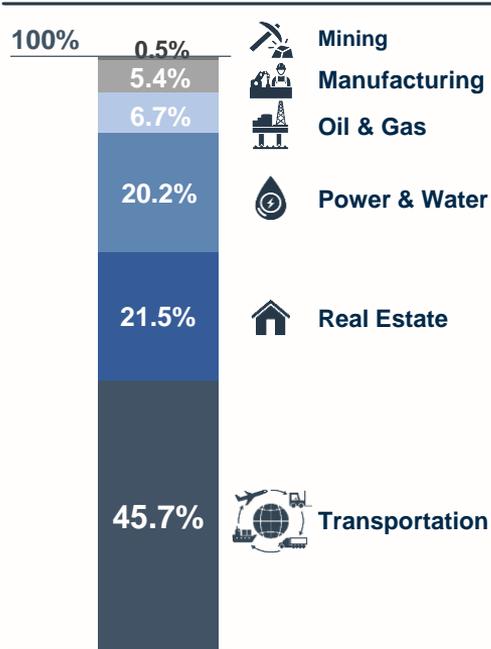


...offering investment opportunities in a wide range of sectors

USD bn

Some examples of relevant projects along the MSR

Overall share of sectors



Country	Project	Value
 Egypt	Construction of a new administrative capital 45 km east of Cairo	58.0
 Malaysia	Construction of a "Forest City" on 4 artificial islands	36.2
 Turkey	Creation of the Edirne-Kars high-speed railway	35.0
 Egypt	Suez Canal expansion and creation of a new industrial zone	29.0
 Indonesia	Creation of a complex of hydropower plants on the Kayan River	17.8
 UAE	Construction of a solar park within Dubai's desert	13.6
 Turkey	Construction of the New Istanbul Airport	12.7
 Malaysia	Construction of the "Melaka Gateway" on 4 artificial and natural islands	10.6
 Kenya	Creation of the Mombasa-Nairobi Railway	9.1
 Greece	Development of the Port of Piraeus	8.8

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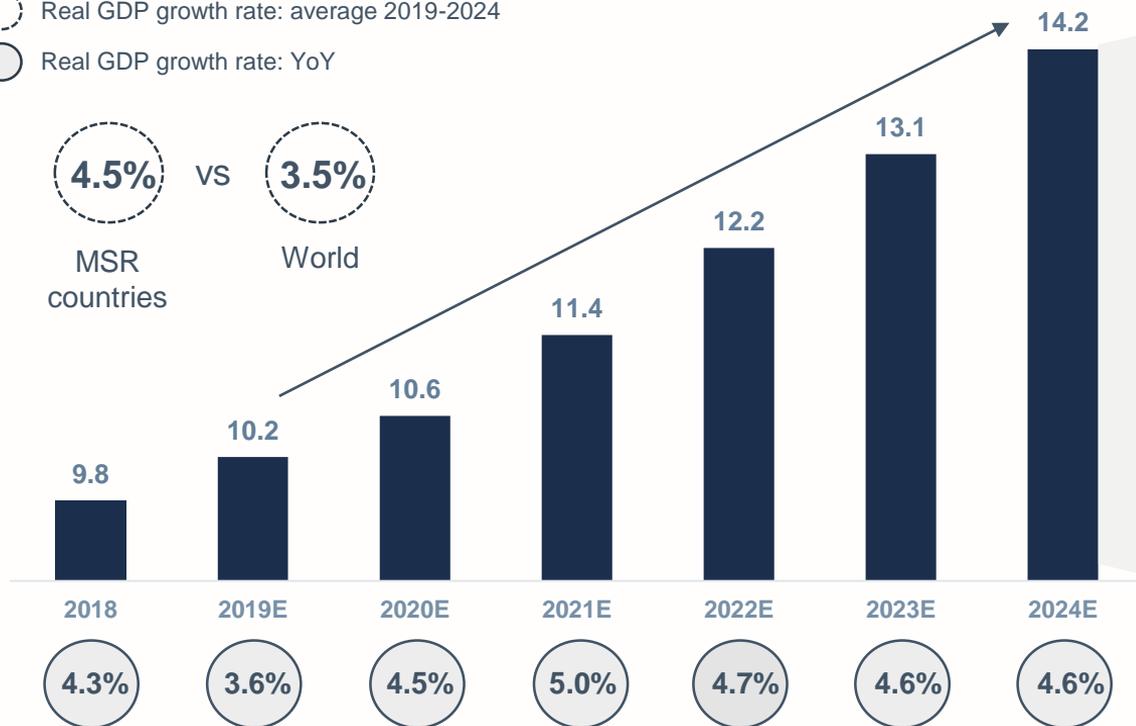
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Key Takeaways

MSR countries are expected to grow significantly over the next 5 years

USD tn

- GDP at current prices
- Real GDP growth rate: average 2019-2024
- Real GDP growth rate: YoY



MSR countries: breakdown by income level



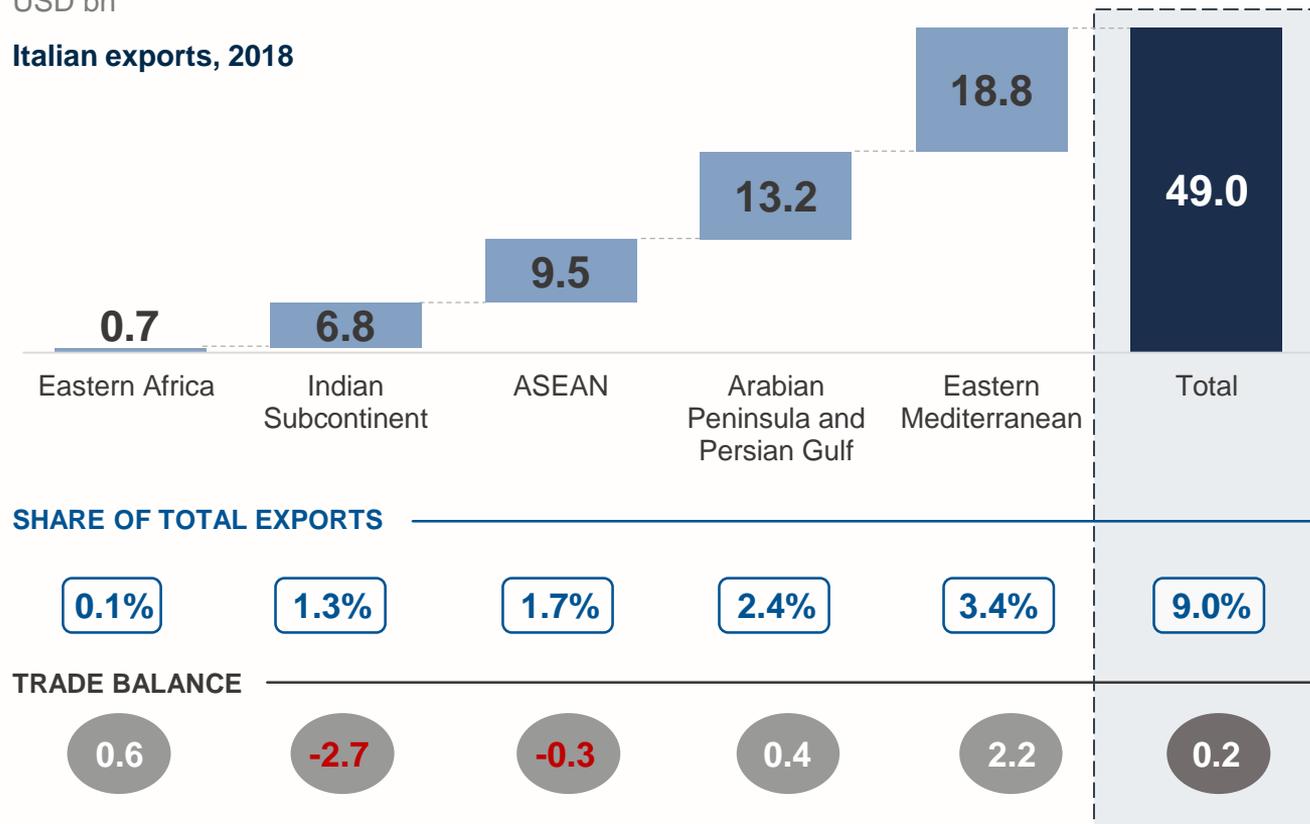
Source: CDP elaboration on IMF data (World Economic Outlook, Oct 2019) and World Bank data (World Development Indicators, 2019)

Note: High income countries include Brunei Darussalam, Greece, Oman, Qatar, Saudi Arabia, Singapore, UAE; Upper middle income countries include Iran, Malaysia, Maldives, Sri Lanka, Thailand, Turkey; Lower middle income countries include Bangladesh, Cambodia, Djibouti, Egypt, India, Indonesia, Kenya, Lao P.D.R., Myanmar, Pakistan, Philippines, Vietnam; Low income countries include Ethiopia, Somalia, Tanzania, Yemen

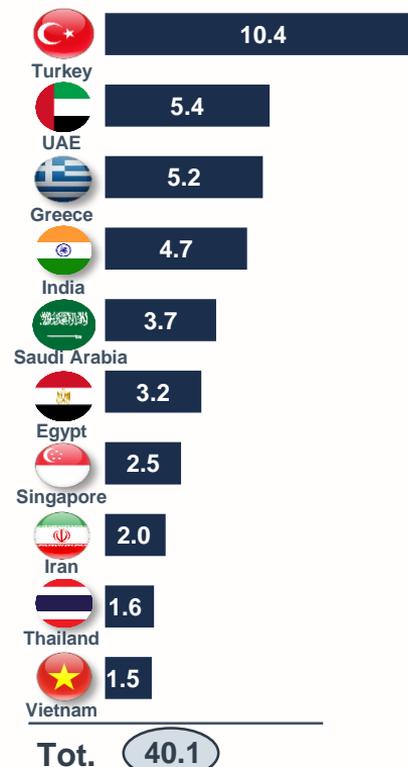
MSR countries represent important Italy's trading partners, accounting for 9% of total exports...

USD bn

Italian exports, 2018

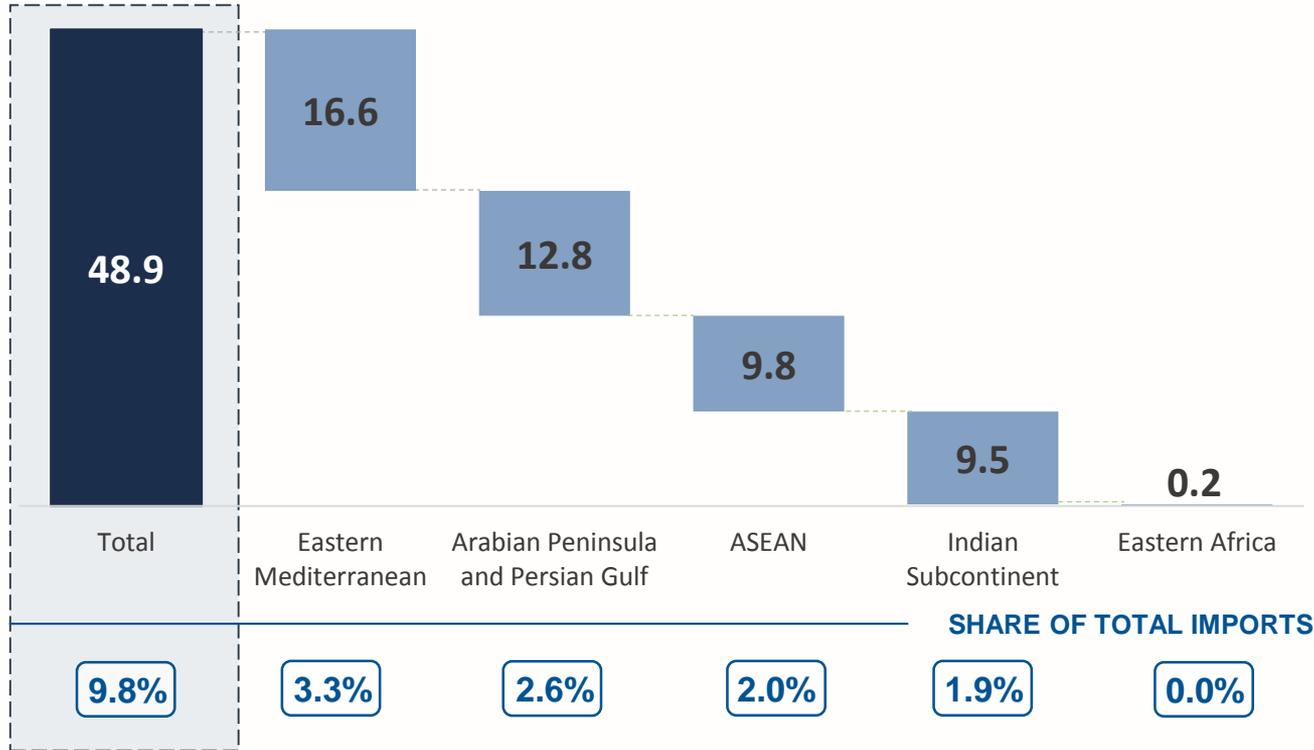


Top-10 destination countries



...and around 10% of total imports

USD bn
Italian imports, 2018



Top-10 source countries

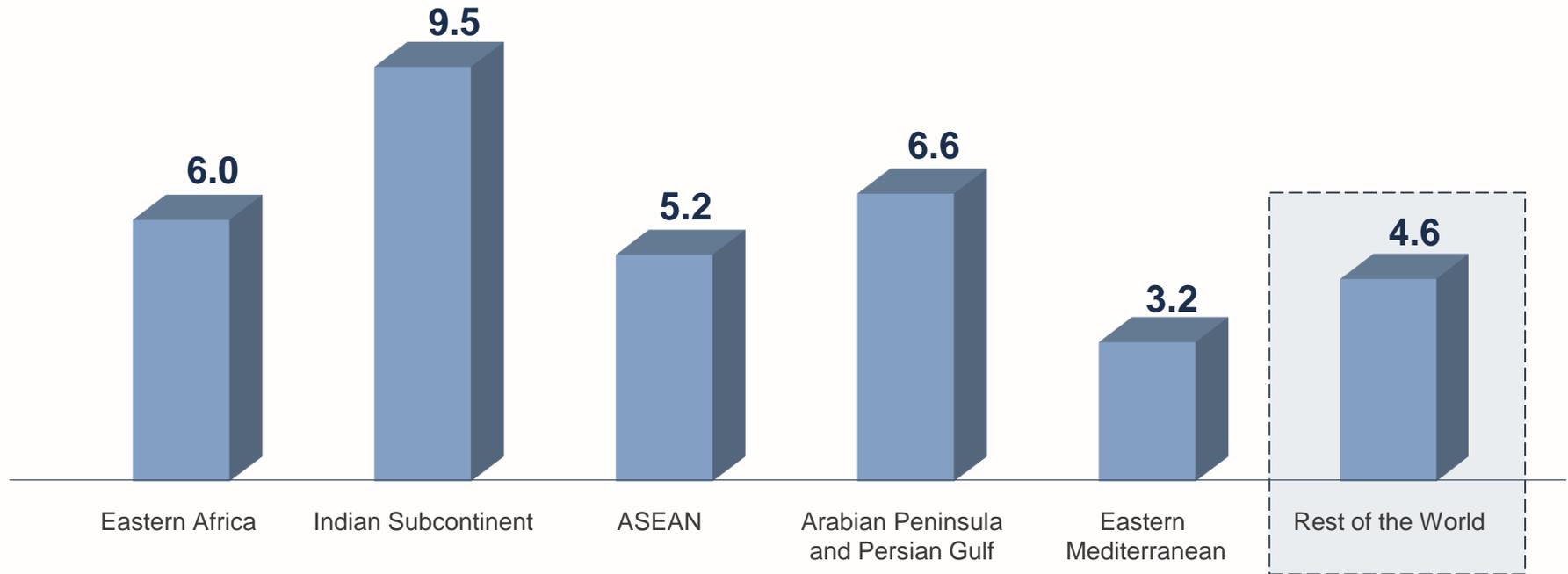


Tot. 41.4

Italian exports to MSR countries experienced a significant increase in the past decades...

CAGR, %

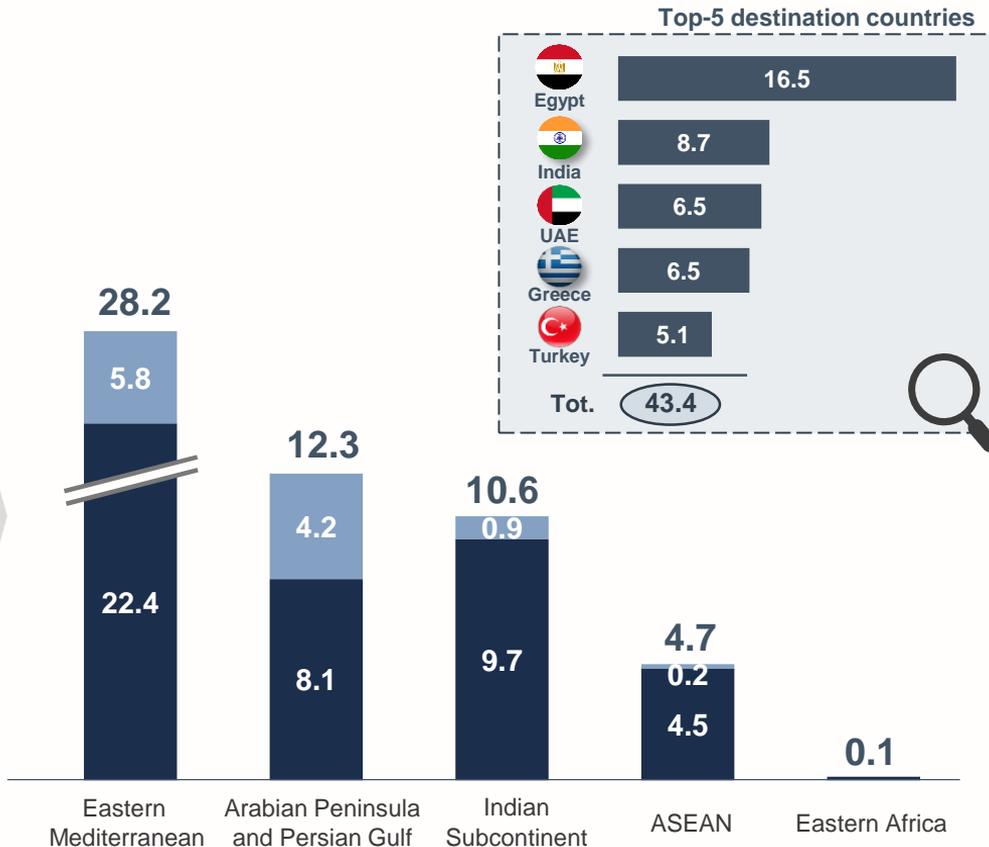
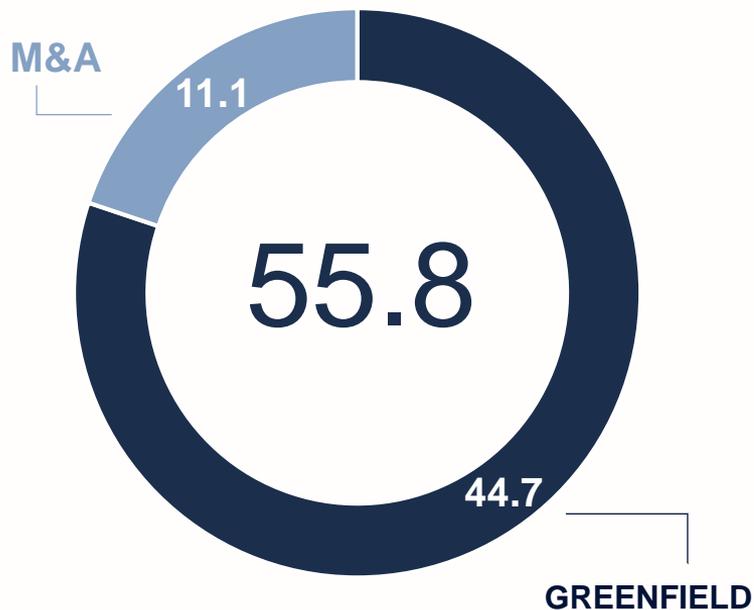
Italian exports, 2000-2018



...and Italian FDI directed to MSR countries amounted to almost USD 56bn in the last 15 years

USD bn

Italian outbound FDI, 2004-2019

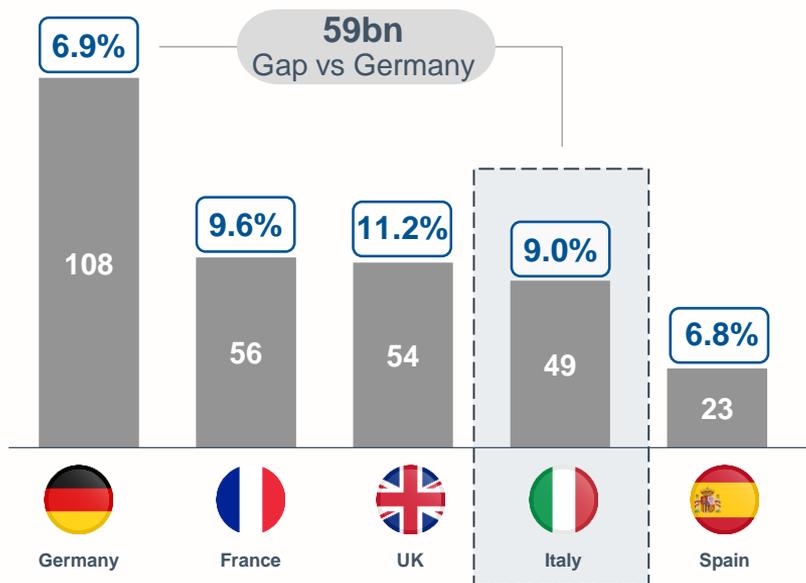


...although Italy stands behind the major European economies, with the exception of Spain, in terms of exports and FDI towards MSR countries

USD bn

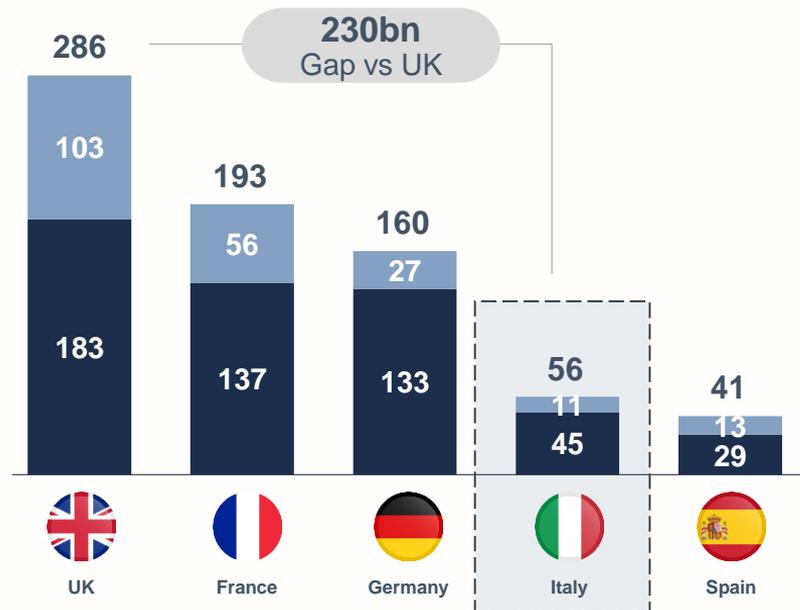
Exports, 2018

□ % total exports



FDI, 2004-2019

■ M&A ■ Greenfield



Source: CDP elaboration on fDi Markets and Mergermarket data (2004-2019)

Note: Any discrepancies are due to rounding effects. The FDI figures above only take into account the greenfield projects in all sectors excluding the retail activities and the M&A deals over the 10% stake threshold

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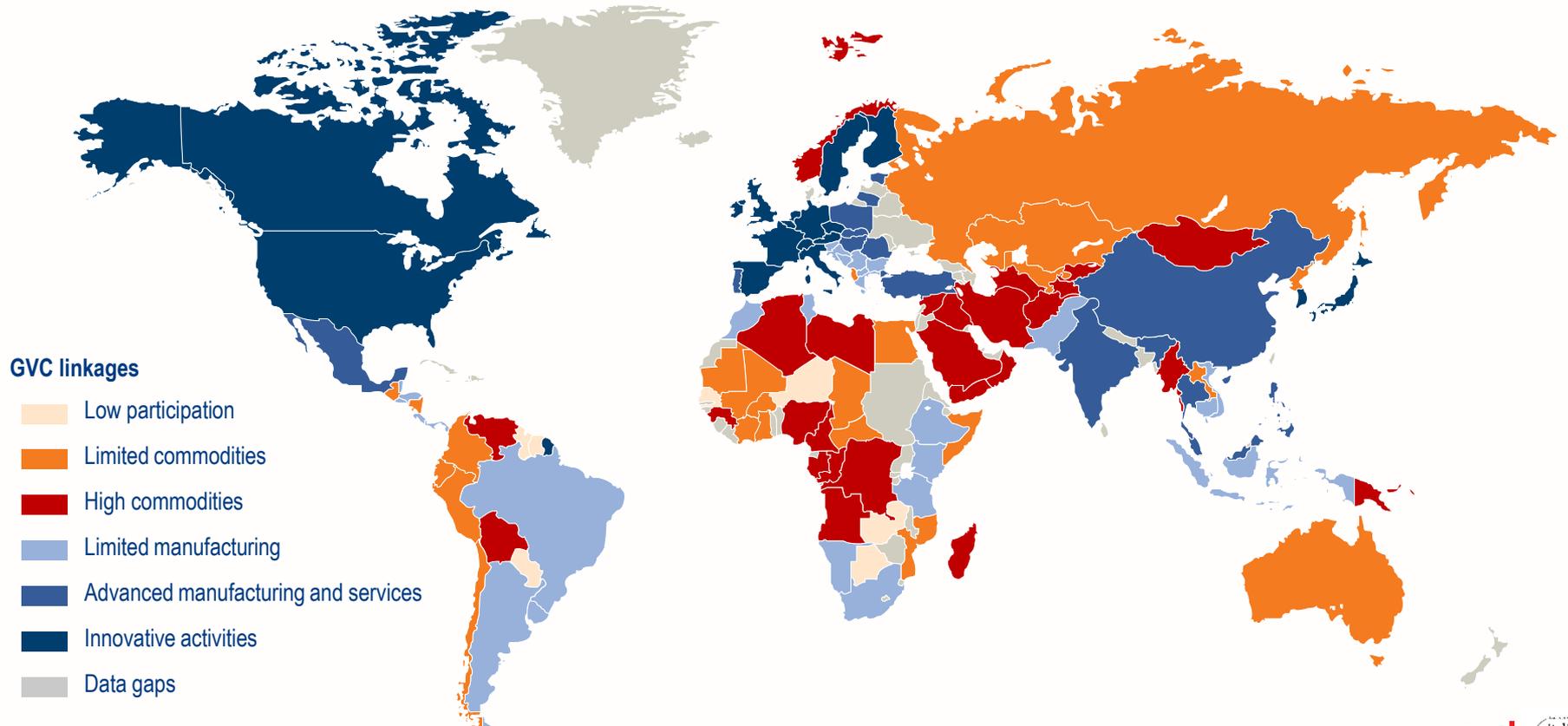
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Key Takeaways

According to the World Development Report 2020, Italy is an “innovative activities” country

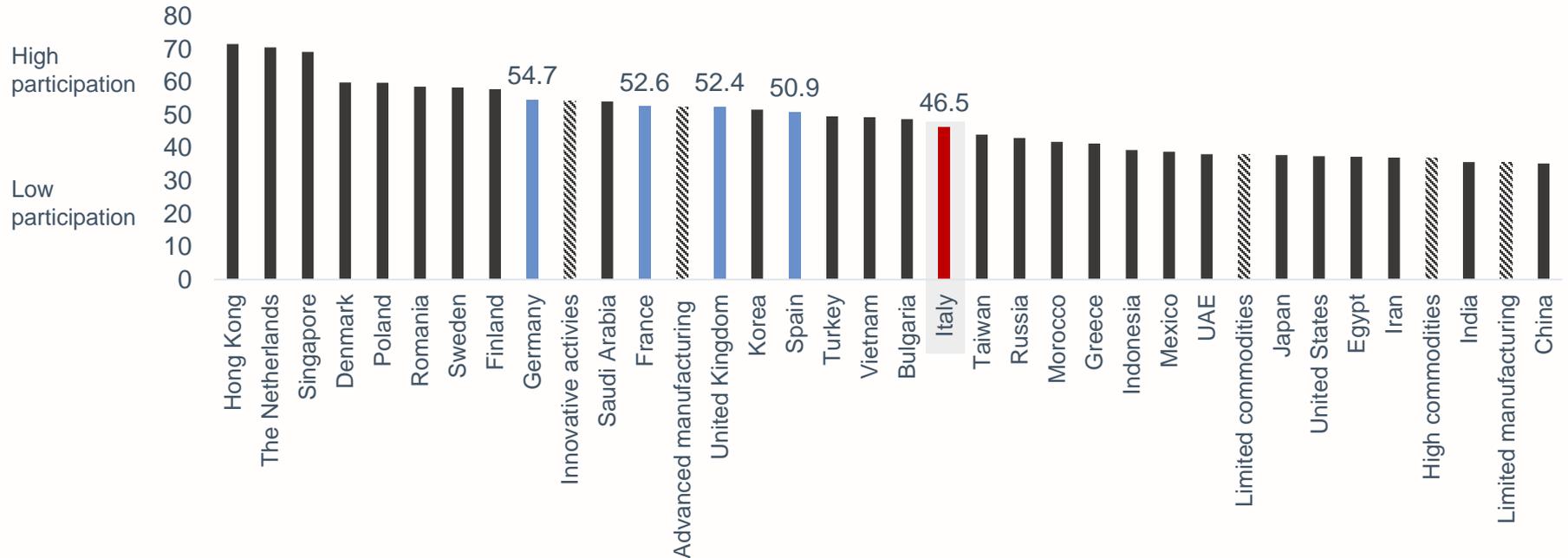


Italy's participation in Global Value Chains (GVCs) is close to the other advanced manufacturing and “innovative activities” economies...

%

GVC-related trade, 2015

■ Major European peers

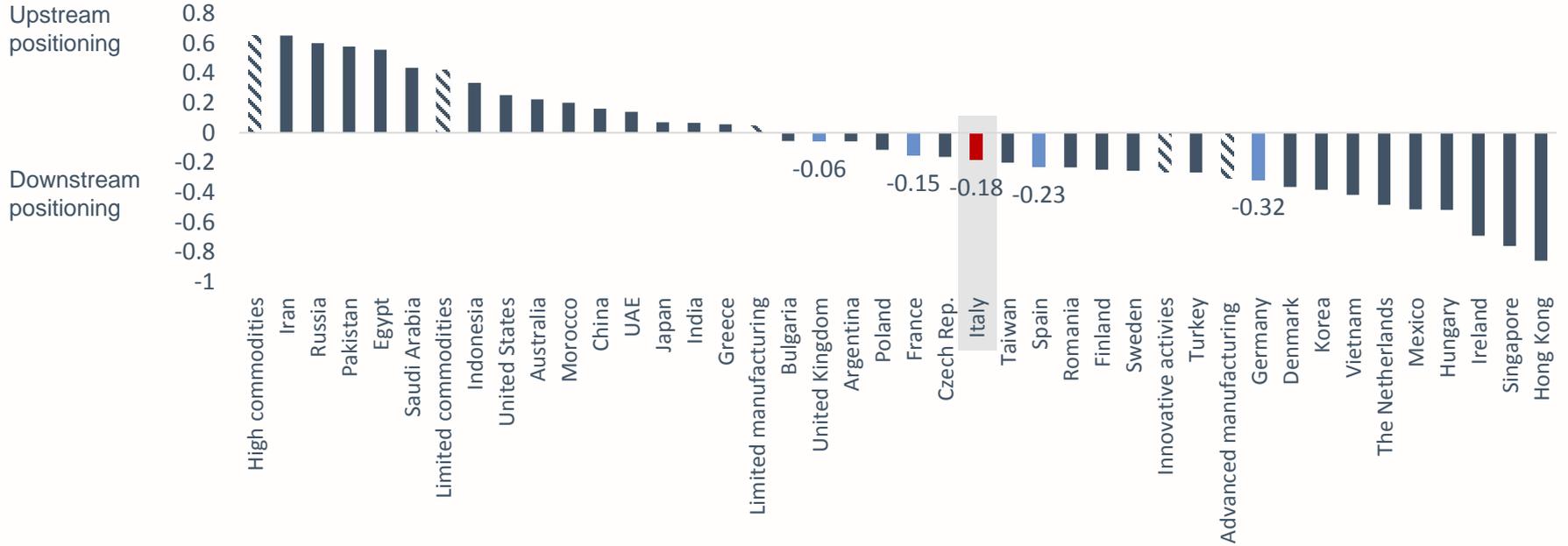


...with a downstream position relatively lower compared to them

Log ratio

Positioning in GVCs, 2015

Major European peers

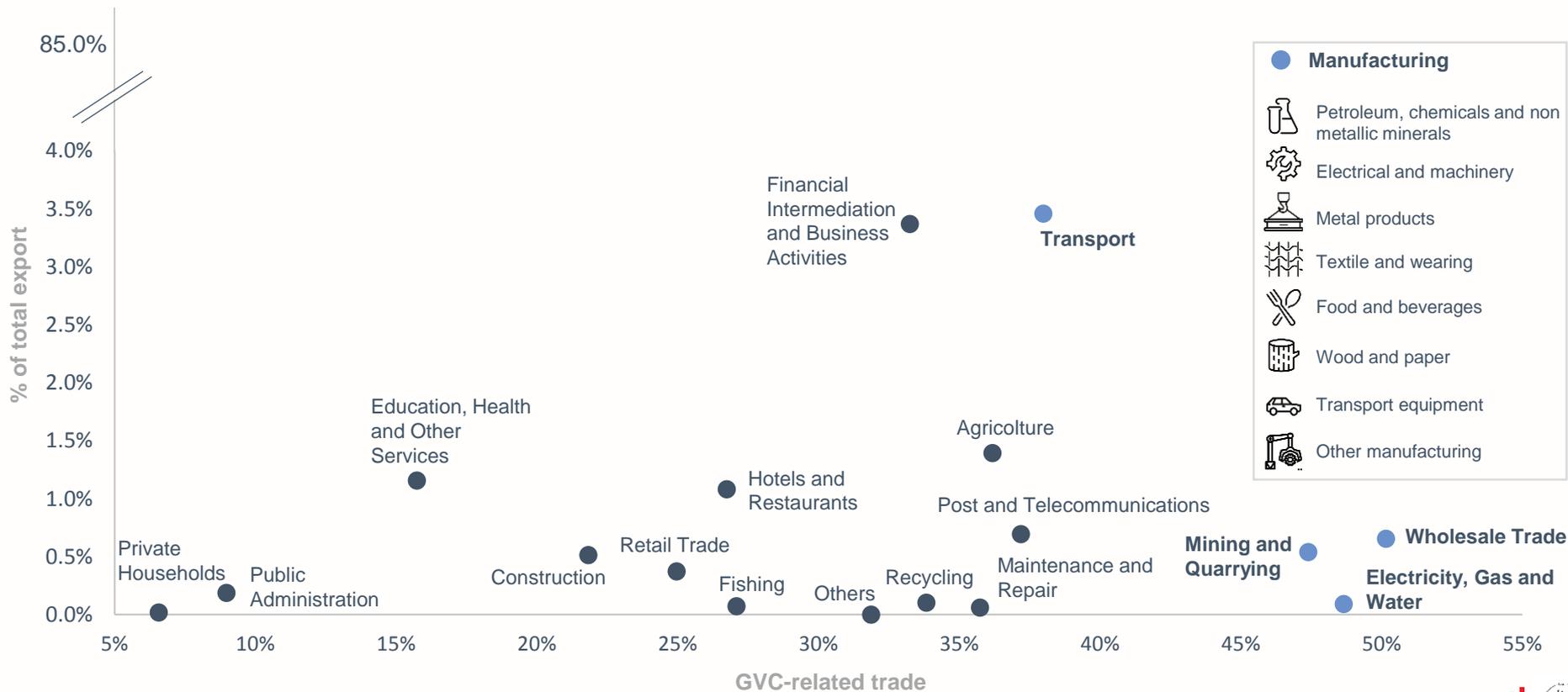


Source: The European House – Ambrosetti elaboration on UNCTAD-Eora database (2015)

Note: The above index is referred to the one presented in European Central Bank (2013) and is computed as the log ratio between the Forward GVC-related trade and the Backward GVC-related trade

Many Italian productive sectors are highly involved in GVCs...

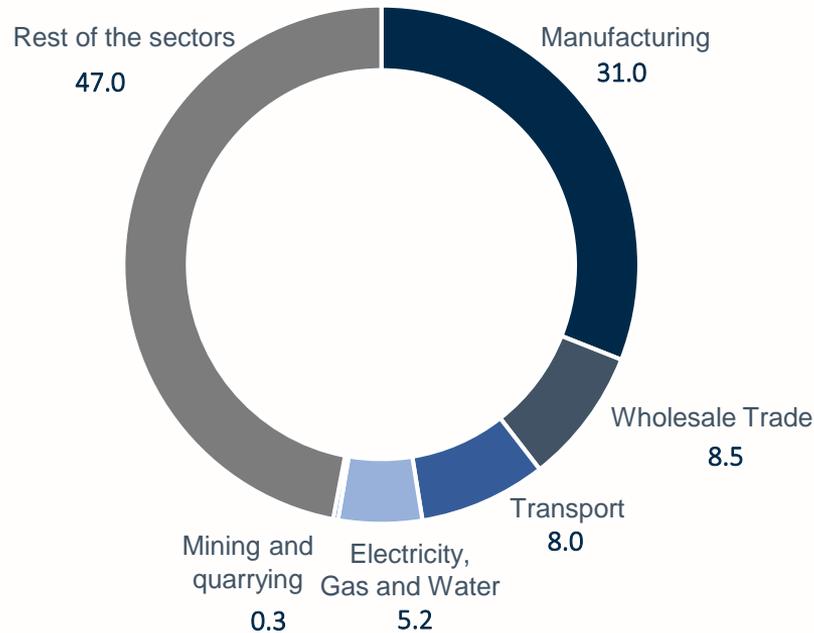
● Top-5 integrated sectors



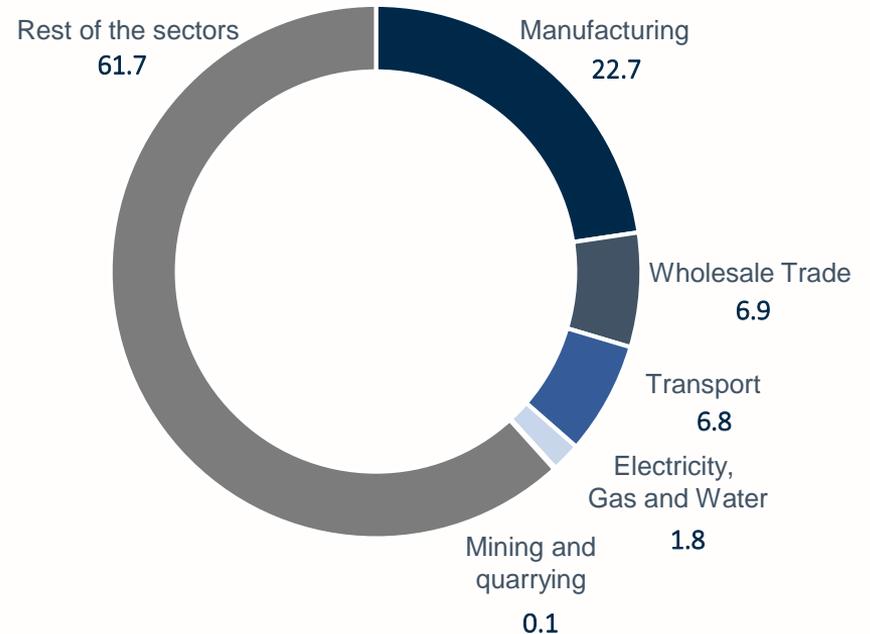
...with the top-5 integrated sectors accounting for 53% of Italian value added and almost 40% of Italian employment

%

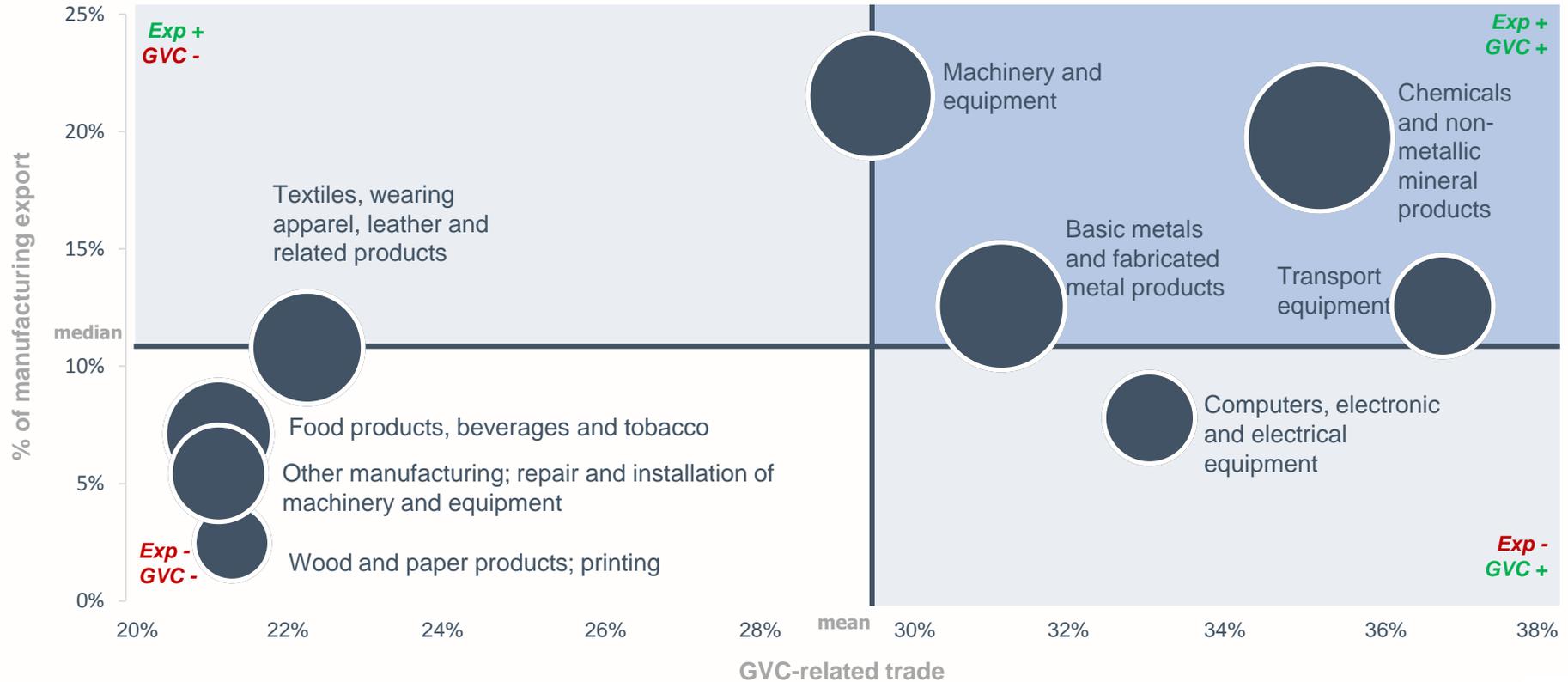
Value added, 2017



Employment, 2017



Italy's most relevant manufacturing sub-sectors in terms of value added and export are highly integrated in GVCs



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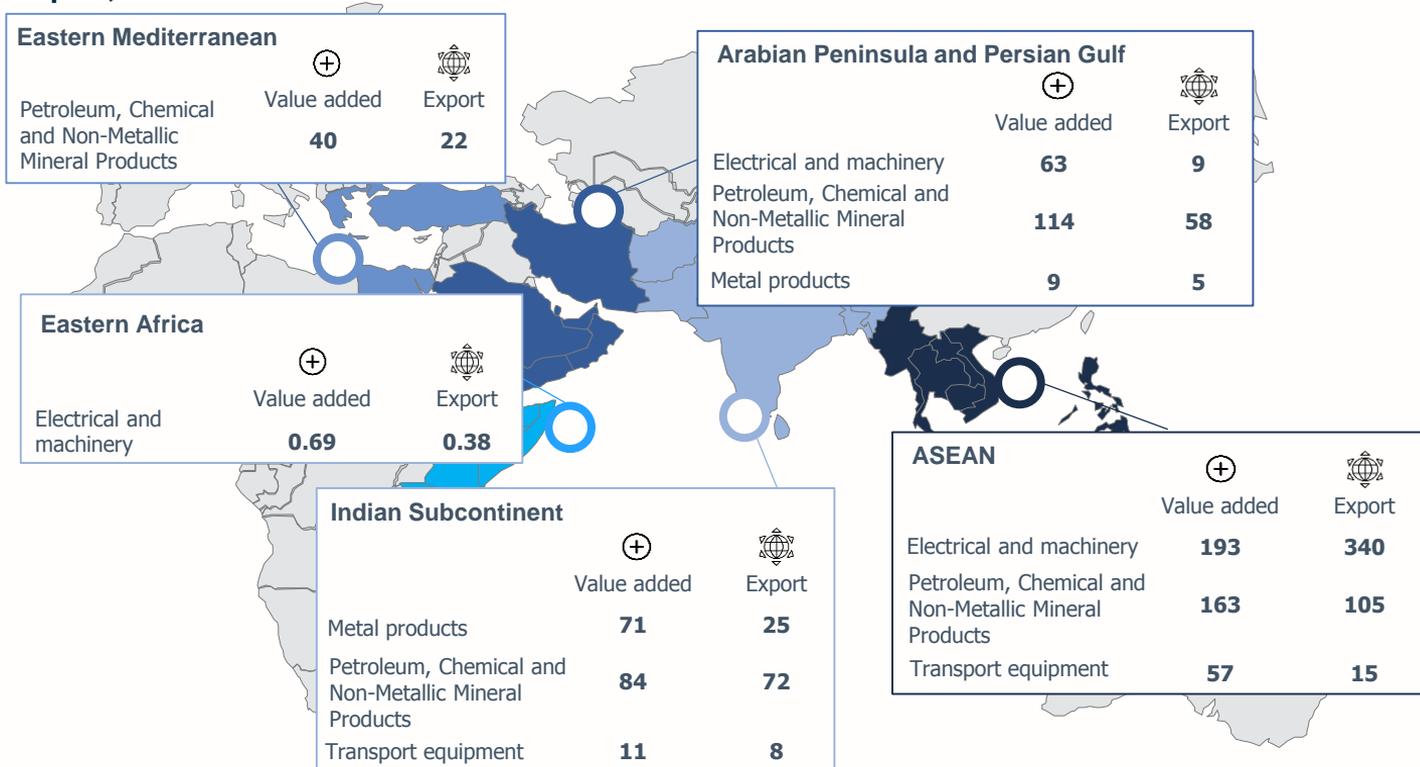
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Key Takeaways

The most integrated manufacturing sub-sectors of MSR countries match the Italian GVC-related trade

USD bn

Value added and export, 2015



Italy has the strongest linkages with Eastern Mediterranean, while it has the lowest with Eastern Africa, with room for improvement in ASEAN

%

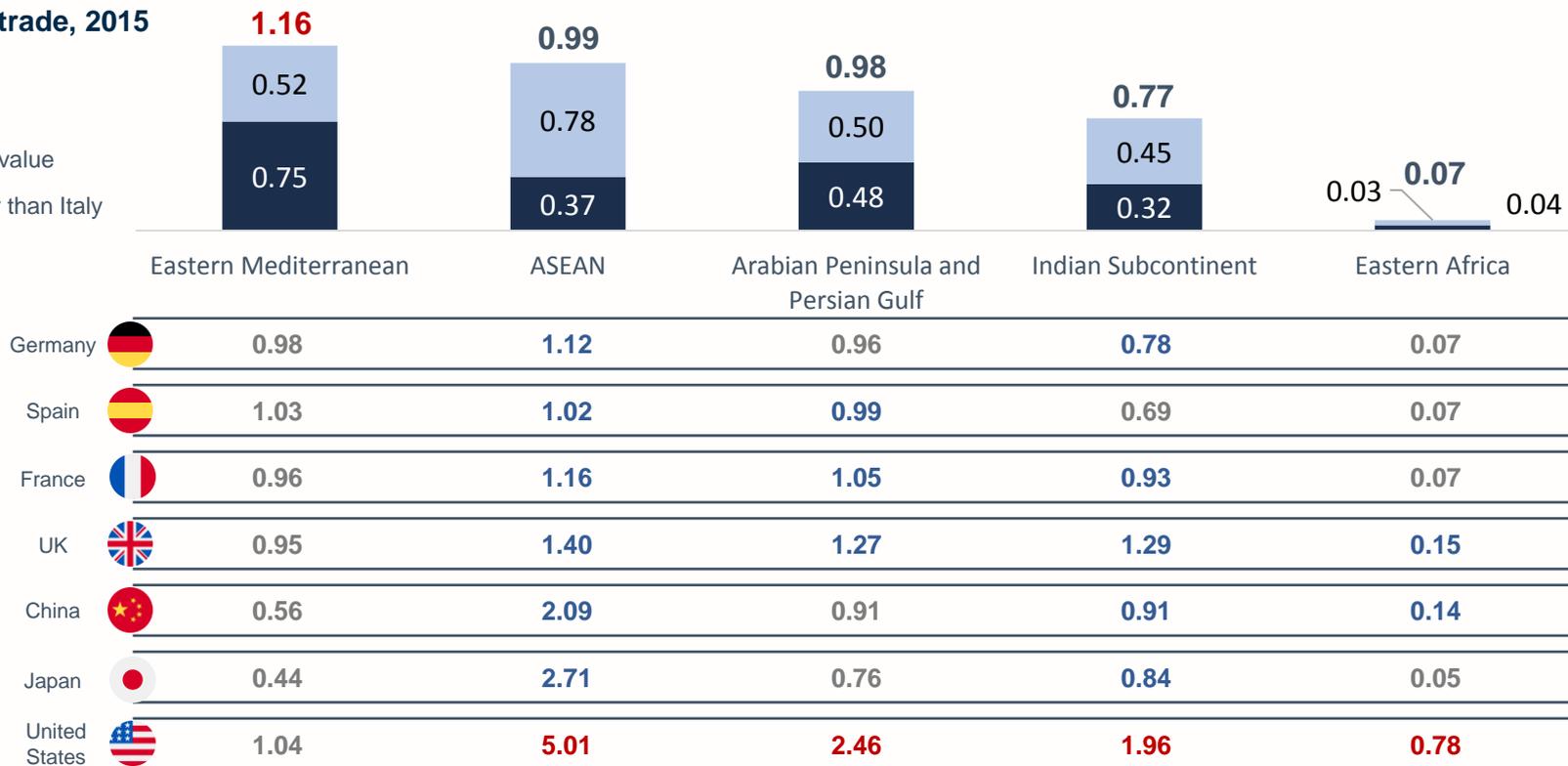
GVC-related trade, 2015

Forward

Backward

The highest value

Value higher than Italy

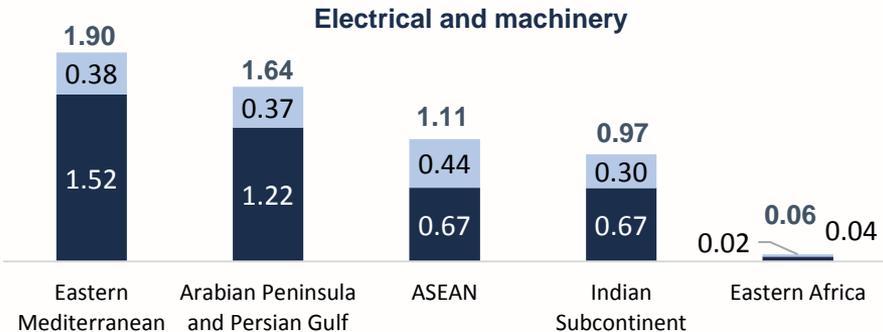
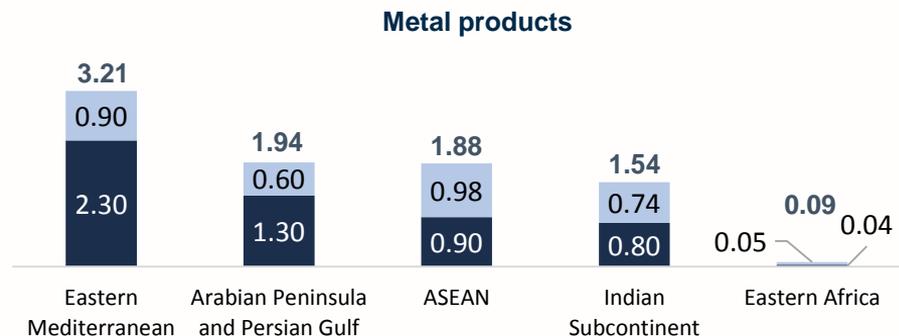
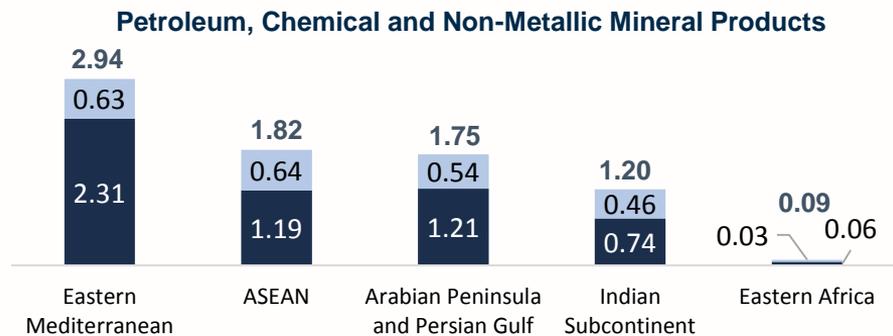


Italy's GVC-related trade with MSR countries is mainly based on import of inputs processed into the Italian products exported abroad

% total sector

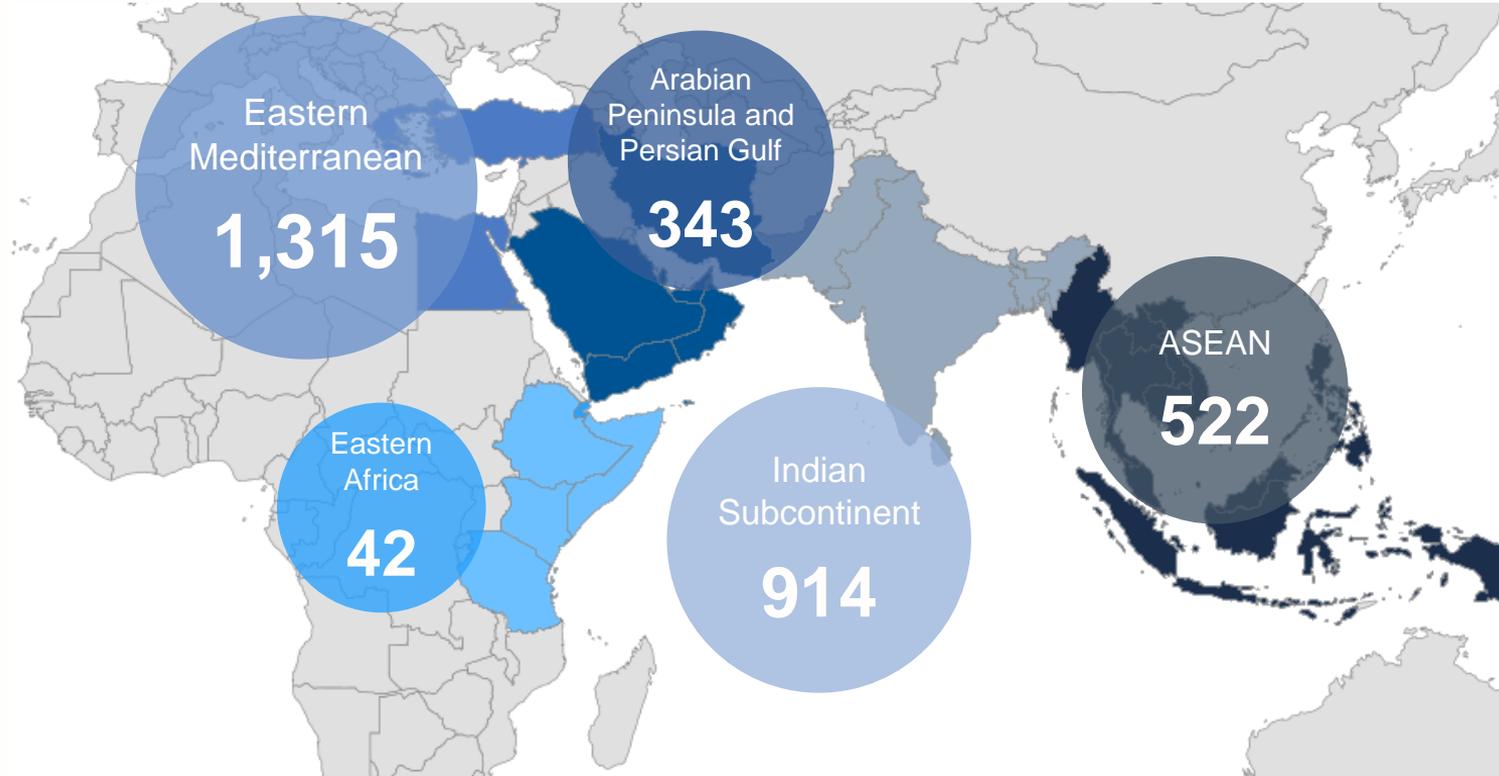
GVC-related trade, 2015

■ Forward ■ Backward



Italian companies are already present in MSR countries, but they need to be well positioned to exploit the opportunities offered by the BRI

Number of Italian companies



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- The MSR may provide huge investment opportunities in a wide range of sectors
- Countries crossed by the MSR are expected to grow at a faster pace than the world average and can be further stimulated by the investments planned or underway along the route
- Italy has strong export and FDI relations with MSR countries
- Italy is well integrated in GVCs, particularly with regard to the manufacturing sector, as a processor of inputs to be re-exported abroad, which makes it pivotal for the development of other economies worldwide
- Italy's participation in GVCs matches the most integrated manufacturing sub-sectors of MSR countries
- The presence of Italian companies in MSR countries is already tangible, with room for improvement
- Nevertheless, Italy lags behind the major advanced economies and it needs to increase its positioning in order to take advantage of the chances offered by the BRI

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