

THE WORLD CERAMIC INDUSTRY IN THE AGE OF GLOBALISATION



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1. THE DIMENSION OF WORLD CERAMIC TILE CONSUMPTION.

1994 is the year in which Austria, Finland and Sweden – through a popular referendum – ratified their adhesion to the European Union; in which the father of the German re-unification and of the lofty idea of a ‘Grande Europe’, Helmut Kohl, wins the October elections for his third mandate as Chancellor; in which Yasser Arafat, Shimon Peres and Yitzhak Rabin win the Nobel Peace Prize for the historical agreements of Camp David.

1994 is the year in which world ceramic tile consumption, according to the analysis of the Assopiastrelle Studies Centre (table 1), reached 3.3 billion square metres. In terms of continents, Asia accounts for 43.8%, Western Europe for 25.8%; Latin America (11.6%) for a little less than half that of Western Europe, followed by Eastern Europe (7.5%) and NAFTA (5.8%).

	1994	1999	Var %	2004	Var %
Western Europe	853,41	1.029,40	20,62%	1.121,39	8,94%
weight %	25,85%	20,28%		16,19%	
Eastern Europe	248,04	392,35	58,18%	600,22	52,98%
weight %	7,51%	7,73%		8,66%	
NAFTA	191,84	320,39	67,01%	481,97	50,43%
weight %	5,81%	6,31%		6,96%	
Latin America	382,04	537,96	40,81%	627,15	16,58%
weight %	11,57%	10,60%		9,05%	
Asia	1.447,15	2.556,83	76,68%	3.691,02	44,36%
weight %	43,83%	50,38%		53,28%	
Australia	20,35	27,12	33,27%	40,14	47,99%
weight %	0,62%	0,53%		0,58%	
Other Countries	158,60	210,98	33,02%	365,72	73,34%
weight %	4,80%	4,16%		5,28%	
TOTAL CONSUMPTION	3.301,43	5.075,02	53,72%	6.927,60	36,50%

(Data in million square metres)

Table 1. World ceramic tile consumption. - Source: Centro Studi Assopiastrelle

Although midway through the past decade all eyes were focused on the United States for the start of the greatest expansive cycle of its history or on Europe for the political-institutional transformations that finalised in the enlargement, the barycentre of world tile consumption was already firmly established in Asia.

That speed is, then, one of the salient features of modern times is a statement that is thus also confirmed by our sector. In 1999, ten years after the fall of the Berlin wall and just a quinquennium after the previous survey, the world tile consumption had reached 5075 million square metres, thanks to growth of over 50% in just five years. This looks more like a variation involving a product or service of the new economy than an industrial sector, but it represents the confirmation of the interest and the potentialities that the ceramic product has on a global scale.

This is, to my judgment, an important point because the basic prerequisite for the existence of an industrial sector is that there should be demand for what it produces, and that this should be possibly broad and increasing. The absence of demand, or the presence of substitute products capable of responding better to the same intended uses, is the main threat to development.

Returning to the analysis of the data on 1999, it emerges that, just like Asia, NAFTA and Eastern Europe are areas that have 'beaten performance records' of the market, with growth between 77% and 58%; and slightly lower Latin America, with +41%, and Australia, while old beloved Europe – despite enjoying the German reunification and the boom of its own exports towards North America – has remained at a much more limited +21%.

To someone like me, who has lived in enterprise and in the Association during these years, characterised by growth which to all us Europeans appeared highly meaningful as a whole, the fact cannot today appear anything but strange that while the European companies toasted to success – important and well-deserved – in other parts of the world tile consumption recorded, in silence, triple rates of growth compared with ours.

An increase in world consumption which, though slowing slightly compared with the beginning of the Millennium (+36.5%), has continued in its course. At the end of 2004, according to latest available data on a worldwide base from the Assopiastrelle Studies Centre, world consumption of ceramics has exceeded 6900 million square metres annually, a value that has placed consumption per capita of this material above the important threshold of 1 square metre/year per person. And this is a second, important aspect to which to draw attention.

If we disregard the marginal category of 'Other Countries', world consumption of ceramics in the first quinquennium of the century displays a by no means secondary new development: an alignment of the increments – above the average – of areas such as Asia (+44.4%), Australia (+48%), NAFTA (+50%) and Eastern Europe (+53%), which clearly outdistance the expansion of Latin America (+17%) and above all Western Europe (+9%). We are witnessing, therefore, a polarisation of the dynamics, an important third aspect.

2. THE ROLE OF NATIONAL SALES IN WORLD CONSUMPTION.

In order to capture the dynamics of the trade flows connected to globalisation, it appears important now to go further into the composition of the various heads of world consumption, such as the national production sold on the domestic market, and the contribution supplied by imports, in its two constituents: imports from producer Countries pertaining to the same geographic area, in many cases joined by areas of free exchange; and that, instead, deriving from third continents.

The sales destined for the national market (table 2) feature three important conclusions. In the first place, this is actually the head that determines the greatest contribution to world consumption of ceramics, thanks to a value of the order of 75% of total consumption. In other words, the main driver for the development of world consumption of ceramics is given by tile production in the same Country.

	1994	1999	Var %	2004	Var %
Western Europe	486,57	577,00	18,58%	649,54	12,57%
weight % on area cons.	57,01%	56,05%		57,92%	
Eastern Europe	200,61	266,30	32,74%	414,69	55,72%
weight % on area cons.	80,88%	67,87%		69,09%	
NAFTA	101,27	155,17	53,23%	205,72	32,58%
weight % on area cons.	52,79%	48,43%		42,68%	
Latin America	344,97	466,31	35,17%	528,75	13,39%
weight % on area cons.	90,30%	86,68%		84,31%	
Asia	1.275,79	2.315,54	81,50%	3.260,92	40,83%
weight % on area cons.	88,16%	90,56%		88,35%	
Australia	2,26	2,57	13,83%	3,24	26,07%
weight % on area cons.	11,09%	9,48%		8,07%	
Other Countries	79,89	108,74	36,11%	179,50	65,08%
weight % on area cons.	50,37%	51,54%		49,08%	
TOTAL NAT. SALES	2.491,35	3.891,61	56,20%	5.242,36	34,71%
weight % on area cons.	75,46%	76,68%		75,67%	

(Data in million square metres)

Table 2. National production sold on the domestic market. - Source: Centro Studi Assopiastrelle

A second consideration is that, in the course of the last 10 years, with an increase in consumption of over 50% in the first quinquennium and more than 36% in the second, the incidence of national sales has remained practically stable: it was 75.46% in 1994, went up to 76.68% five years after, and then returned to the same levels (75.76%) at the end of 2004.

The third consideration is that, within the frame of this situation of nearly perfect stability on a worldwide level, widely diverging dynamics are also hidden between continent and continent, in terms of evolution in the middle term and of the composition of the incidence of this head on the overall total.

Considering the year 1994, three groups can be distinguished. The first, formed by Asia, Latin America and Eastern Europe, records consumption values satisfied by national production for values between 80 and 90%. The second, formed by Western Europe, NAFTA and 'Other Countries', significantly Africa, sees this value locating itself between 52 and 57%, while in Australia, sales on the home market from national production are limited to 11%. Such diversity finds its justification in the varying combination of two orders of factors: the level of opening of the markets to international commerce, stemming essentially from motivations of a historical and political nature; the presence of strong manufacturer nations, which tend to focus their own production on the domestic market.

It is important to highlight that the decade at issue has also been characterised by a pronounced adhesion of countries to the WTO, an action also accompanied by the ensuing phenomenon of globalisation of markets and economies. Thus, the important and meaningful development of world consumption has not affected the high incidence of sales on the domestic market in Western Europe (stable value of 57.9% at the end

of 2004), or in Asia (88.35%), while instead there has been a progressive opening in Eastern Europe (where this parameter goes from 80.9% to 69%, the variation with the most meaningful decrease), in Latin America (from 90.3% to 84.3%) and in Australia, whose original 11% has been reduced to 8% at present.

3. THE VALUE OF THE REGIONALISATION OF THE EXCHANGES.

If the European Union, from the dawning until the season of the enlargement to the east, has been the most closely observed economic-political model on an international level, we should not forget that in other countries of the world as well, the creation of free exchange areas has recorded, precisely in the last decade, a strong impulse towards greater growth and wider integration (table 3).

	1994	1999	Var %	2004	Var %
Western Europe	320,48	390,02	21,70%	387,39	-0,67%
weight % on area cons.	37,55%	37,89%		34,55%	
Eastern Europe	8,60	22,03	156,30%	38,88	76,47%
weight % on area cons.	3,47%	5,62%		6,48%	
NAFTA	13,24	28,36	114,26%	30,90	8,96%
weight % on area cons.	6,90%	8,85%		6,41%	
Latin America	21,82	38,62	76,97%	67,80	75,56%
weight % on area cons.	5,71%	7,18%		10,81%	
Asia	76,29	127,57	67,22%	295,37	131,53%
weight % on area cons.	5,27%	4,99%		8,00%	
Australia	-	-		-	
weight % on area cons.					
Other Countries	-	-		-	
weight % on area cons.					
TOTAL INTRA. SALES	440,42	606,60	37,73%	820,34	35,23%
weight % on area cons.	13,34%	11,95%		11,84%	

(Data in million square metres)

Table 3. Imports from countries of the same continent. - Source: Centro Studi Assopiastrelle

The European Union, Asean, MERCOSUR, NAFTA, and most recently the African Union have in fact all enlarged their own borders, or harmonised customs duties and other measures with a view to facilitating mutual exchanges and further integrating the economies of the various participating nations: a phenomenon that has become stronger in recent years in areas far from Europe and which, instead, on the old continent, appears to show signs of stalling - above all at the level of the populations.

In fact, such choices respond to the logic, already widely confirmed by illustrious and experienced economists in many contexts, that the development of international commerce is one of the most significant factors contributing to raising the level of wealth produced between the various participating countries, with notable benefits in all the nations that participate in the agreements.

The statistical evidence – calculated here for homogeneous macro-continents in order to allow a comparison with the other tables presented – confirms this phenomenon, albeit with varying modalities from area to area. In overall terms, in 1994 the share of intracontinental foreign trade in relation to the consumption of the area was equal to 13.34%, and has grown at an almost analogous rhythm in the ten years under analysis: 37.7% in the first quinquennium; 35,23% in the second period.

In detail, once again, matters display themselves in deeply varying ways. An increase in Western Europe in the period 1994–1999 equal to +21.7% is followed by a quinquennium that records a substantial stasis, evidencing the maturity of this free exchange area. For NAFTA and Eastern Europe the last years of the past millennium have been those of the greatest ferment (respectively +156.3% and +114.3%), followed by a phase of similar, minor increase (approximately 75%), capable, however, of situating itself at double levels compared with the average market variation. A steady increase with time – in this also always doubling the market average – is that of Latin America, while in the last quinquennium – that closest to us – it is the entry of China into the world markets, which explains the doubling of the growth rate (from 67% to 131%) of intracontinental commerce.

Comparing, then, the variation of world consumption with the production sold on the domestic market and intracontinental commerce, it emerges that while in the second half of the 1990s the best incremental variation came from local productions sold on the domestic market, in the second part – though by a little – it is actually intracontinental international commerce which performs best. This is evidence of great importance, particularly if the growth rate of world consumption should decrease further.

In the case of intracontinental sales as well, the contribution to internal consumption varies highly from one area to another. The European Union, the oldest established and integrated free exchange area, is in fact the one which, with a value of 320.5 million square metres, expresses the greatest share in absolute terms: 37.55% of the total consumption of the continent, a value which in the course of the decade substantially confirms itself (34.55%).

Different behaviours from that of Western Europe, though analogous to each other, are those displayed by Eastern Europe, Latin America and Asia: levels of intracontinental sales limited to 5-7% of the consumption of the relative areas, but which in the course of ten years have grown constantly until doubling, in some cases, the initial value of 1994.

In detail, if in 1994 the intracontinental trade of Eastern Europe was 3.5% of its internal consumption, at the end of the millennium this value has become 5.62%, in order to grow subsequently to 6.48%. Analogous behaviour is observed in Latin America, which records the best exploit, going from 5.71% to 10.81%, as also is the growth displayed in Asia: from 5.27% to 8%.

The only exception is the NAFTA area, whose course is chequered, in the sense that from an initial 6.90% it reaches 8.85% at the end of the millennium, then to descend again – always measured in terms of the relation to consumption – to 6.41%. Among the reasons of such an ‘anomalous’ phenomenon there is – among others – a change in the investment policy of the U.S. ceramic companies in which, after a first phase of

delocalisation of production to Mexico, there is a second phase in which investments made on U.S. soil have been advantaged.

The experience of Emilceramica, the ceramic group of which I am CEO, is illuminating in this sense. The commercial joint venture with Dal Tile, an agreement signed at the beginning of the 2000s, has evolved into a production joint venture that has seen the creation of a plant in Oklahoma, which has a production capacity today of 8 million square metres. An industrial reality, which, by the end of 2006, will see, on the one hand a doubling of its installed production capacity and, on the other the partial re-sizing of other Dal Tile plants.

4. THE 'CLOSED' GLOBAL MARKET OF CERAMICS.

The analysis on a continental scale of how much national sales and intracontinental sales affect the consumption share of single continents (table 4) confirms, once more, the asymmetry of the behaviours and dynamics deriving from the evolving phenomenon of the globalisation of the world tile industry.

	1994	1999	Var %	2004	Var %
Western Europe	807,05	967,02	19,82%	1.036,93	7,23%
weight %	94,57%	93,94%		92,47%	
Eastern Europe	209,21	288,33	37,82%	453,57	57,31%
weight %	84,35%	73,49%		75,57%	
NAFTA	114,50	183,53	60,28%	236,62	28,93%
weight %	59,69%	57,28%		49,09%	
Latin America	366,79	504,93	37,66%	596,55	18,15%
weight %	96,00%	93,86%		95,12%	
Asia	1.352,08	2.443,11	80,69%	3.556,29	45,56%
weight %	93,43%	95,55%		96,35%	
Australia	2,26	2,57	13,83%	3,24	26,07%
weight %	11,09%	9,48%		8,07%	
Other Countries	79,89	108,74	36,11%	179,50	65,08%
weight %	50,37%	51,54%		49,08%	
TOTAL EXTRA SALES	2.851,89	4.389,48	53,91%	5.883,20	34,03%
weight %	88,80%	88,63%		87,52%	

(Data in million square metres)

Table 4. Composition of consumption deriving from production and intracontinental imports.

Source: Centro Studi Assopiastrelle

The European Union, Asia and Latin America, countries that together account for approximately 2/3 of world consumption of ceramics, are to all effects closed markets, in the sense that the contribution to the internal demand for ceramics from imports from third countries is at minimum levels: this is 3.65% in the case of Asia, slightly higher (4.82%) in the case of Latin America, and still a little more (7.53%) in the case of the European Union.

	1994		1999		2004	
	Domestic	Intra area	Domestic	Intra area	Domestic	Intra area
Western Europe	486,57	320,48	577,00	390,02	649,54	387,39
weight %	57,01%	37,55%	56,05%	37,89%	57,92%	34,55%
Eastern Europe	200,61	8,60	266,30	22,03	414,69	38,88
weight %	80,88%	3,47%	67,87%	5,62%	69,09%	6,48%
NAFTA	101,27	13,24	155,17	28,36	205,72	30,90
weight %	52,79%	6,90%	48,43%	8,85%	42,68%	6,41%
Latin America	344,97	21,82	466,31	38,62	528,75	67,80
weight %	90,30%	5,71%	86,68%	7,18%	84,31%	10,81%
Asia	1.275,79	76,29	2.315,54	127,57	3.260,92	295,37
weight %	88,16%	5,27%	90,56%	4,99%	88,35%	8,00%
Australia	2,26	0,00	2,57	0,00	3,24	0,00
weight %	11,09%	0,00%	9,48%	0,00%	8,07%	0,00%
Other Countries	79,89	0,00	108,74	0,00	179,50	0,00
weight %	50,37%	0,00%	51,54%	0,00%	49,08%	0,00%
TOTAL SALES	2.491,35	440,42	3.891,61	606,60	5.242,36	820,34
weight %	75,46%	13,34%	76,68%	11,95%	75,67%	11,84%

(Data in million square metres)

Table 4 bis. Composition by heads of consumption deriving from production and intracontinental imports.

Source: Centro Studi Assopiastrelle

These are particularly contained values which are also confirmed, however, in the analysis of the middle term, where further surprises yet await. Where the European Union sees a fall by a couple of points in ten years in the share of consumption deriving from the sum of production sold on the domestic market and intracontinental imports (from 94.56% to 92.47%), there is the counter trend of Latin America where this parameter, down from 96.01% in 1994 to 93.85% five years later, returns to 95.12% at the end of 2004. An objective aimed at complete autarchy is instead that of Asia, where the already extremely high value of 1994 (93.43%) grows both in the intermediate survey (95.55%) and in that at the end of 2004, to 96.35%.

Opposite behaviour instead is that of the NAFTA area, Eastern Europe, Australia and 'Other Countries', mainly Africa, where the consumption share involving the sum of local sales and intracontinental exports is not just at lower levels, but tending to decrease.

In the figures, beside Australia where the extracontinental imports now cover more than 91%, the most meaningful evidence – also in terms of dimension of absolute volumes – is that which come from the NAFTA Area and from Eastern Europe. In particular, the area headed by the United States has seen the 'production sold on the domestic market + intracontinental imports' drop from 59.69% to 57.28% at the end of the millennium, then to record a further, more abrupt inflection in the period 1999–2004 bringing this down to a level of 49.09%.

An equally important inflection is that undergone by Eastern Europe during the second half of the 1990s, when it went from 84.35% to 73.49%, a value from which this subcontinent has then risen, by approximately two percentage points, to reach 75.57%

at present. In this, the strong development of the Polish ceramic pole added to the various industrial initiatives in more nations of the area – Russia and Ukraine, among others – are among the events of greater significance.

5. FROM OLD EUROPE TO 'LATIN EURASIA'.

Though a minor volume compared with the other sums, the production of tiles destined for exports to other continents represents – historically for the European companies – one of the peculiarities in the activity of this industry (table 5). The start of international commerce by Italy at the beginning of the 1980s, thanks to the advent of single firing, which Spain joined only a few years later, features among the phenomena of greatest importance and value in the history of the globalisation of this industry.

	1994	1999	Var %	2004	Var %
Western Europe	237,10	379,33	59,99%	452,48	19,28%
weight % on extra area cons.	7,18%	7,47%		6,53%	
weight % on total	64,14%	65,77%		52,32%	
Eastern Europe	30,63	62,02	102,50%	106,93	72,41%
weight % on extra area cons.	1,00%	1,32%		1,69%	
weight % on total	8,28%	10,75%		12,36%	
NAFTA	0,76	1,64	114,68%	0,60	-63,49%
weight % on extra area cons.	0,02%	0,03%		0,01%	
weight % on total	0,21%	0,28%		0,07%	
Latin America	29,34	34,31	16,91%	93,79	173,40%
weight % on extra area cons.	1,01%	0,76%		1,49%	
weight % on total	7,94%	5,95%		10,84%	
Asia	70,10	97,60	39,23%	209,30	114,45%
weight % on extra area cons.	3,78%	3,88%		6,47%	
weight % on total	18,96%	16,92%		24,20%	
Australia	1,74	1,85	6,18%	1,80	-2,70%
weight % on extra area cons.	0,05%	0,04%		0,03%	
weight % on total	0,47%	0,32%		0,21%	
Other countries	-	-		-	
weight % on extra area cons.					
weight % on total					
TOTAL EXTRA SALES	369,68	576,75	56,01%	864,90	49,96%

(Data in million square metres)

Table 5. Production destined for export to other continents. - Source: Centro Studi Assopiastrelle

Toward the middle of the following decade, in 1994 to be precise, intercontinental trade in ceramic tiles accounted for 11.20% of total consumption. Of this, 64% was for Western Europe while Asia, clearly relegated to second place, had a share of 18.96%; followed at even more limited values by Eastern Europe (8.28%), which just beat Latin America (7.93%), while at minimum levels there were NAFTA and the other continents, mainly Africa.

Five years later, the share of intercontinental commerce in world consumption records an increase in incidence of only two decimal points, reaching 11.36%: a value due to a strengthening of a pair of percentage points by Western Europe, which reaches 65.77%, offset by an analogous weakening by two points of Asia, then just under 17%, and Latin America (5.94%). On values still not significant is the datum on the NAFTA Area and Australia.

With the change of the Millennium, and it is quite to the point to say so, the world and the coordinates for reading and interpretation change completely. And this, not so much in terms of growth rates of intercontinental exports (which slow down from +56.01% to +49.96%), or for the incidence of the share in world consumption, which at the end of 2004 reached 12.48%, approximately a point and a half more than ten years earlier.

What profoundly upsets the situation, drawing an entirely new scenario is instead the composition by areas of the origin of these goods. Though Western Europe maintains first place and the relative majority of consumption, which has seen production destined to exports to third continents grow by an interesting 19% in the course of the first years of the Millennium, it records at the same time an inflection of more than 13 percentages point of its own share, dropping to 52.31%. This to the advantage of Asia (24.20; +7.38 percentage points in relation to 1999), Latin America (10.84%; increase of 4.90 percentage points) and Eastern Europe (12.36%; increase of 1.61 points). Marginal Australia and, above all, NAFTA which, though originating as an area for facilitating North American trade, in actual fact registers quite significant inflections in the last few years (-64% in the period 1999–2004).

Two last considerations in order to close this first part of my presentation. If we compare, in the two quinquenniums considered, the total rates of growth of world consumption, the production destined for the domestic market, the imports from intracontinental countries and those from extracontinental countries, two different behaviours emerge. In the first period, production (+56.2%) and 'imports from other continents' (+56.1%) have had the best of consumption (+53.7%). In the period 1999–2004 with an expansion in consumption of +36.5%, the single term of extracontinental imports (+50%) 'has beaten the market', relegating production (+34.7%) and intracontinental imports (+35.2%) to slightly lower levels than those of the reference parameter.

Finally, a last comparison between the two export categories considered, those of intracommunity and those of extracommunity exports. In the course of the last 10 years, the growth rate of extracontinental exports has been more marked (20 percentage points in the first period; 14 points in the second) in regard to exports destined towards countries of same continent (respectively +37.7% and +35.2%). This has meant that those proceeding from farther continents, though starting from a more limited level (369.7 compared with 440.4 million square metres) has not only caught up with, but also passed the former (864.9 million against 820.3).

6. THE PROFILE OF CERAMIC INDUSTRY GLOBALISATION.

The long numerical digression borne by first part of my reflection, necessary in order to frame in quantitative terms the phenomena in action in the medium – along the period, now allows us to draw some meaningful conclusions in terms of product, in regard to the positioning of the competitors present in the various countries, reflecting

on some of the false myths of globalisation in the ceramic sector, and pursuing some final reflections on the strategy of Italy and its ceramic enterprises.

I do not set exhaustiveness as an objective of these reflections of mine, since many of these would demand appropriate sessions for in-depth treatment. The objective that I set myself is that of supplying some keys for reading some of the aspects, to my judgment of greatest importance, which I trust could be of interest to the public present.

6.1. THE CERAMIC TILE PRODUCT.

Ceramic tile is, among the materials for the construction industry and the architecture of interiors and exteriors, a young product, with great potentialities for development. This is demonstrated by the fact that while average consumption per capita worldwide is at levels slightly above unity, in the various continents there are Countries with a more consolidated tradition, which record levels of even 3 to 4 times this limit.

A further confirmation of this comes from the consumption growth rate which, though slowing down, on a global level keeps a double digit trend: a significant value which, without any doubt, is among the most elevated of those expressed by industrial sectors and which, therefore, appears far from having exhausted its own expansive dynamics.

Always in terms of consumption, it is well to note that 'not all the world is the same Land', in the sense that there now appears clearly a profound dichotomy between Western Europe and, to a lesser extent, Latin America, with respect to the other continents. In the first – above all in Europe – the market essentially adopts the nature of a demand for replacement, characterised by slower growth, while in the rest of the world the demand for ceramic tiles presents itself as a market of first use.

A third reading key is that ceramic tile is a global product par excellence, in the sense that at every latitude of the world there is demand for this product. This is rendered possible by the presence, in various countries, of a consolidated culture of this product, by the ease with which it adapts to the various requirements of consumer taste, by its ability to be an optimum solution (in economic, aesthetic and functional terms) for cladding vertical and horizontal surfaces, by the ease of finding facilities and raw materials in order to fabricate the product.

6.2. THE STRATEGIC POSITIONING OF COMPETITORS

The modalities with which globalisation in the ceramic sector is occurring displays courses which are, in certain ways, innovative and original. One of the prominent features of this new age, which is profoundly transforming the entire world, is the progressive delocalisation of entire manufacturing sectors towards the developing nations, with a consequent flow of exports from these countries back to the more developed nations. Suffice it to think, by way of example, of where the Nike factories are located and where this colossus concentrates its own sales.

This phenomenon, during all the last 10 years, does not seem to have anything to do with the world industry of ceramic tiles: in 1994 74% of world tile consumption was

satisfied by productions made in factories located in the same nation; ten years later, in 2004, this percentage had even grown by a percentage point.

As a further confirmation that such a phenomenon is consistent on every continent and not 'clouded' by statistical effects, it is well to note that all the macro-areas considered effect at least 55% of their own consumption through the purchase of national ceramics, with the single exceptions of Australia and North America – a continent where the value lies just under the threshold of 50%.

The so important share of national production absorbed inside the Continent determines an extremely strong dependence of the producers on the conjuncture of the domestic building construction market: this is why, as known and visible for all to see, the Western European producers face greater conjunctural difficulties compared with competitors from other Countries, with the sole exception of those that present a particularly lively and increasing domestic market – as is the case of Spain.

In the second place, the conjunctural behaviour displayed by the international competitors is varied because the competitive starting conditions are different, which may be summed up – in broad synthesis – in the objective reason that Western European countries have clearly higher levels of production costs compared with those of all the other continents – with the single exception of what happens in the United States.

The concomitant presence of higher costs and a conjunctural slow-down is progressively pushing the Western European nations towards *non-price competition* models, characterised by seeking higher value standards for tile, by fusing service elements with those of the 'hard' elements linked to the product, by the development of organisational systems that display, in many cases, an elevated sophistication.

In the rest of the world – the analysis is for continental macro-areas and not for single business realities, which can, in many cases, express standards of absolute international value – the development is mainly based on the logic of scale economies, in which the low sales price is the fruit of lower cost in the use of production factors, of a relatively high product standardisation, of a market policy mainly focused on *price* aspects.

6.3. THE FALSE MYTHS OF GLOBALISATION.

The data that I have presented today, I believe, allow us the great merit of unmasking at least three different myths about ceramic globalisation, or what are presumed such. The first is the one according to which market globalisation, with whose relative corollary regarding the interconnections of the various economic cycles, leads to a homogenisation of tendencies and dynamics. We have seen, in a widely repeated way, that the matter sometimes presents itself in a diametrically opposite way. In this sense it deserves to be noted how the strategies of the individual companies or of the industrial sectors as a whole, in conjunction with the level of competitiveness of the Country-System and with the level of its building activity, substantially influence the performances of the companies.

A second 'false myth of globalisation' – at least for the ceramic sector – is that there continues to be present, also in evolved markets, an important manufacturing

function. In particular, except for rare exceptions, there does not exist for this sector on a worldwide level a logic of multinational delocalisation, which decentralises production toward developing nations. This is further confirmed by the fact that in some developing nations there are industrial and financial groups of international dimensions, which have decided to invest, inside their own countries, in the ceramic tile industry, giving the starting signal for business initiatives sometimes also of great importance.

Thirdly, but a no less significant ‘false myth’, is that of the presumed inferiority of products made in developing nations compared with those fabricated in evolved countries. At the very moment in which countries such as Brazil and China record significant growth rates of their exports towards markets like the United States or South Africa, raising progressively their market share, it is no longer possible to imagine that these are second line products, in respect to products in developed countries.

In this regard, I should like to devote a few further words to this issue. A situation of ready availability on the international markets of the most advanced ceramic technologies, of creative and manufacturing know-how and of the raw materials, represents a prerequisite to being able to initiate, with success, an activity for the production of ceramics in every part of the world. And this, even if the productivity of the systems and the levels of ‘first choice’ of the product might be at lower levels compared to those of the developed countries, this does not in the least limit the competitive capacity – even on an international level – of enterprises located in these areas.

On the other hand, it is by now firmly established that all the markets in the world – from the richest to those that are still developing – are made up of different segments, in which there is room and a right of place for products with a high price and great charm, as well as simpler solutions with a lower cost. A situation that renders it easy to see developing nations competing, side by side, with avant-garde Countries.

7. WHICH STRATEGY FOR ITALY OF THE CERAMIC TILE.

I should like to conclude my presentation with some reflections concerning the expectations and dangers, risks and opportunities, which the Italian ceramic tile industry faces in regard to the globalisation of the world ceramic tile industry. This is an issue in which I have always had a passionate interest, both during my presidency at the helm of Assopiastrelle and today, as member of the Confindustria Committee dedicated to watching over ‘Made in Italy’, a body I have been called upon to join by the President Luca di Montezemolo.

7.1. FAIR TRADE IN CERAMIC TILE.

The globalisation process that also assails our sector places at the centre of attention the no longer evadable issue of ‘fair trade’, of the same rules that should exist for all the players. When an enterprise, a Country–System decides to exit its own domestic market in order to go and seek fortune beyond its frontiers, it is indispensable that there should be a shared and respectful use of the rules. If this were not so, this so declaimed globalisation would become a jungle in which many of the benefits, made possible by the shared development of international commerce, could be lost.

I refer – and these are well-known matters, but I believe it is important to stress them again – to the phenomenon of counterfeiting brands, catalogues and products; to the lack of respect for health standards in the workplace and to care for the environment; to the use of practices that distort free competition, such as the mysterious product certifications whose only purpose is, often, to put a brake on the free circulation of goods.

Improper practices are not, therefore, just adjuncts of the individual enterprises, but in many cases they also involve the behaviour of States. I shall cite two as an example of all of these. The failure to remove clauses in international commerce such as that of ‘favoured nation’, which leads to differences in levels of custom duties on imports, sometimes appears anachronistic in places where, once a developing nation, there is today a country capable of record increments in Gross Domestic Product, 3 - 4 or even 5 times that of many European countries, and of Italy first of all.

A second strong distortion is verified when, on a macroeconomic level, the monetary authorities alter the normal dynamics of variables, for example, such as the exchange rate or the interest rate. It appears unacceptable that countries such as China, which have already been members of the WTO for some years – and all whose rules it has obviously accepted – should not allow the value of the yuan to fluctuate freely, but decide in an administrative way when this should devalue in respect to a basket of coins, regarding whose composition, moreover, hardly anything is known.

These represent extremely heavy interferences in the free and proper operation of the markets, which cause no little damage to the European ceramic enterprises, and which should see the diplomatic international economic community intervene, in order to proceed to a rapid and effective removal of these distorting factors.

7.2. THE PROCESS OF EUROPEAN INTEGRATION.

I believe that politics and the institutions, in this case the European Union, should be asked not only to act in regard to other continents, but also to watch over the internal one. Because the greatest global opportunity in the ceramic sector, which lies mainly within the reach of us Europeans, may be irremediably lost.

Please allow me to remind you of two single data cited in the first part of my presentation: Eastern Europe, from 1994 to 2004, has seen its internal consumption of ceramic tiles based on own national production decrease from 80.9% to 69.1%. This has been the greatest inflection, to which a greater increase in intracontinental and extracontinental exports has evidently corresponded. Consumption in Eastern Europe, moreover, has grown at a rate of 53% during the first lustrum of the new millennium, the highest rate of development – exceeding even that of Asia, an economic tiger by antonomasia.

We have within our borders, or just a few kilometres outside these, a formidable market – geographically, culturally, logistically, politically – close and correlated, and in this European Union the predominance of the egoisms on the one hand, and the phobia for what is different on the other, block political, institutional and financial operation.

We have, just outside our borders, in the close-by Russian area – Ukraine and the Balkans, countries of extraordinary importance in terms of potential development and

available wealth, thanks also to oil and other natural resources; countries that watch with attention all that is fashion, taste, design and which want, also because of selective affinities or in response to the years of closure, to participate in the great 'monopoly' of world economy.

We have, this time, on the other side of the Mediterranean, countries that with dignity are putting into place adequate development policies which, together with a progressive opening to international trade and with a particular demographic structure, are setting their *imprimatur* of nations of forthcoming development.

I believe it is important, also in this so prestigious and important international centre, therefore, to ask European politics to make courageous, far-sighted choices capable of seconding that spirit of the founding fathers who placed before personal and national interests the idea of a greater, stronger Europe, more representative for Europe itself and, conversely, also for the individual nations.

Of a Europe which, respectful of the differences, engages those who stand near and provides them with agreements of free exchange in which – once again – the development of international trade is the key, in turn, of economic, social and cultural development by all.

We live in a world in which, I believe, the small cabotage has the sole merit of producing small and ephemeral results which, while the world is travelling at the speed of the light, could condemn us to marginalisation.

7.3. THE ITALIAN INDUSTRY: WHICH NEW STRATEGY IN THE AGE OF GLOBALISATION.

It is quite obvious, and with this I am going to close my presentation, that the business world is also being asked to make choices, adopt strategies, visions capable of better orienting own choices and an own future. I will limit myself here just to setting out some reflections from my own point of view, that of an Italian entrepreneur who operates inside a multinational company, but who in this context represents – also as past president of Assopiastrelle – the entire Italian ceramic tile industry.

A first reflection regards the consolidation of the European market, as primary market for our industries, and regards the strengthening of our positions in more distant markets. As you surely know, approximately 70% of the sales of the Italian ceramic tile industry go to countries inside the Europe of the 25, while the main focus of the rest is directed – without any doubt – to the United States.

Strengthening its position on the domestic and European market, starting out with the highest production costs on a worldwide level, means putting in place all those policies of cohesion in relation to the distribution system capable of also leading to the creation of value.

It is for our industry an unavoidable necessity, in the light of the erosion of profit margins, which is already transforming the actions and choices of many players: to raise the average sales prices, but above all to progress from a logic based on the quest for profit through volumes and scale economies to one in which the objective is the profitability of the single sale as a first, important result.

A second reading key is the enlargement of the market, not in geographic terms, but functionally of ceramic tile. Today, with porcelain tile, environments such as those of non-residential building are no longer closed to our companies which, to this end, are already structuring themselves with appropriate business divisions or engineering societies in order to address these important segments.

If on one hand, it is sought to create new market and business areas, on the other – in a strategic vision – the objective is posed of developing models of competition in which rather than a simple product, rather than a simple service, it is the organisation which is the element capable of creating a profound differentiation, not based on price, in regard to the international competition.

In this sense, the role of the Italian ceramic enterprises is also called upon to transform itself profoundly. Without denying its own role as a manufacturing reality – which we are with difficulty and which we also wish to continue to be tomorrow – these should orient themselves towards models of even wider application of the dictates of sustainable development, capable of organising internally structures focused on objectives, an articulated and complete offer of products, service and organisation. Structures in which the search for new paradigms in the creation of value – such as those of the perceived image, of the new forms of product functionality, of the search for design aspects and surface effects – is one of the cardinal elements.

In this context in which the companies are destined to become larger and larger, and more and more organised – and that of the business dimension, together with the managerialisation of the enterprises, will become one of the most important competitive aspects in a not too distant future – the role of the districts is also, in part at least, destined to change. From a place of manufacturing and commercial cooperation–competition between enterprises, the Italian districts are becoming areas characterised by a strong concentration of demand for specific products, increasingly becoming places of ceramic knowledge and expertise. Aspects such as training, research and development, in a word the know-how of making tiles – and its continuous evolution along the guideline of innovation – shall be increasingly the distinguishing features of the territories in which our companies are called upon to operate.

There is then, finally, a last basic aspect which – I believe – will enable deciding who will have the world leadership of this industry in the age of globalisation.

A great part of the last 50 years' development of the Italian ceramic tile industry has coincided with its progressive affirmation in foreign markets. Beginning in the mid 1970s thanks to the advent of single firing, this development received a strong push toward greater presence beyond the frontiers from the good conjuncture of the markets, together with the devaluation of the Italian lira.

The advent of the euro – albeit within the normal monetary swings – has profoundly transformed the situation, making us play on the international markets with a different currency from that of the old lira. Moreover, in a market of over 450 million consumers, generally richer than the world average, it is natural that it may be necessary to operate with a currency that tends to be stronger. And that makes it more difficult to operate profitably on the export front.

On the other hand, as you have seen from the data, the market that the ceramic tile industry expresses on worldwide level is of the 'residential' type, in the sense that _ of the demand are tiles produced in the same countries.

The synthesis between the two considerations leads to one obvious and inevitable conclusion: the leader on a global level in the ceramic market will be that nation, that tile system, which will be able to internationalise itself – both productively and commercially – in the best and most effective way. In which there is a large capacity for putting into the system various national and international operations, of positioning itself in terms of competitive models characterised by value creation, by watching over the markets, by fidelisation of the relationship with the end-consumers and in the great world of architecture and interior design.

It is a great challenge, which once again sees the Italian ceramic tile industry at the head of all the international competitors, but which this time will demand more than ever abilities, competences and a particularly ductile, far-sighted and dynamic strategic vision.

