

2.1 THE PIEDMONT REGION'S INTERNATIONALISATION POLICIES

Prepared by *Franco Amato* - Director of Programming, Piedmont Region

The growing importance of economic internationalisation has ensured that much attention has recently been devoted in the Piedmont Region's policies to foreign trade in commodities and services, and to inward and outward foreign direct investments.

Consolidation of the Region's economy in the world's integration networks is also being achieved through the inclusion of a wider enterprise base alongside the leading companies that have long been involved. The drive towards both the placing out of standardised manufacturing stages abroad and labour intensity is matched by the corresponding need for local producers to strengthen their service functions: market surveys, marketing, promotion, handling of international production networks, corporate and financial organisation, research and innovation, design and training. In these conditions, both the global extension of enterprise networks and delocalisation of manufacturing stages form part of a process that must be firmly piloted, since it provides both enterprises and the production system with a decisive way of being competitive.

It is thus desirable to strengthen and rationalise structures and services directed to repositioning of the Region's production system on the world market with regard to both its foreign trade and the attraction of foreign investments or support for active internationalisation. In view of the increasing competition between areas and the drying up (as from 2004) of a part of the Docup resources, internationalisation must be the subject of both legislative and organisational intervention.

In the case of exports, Regional Law No. 32 of 1987 is now 17 years old and no longer suited to the changes that have taken place on both the national scale and in the world at large.

The rules governing promotion and internationalisation measures require a thorough legislative and organisational overhaul. A new instrument must thus be shaped to promote the investments of individual firms or groups of firms for the exploration of new markets and the definition of new trade channels, as well as for participation in fairs and exhibitions, in a perspective of coordination and regional and national integration to prevent an unproductive fragmentation of commitments and an excessive proliferation of sporadic, low-impact initiatives.

The organisations working towards the internationalisation of foreign trade include the Foreign Centre of Piedmont's Chambers of Commerce, the Sprint Office and Ima (Agroalimentary Marketing Institute), which started up a few months ago. Several projects are under way, including "From Concept to Car" for international promotion of the automotive sector.

The Region is also a founder member of Itp (an agency for the attraction of foreign investments) and Film Commission. The new relationship to be established with the present Foreign Centre of Piedmont's Chambers of Commerce falls within this setting.

This will be converted into a consortium company called "Foreign Centre for Internationalisation" to endow it with greater decision-making flexibility and operative pliability. In its overall view of the situation, the Piedmont Region considers it essential to create a level of coordination for firms seeking to boost their exports and establish themselves abroad.

A cognitive document such as this Piedmont Internationalisation Report (now appearing for the second time) provides the necessary crop of data and considerations on the initiatives in progress. It also supplies the background for elaboration of the strategy needed to ensure efficacious and generally approved internationalisation.

Cooperation for development in Piedmont's international dimension

Prepared by Ires Piemonte - *Vittorio Ferrero*

The Piedmont Region's international cooperation report for the year 2003 shows that its cooperation for development during a period of rapid economic and cultural internationalisation, albeit accompanied by augmented instability in the Balkans, the Middle East and Central Africa, was directed to some areas of specific interest, namely:

- Corridor 5 (Hungary, Slovenia and the Balkans), to strengthen the line of European development most germane to Piedmontese interests, especially the Balkans
- the Maghreb (Morocco and Tunisia), on account of the expected liberalisation in 2010 of trade with the southern shores of the Mediterranean, and to establish relations with countries with a high outflow of migrants to Piedmont
- the Sahel, through a customized food security programme in Niger, Mali, Senegal and Burkina Faso
- Russia, China and Korea, to consolidate relations with local institutions and promote economic and trade relationships
- Mongolia and Afghanistan, in the form of emergency and solidarity measures
- Argentina and Brazil with their many Piedmontese immigrants, in the form of emergency social and health measures and others to promote economic development.

The Region is currently engaged in two EU projects with Hungary for the elaboration of twinning arrangements between EU members' administrations and organs and their counterparts in the candidate countries, so as to enhance their institutional, administrative and judicial capabilities.

Provision is made in these projects for a regional training programme (in the process of preparation) for implementation of the recently established set of EU regulations governing the Structural Funds and those relating to the environment through the creation of national and regional inspectorates.

The Region has also been engaged in decentralised cooperation in the Balkans since the mid-1990s. Proposals agreed with the Zenica and Doboï Canton (Bosnia) set out to strengthen the local authorities, cooperate with local agencies and institutions, and support local production through the involvement of Piedmontese firms.

Another step in this direction was the signing in 2003 of the "Piedmont Region - Ministry for Foreign Affairs Programme Accord". This provides for the launching of international cooperation initiatives to promote the stabilisation, reconstruction and development of the Balkans. The Ministry is to allocate euro 810 m for implementation of the integrated operative programme of measures elaborated by the Region in conjunction with Piedmontese agencies and institutions.

Cooperation for local development is also under way in Khouribga and Benslimane, two provinces in Morocco's Chaoula-Ouardigha Region. This project is designed to provide support for the creation of jobs and businesses, in particular with the assistance of the province and municipality of Alessandria.

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Always in Morocco, Piedmont is equally engaged in a project for the training of middle executives, preparation of an environmental feasibility study and provision of training services for running the Rabat Region's industrial park. This park is the fruit of cooperation between Rabat and France's Rhône-Alpes Region. Its aim is the creation of an industrial area to stimulate investments.

Since 1997, when it approved its first "Food Security in the Sahel" programme, the Piedmont Region has continued to promote food security measures and rural development in the fight against poverty among the peoples of the Sahel.

The approximately euro 7.3 m spent on the programme from 1997 to 2003 sparked investments amounting to about euro 15 million.

The programme itself involved some 350 Piedmontese organisations (recipients of contributions and partners), while its projects were effectuated by 20 local bodies and included the consciousness-raising of about 40 subjects.

In its promotion of decentralised cooperation on the part of its municipalities and local bodies, the Piedmont Region has devoted part of its resources to implementation of Regional Law N. 67 of 1995 to support the initiatives they have set in motion on their own account, whether individually or jointly, in areas other than those to which it assigns priority and specific funds.

The following objectives are accorded priority in the policy adopted by the Region for the promotion and enhancement of its international role:

- provision of institutional support for Piedmontese entrepreneurs, agencies and associations engaged in contacts with foreign entities
- systematic combination of the actions and initiatives undertaken by different Piedmontese subjects
- establishment of relations with other regions, including participation in specific European programmes (e.g. Interreg, Twinning and Ecos Ouverture)
- transference of ideas and experiences to the local institutions of foreign countries to further administrative decentralisation and economic liberalisation
- encouragement of inward private investment and tourist flows
- reduction of the social tension associated with the immigration of non-EU citizens
- support for the internationalisation of manufacturers and producers, especially SMEs.

Autotess: broader horizons to be able to compete in the NAFTA

Prepared by Centro Estero Camere Commercio Piemontesi - *Francesca Corsini*



Promotion of Piedmont in Mexico is underpinned by training programmes for Mexican managers in a project called "Autotess", which completed its first year in 2004.

Its name is a combination of the Italian words for the two manufacturing sectors primarily involved (automotive and textiles) and common to Mexico and Piedmont.

The purpose of the project is to offer both Mexican entrepreneurs and managers and Piedmontese enterprises techniques and ways and means with which to enhance their skills and embark on an effective approach to the markets of European countries and the NAFTA respectively. Its chief objective is the creation or strengthening of contacts for the growth of Piedmont in a country that is both open to foreign trade with Italy and one of the emerging countries with a lower risk for foreign investments.

Face-to-face training, round tables and discussion periods have been employed by Autotess to stimulate the exchange of knowledge, strategic marketing models, and best-practice and problem-solving experiences associated with international trade.

The major topics examined have been intercultural communication, the EU market and the rules governing trade between the EU and the NAFTA, with particular reference to the thorny question of customs regulations.

The parallel organisation of promotion events, workshops and bilateral meetings has served to consolidate the existing two-way links between Piedmont and Mexico and increase the formation of new relationships.

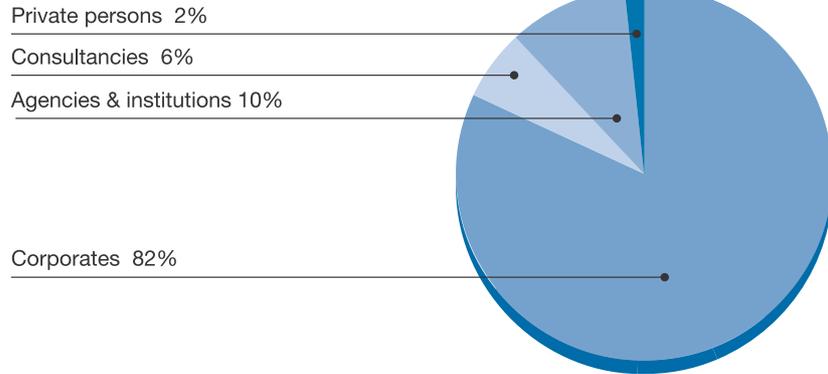
Four visits to Piedmont were arranged during the year.

The first visitors were local development agency officials and facilitators of economic and trade relations with Piedmont. They were followed by managers from the textile and automotive industries. The programme for each mission comprised a tailor-made course and meetings with potential Piedmontese counterparts. The Mexican participants totalled 49.

The 113 Piedmontese participants comprised entrepreneurs (82%), representatives of agencies and institutions (10%), consultants (6%) and private persons (2%).

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Autotess: piedmontese participants

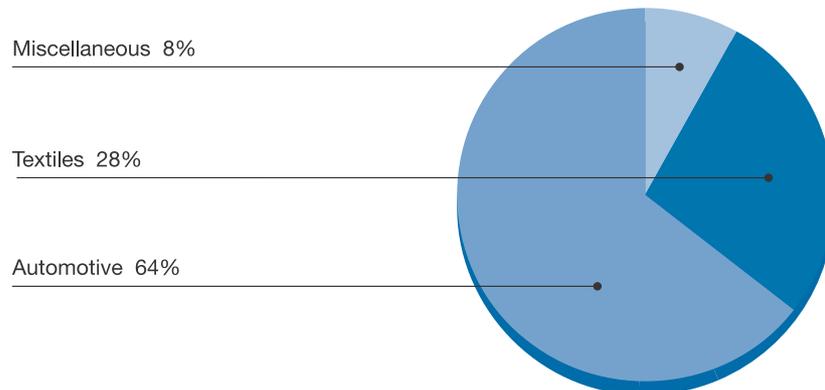


Autotess gave rise to 227 contacts between Italian and Mexican enterprises (an average of 7 meetings per Mexican manager): 64% and 28% for the automotive sector and the textiles sector respectively.

The project, in fact, was originally directed to these two commodity sectors.

During its course, however, it became clear that it should be extended to embrace other sectors and some meetings between Piedmontese companies and the facilitators were arranged. These accounted for the other 8%.

Autotess: piedmontese commodity sectors



In view of its success in 2004, the Autotess project will continue for another two years. It has, in fact, served to promote Piedmont, so much so that five instances of collaboration it has generated can already be mentioned:

- a Turin clothing firm has imported buttons
- a Vercelli textile firm and a Turin firm in the automotive sector visited Mexico in July for business meetings with local companies arranged according to a timetable worked out by the Mexican facilitators who came to Turin

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- a Turin automaker is drafting the terms of possible collaboration agreements with a large Mexican concern
- a Cuneo second-tier mechanical parts supplier has extended its existing contacts in Mexico by facilitating its trade flows: an initial export consignment in loco has been completed
- contacts for the importation of chocolate and vanilla by a Turin confectionery company have reached an advanced stage.

Launched officially on 3 June 2003 and funded jointly by the Piedmont Region and Foreign Trade Institute, within the compass of the Programme Accord with the Ministry for Productive Activities, Autotess is the result of the joint efforts of the Foreign Centre of Piedmont's Chambers of Commerce, the Piedmontese Training Consortium, the Mexico City and Turin Foreign Trade Institute (ICE) offices and Bancomext.

2.2 THE INTERNATIONALISATION STRATEGIES OF PIEDMONT'S SMEs

Prepared by Unioncamere Piemonte - Sarah Bovini

A survey entitled "The countenance of SMEs that venture abroad" carried out by Unioncamere Piemonte and Piedmont's eight chambers of commerce in conjunction with Confindustria Piemonte and coordinated by the Foreign Centre of Piedmont's Chambers of Commerce, has shown that most Piedmontese SMEs still regard internationalisation and exports as synonyms. This study is the key component of a project designed to find out and provide answers to an SME's internationalisation requirements. It was conducted on a sample of more than 400 firms from some 40 manufacturing and commodity sectors. Their comments, opinions and suggestions proved to be extremely useful, since their examination and interpretation has provided a clear indication of how in-house processes and the demand for services on the part of enterprises wishing to augment their competitive value on foreign markets are stimulated.

THE STRUCTURE

The first finding to emerge from the data was that nearly all Piedmont's SMEs are export-oriented and rely on foreign sales to boost their turnover. More than 75% stated that their export quotas increased or remained stable during 2003, whereas the remaining 24% reported a decrease.

Optimism was the keynote for 2004 and 2005: 62.8% expected an increase, 29.6% virtual stability and only 7.7% a decrease.

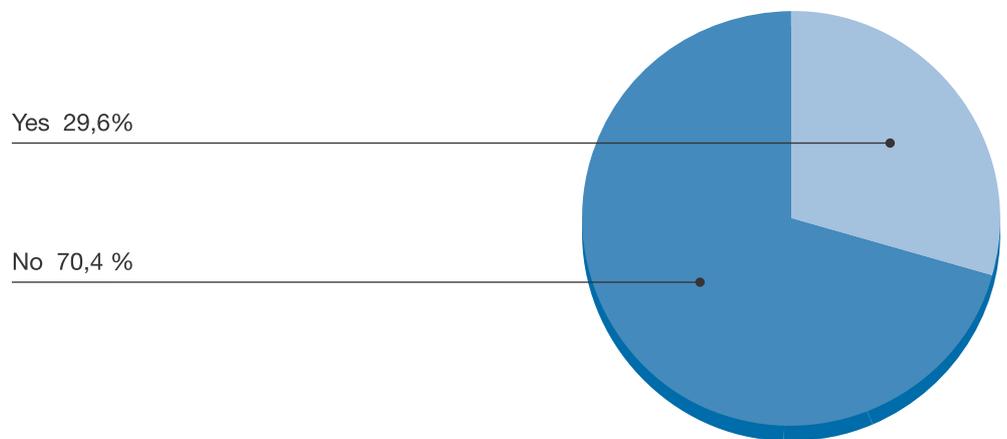
Examination of the current and possible future export outlets for SMEs showed that the EU was still the prime target, though Eastern Europe and Russia were becoming more attractive.

The interest in the Middle East and India displayed by Piedmont's SMEs, on the other hand, is surprising in the light of the international context. More than 34% and 19% declared their wish to operate in these two areas respectively within the next two years.

Imports, too, mainly came from the EU and North America (47.8% of the interviewees). Procurement of merchandise with a high added value would thus seem to prevail over the purchase of low-cost goods and services (China and the Far East: 17.1%).

It is clear, therefore, that most Piedmontese SMEs are aware of the importance of turning to foreign markets and hence either export already or intend to do so. This perception, however, is accompanied by the lack of an appropriate organisation: more than 70%, in fact, do not have an export office and 40% do not have an export manager. These figures, of course, must also be viewed in the light of the size of the sample.

Do you have an export office?



Source: *The countenance of SMEs that venture abroad*

Foreign sales are usually the province of persons engaged in other activities.

Planning of operations abroad, too, falls within the compass of general planning in 87% of these enterprises. There is also some unwillingness on the part of entrepreneurs to resort to certified quality systems: 54.8% have no certification of any kind. This may well stem from a distrust of procedures that are seen as nothing more than a form of bureaucratisation.

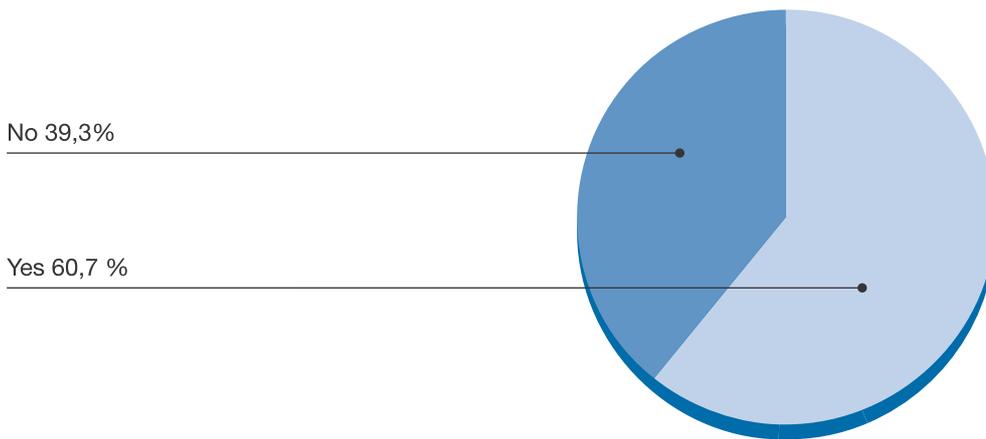
Entry to foreign markets is usually attained by simply looking for customers, agents and importers. Most SMEs, indeed, display no signs of any change in their internationalisation strategy.

Exporting is not accompanied by any policy for direct investment abroad: 85% of the entrepreneurs stated they had not yet made any outward FDI and only 7.8% of them expected to do so in 2005. Delocalisation of production, too, is only envisaged at present by 9.5% of SMEs, a figure rendered less encouraging when coupled with the consideration that half of them would only take this step to reduce costs and not as a means of growing and gaining ground in high-potential areas.

A carefully planned approach to internationalisation is thus confined to 16.5% of these Piedmontese SMEs. A tactical approach is evidently the rule and can be partly attributed to what are seen as the main obstacles (legal, administrative, fiscal and customs, as well as finding a partner).

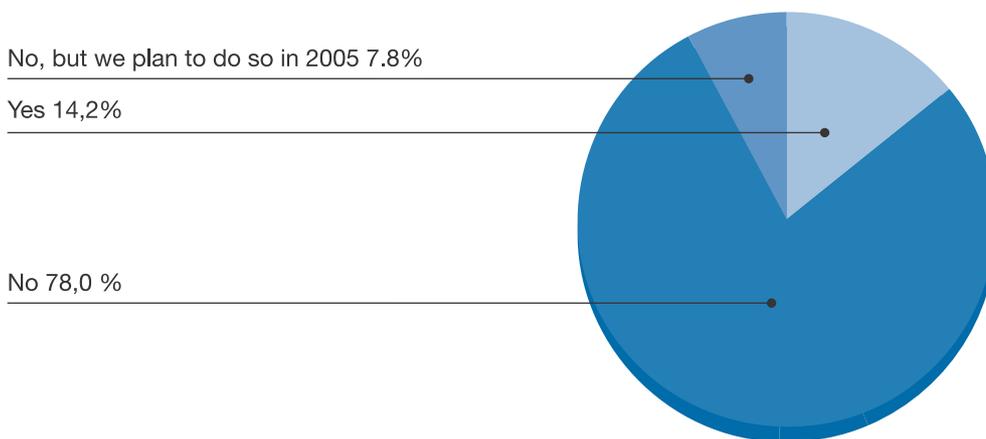
These difficulties obviously increase when a firm's organisation and its methods for approaching a market are insufficient. Added to this is the fact that the foreign operations of more than 42% of the interviewees are brokered, which means that their chances of devising competitive strategies without being forced to reduce their prices are limited.

Do you have an export manager?



Source: *The countenance of SMEs that venture abroad*

Have you invested abroad?

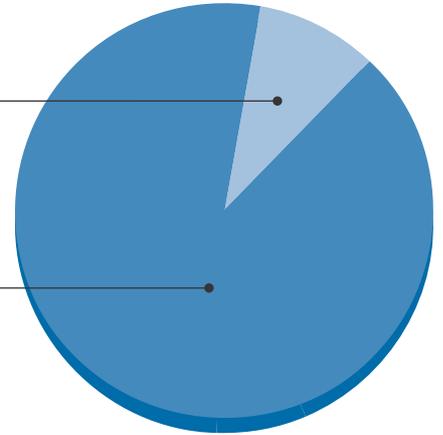


Source: *The countenance of SMEs that venture abroad*

Would you choose to delocalise your production?

Yes 9,5%

No 90,5 %



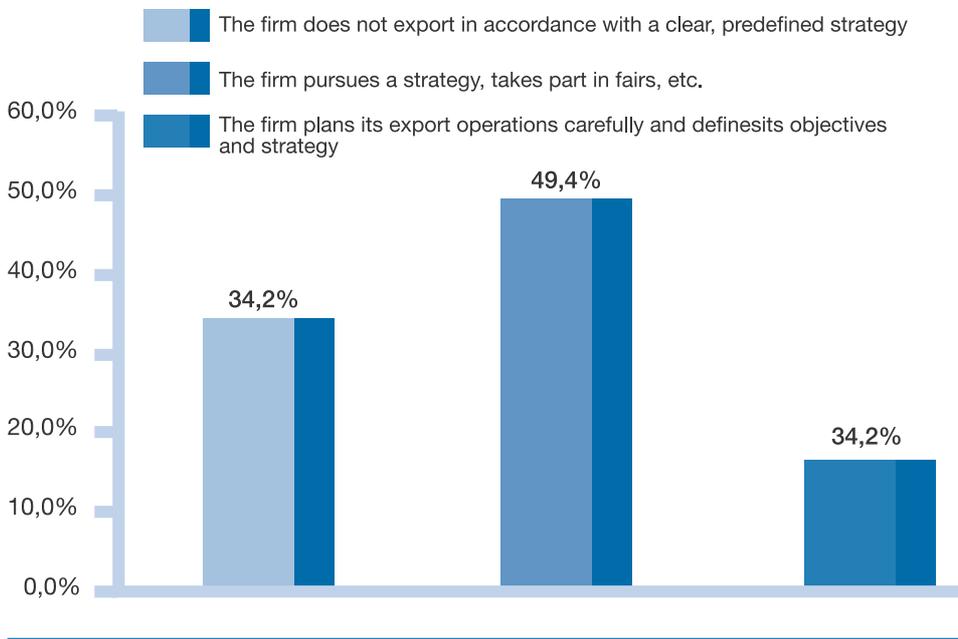
Source: *The countenance of SMEs that venture abroad*

Factors in favour of the delocalisation of production

	Totale	%
Reduction of production costs	90	31,5
Penetration and better entrenchment in new markets	67	23,4
Tax breaks	31	10,8
Reduction of transport and logistic costs	29	10,1
Production and research accords with foreign firms	22	7,7
Surmounting of legal barriers impeding access to a market	19	6,6
Better access to raw materials or other factors of production	14	4,9
Absence of manpower in Italy	5	1,7
Acquisition of complementary know-how	2	0,7
Acquisition of orders and technical services in loco	2	0,7
Others	5	1,7
Total	286	100,0

Source: *The countenance of SMEs that venture abroad*

Types of approach



Source: *The countenance of SMEs that venture abroad*

THE OBSTACLES

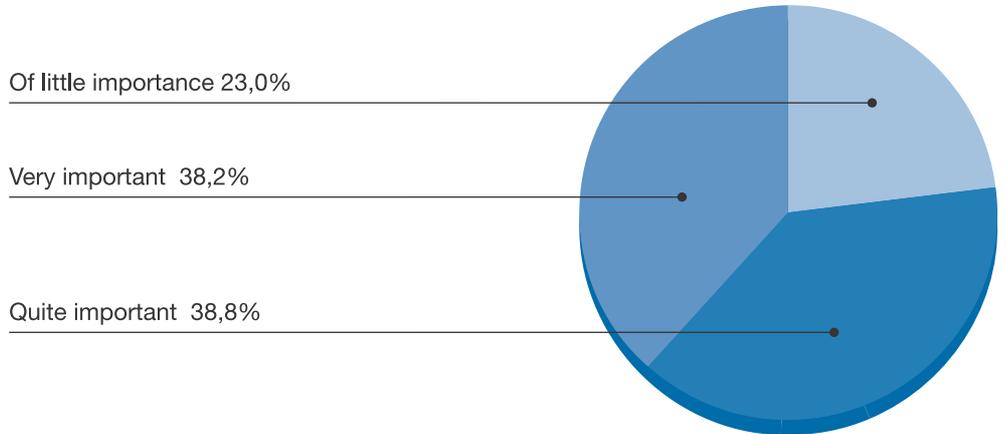
The difficulties generated by growing international competition in terms of prices, by appreciable enhancements of product quality, by concerns over imitations and above all by the structural inability of enterprises to handle such problems and bolster their internationalisation are compounded by persistent perception of the risks inherent in dealing with foreign countries.

Most firms simply export their own products with no FDI, mostly to Europe: 77% of the interviewees considered the country risk a decisive factor. This assessment goes to show that Piedmontese SMEs are not always in control of their foreign activities and hence attach particular significance to risks of any kind. The credit risk (important for 90.3% of the interviewees) must also be considered as the possible cause of a chain reaction: since the firm has no organisation abroad and the cost of insuring against the risk is too high, it reins in its drive to sell and hence cannot invest in a foreign organisation, nor in ways of covering the risks.

Signs of a wish to break free from this line of reasoning can be discerned in the intention of some SMEs to make fuller use of insurance cover (+4.3% for the country risk; +12.8% for the credit risk). Some of these difficulties that stand in the way of internationalisation could be handled better, if not overcome, through more efficacious organisation of a firm's own processes.

One is struck, for example, by the fact that most SMEs still refrain from undertaking a systematic analysis of the competition, even though the significance of comparison with one's competitors is beginning to be perceived.

Evaluation of the risk associated with exportation. The country risk

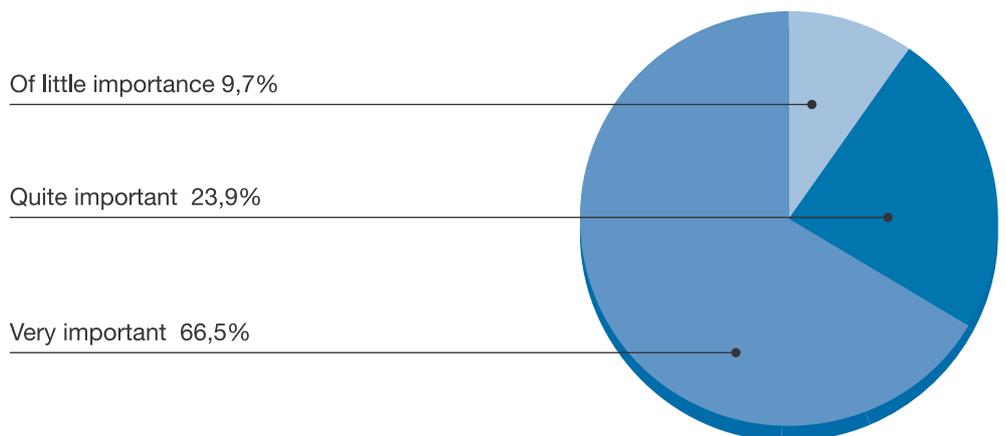


Source: *The countenance of SMEs that venture abroad*

The overall picture discloses poor coordination of the leverage inherent in the construction of what is being offered: 77.9% of the interviewees have a communication plan, but the channels employed for promotion (catalogues and fairs) are typical of shallow market penetration; 42.2% distribute through importers and brokers, but less than 43% feel they could promote their sales through the Internet.

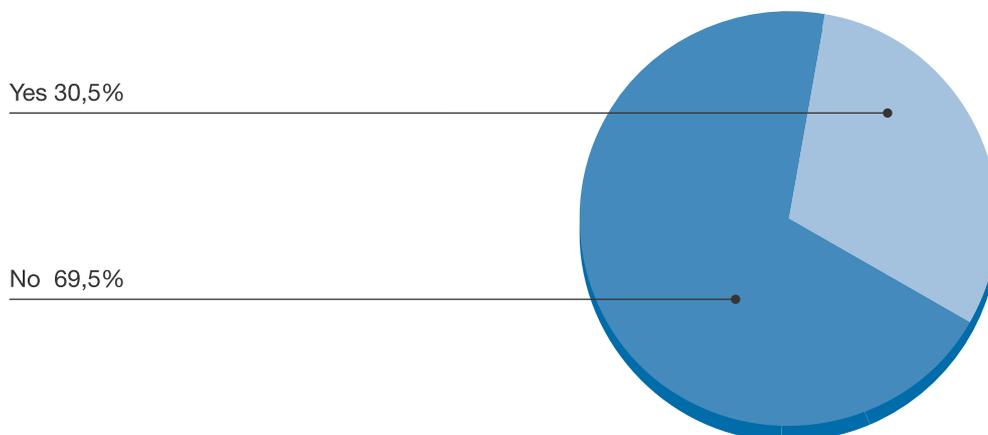
Lastly, almost 40% employ partly or highly personalised IT systems and 79% do not think they should adapt their products to meet the requirements of individual markets.

Evaluation of the risk associated with exportation. The credit risk



Source: *The countenance of SMEs that venture abroad*

Do you use methods and instruments for systematic evaluation of the competition?



Source: *The countenance of SMEs that venture abroad*

MAIN COMPETITIVE STRATEGIES FOR FOREIGN MARKETS

Internationalisation has become essential for the development of SMEs and the strategies employed by those in Piedmont to win a place on foreign markets require separate examination. Promotion of its trade mark to enhance its image is the first way in which an SME sets out to distinguish itself from its rivals. Depending on the circumstances in which it operates, this enhancement is designed to create the idea of exclusiveness (prestige), innovation (technological research), fashion (recent trends) or the defence of values linked to the reference markets (safeguarding the environment).

Presentation of high-quality products is another strategy. Here the main aim is to strengthen R & D processes. This is an exacting choice since it demands the constant renewal of a firm's products to ensure that it is always one step ahead of its rivals.

The third strategy is directed to specific market segments and the occupation of niches. It serves as a means of defence against competition on the part of low-cost producers, who are naturally interested in high-volume markets. High specialisation, in fact, discourages imitation, since the copying of niche products requires more time and greater resources. In addition, some firms (26.2%) set out to supply customised products and solutions. The opportunity offered to foreign customers to have a product altered to suit their particular needs is often a winning strategy.

Another model is founded on high production flexibility and a quicker response that acts as a distinguishing feature and a way of beating the competition.

A direct approach to the foreign market without resort to a conventional distributor allows a firm to offer its products at more competitive prices, while direct contacts with customers serve to illustrate the needs most keenly felt.

These advantages, however, are offset by the greater logistic problems posed by shipments to a variety of customers and storage costs, together with the increased risk of insolvency that may be engendered by administrative and fiscal difficulties.

Reduction of production costs is the last of these several strategies.

Firms invest to increase their manufacturing efficiency through agreements for the supply of components from low-cost producers, or through joint ventures with producers in the developing countries, whereby manufacturing can be started abroad.

2.3 ANTENNE PIEMONTE: FOR THE INTERNATIONAL DEVELOPMENT OF ENTERPRISES AND INSTITUTIONS

The Antenne have been set up with the support of the Piedmont Region and in the light of the experience acquired by the Foreign Centre of the Piedmontese Chambers of Commerce.

Their purpose is to provide a mix of services to further the worldwide presence of Piedmontese institutions and enterprises through the rapid collection of contacts and first-hand news concerning China, Korea, Argentina, Brazil, Bosnia-Serbia, Russia and Belarus.

Six objectives are pursued:

- promotion of the internationalisation of Piedmont's image
- provision of institutional support for Piedmontese entrepreneurs, agencies and associations
- assurance of support for enterprises in their internationalisation process
- assistance in the transfer of Piedmontese points of excellence and tried and tested models to foreign local institutions to further development processes
- promotion of cooperation agreements between analogous Piedmontese and local subjects (local agencies, universities, NGOs, etc.)
- undertaking of initiatives in favour of Piedmontese emigrants abroad.

Attainment of these objectives is sought through the provision of services such as searching for trade contacts, identification of partners for industrial collaboration agreements, market surveys in general, the furnishing of economic, legislative and technological information, and the organisation of incoming and outgoing promotional events.

The Antenne Piemonte project is funded by the Piedmont Region's International and Community Affairs Sector and by Docup 2000-2006.

CHINA - SINCE 1996 AT BEIJING, CHENGDU (SZECHWAN PROVINCE), NANJING (KIANGSU PROVINCE) AND HANGZHOU (CHEKIANG PROVINCE)

China Year 2003

	N.
Requests from Piedmontese firms for contacts with China	114
Answers from Chinese enterprises	90
Requests from Chinese firms for contacts with Piedmont	2
Answers from Piedmontese enterprises	1

China Year 2004 (January-July)

	N.
Requests from Piedmontese firms for contacts with China	152
Answers from Chinese enterprises	241
Requests from Chinese firms for contacts with Piedmont	3
Answers from Piedmontese enterprises	1

Business sectors: agro-alimentary, environment, architecture, automotive, spares and original equipment componentry, jewellery, machinery, construction machinery, expendables, second-tier supplies, textiles (clothing).

Types of collaboration

	N.
Import-export	8
General information	97
Distribution and agency	27
Industrial and joint ventures	20

SOUTH COREA - FROM 1993 AT SEOUL AND FROM 2000 AT CHUNGBUK

Year 2003

	N.
Requests from Piedmontese firms for contacts with Korea	51
Answers from Korean enterprises	252
Requests from Korean firms for contacts with Piedmont	3
Answers from Piedmontese enterprises	3

Year 2004 (January-July)

	N.
Requests from Piedmontese firms for contacts with Korea	69
Answers from Korean enterprises	200

Business sectors: agro-alimentary, environment, paper-making, furnishings, house-ware, spares and original equipment componentry, cosmetics, jewellery, rubber and plastics, Ict, construction machinery, machine tools, packaging, second-tier supplies, wines and spirits.

Types of collaboration

	N.
Import-export	88
General information	1
Joint venture	5
Industrial	26

ARGENTINA AND BRAZIL - FROM 1994 IN ARGENTINA AT BUENOS AIRES AND FROM 2001 IN BRAZIL AT BELO HORIZONTE

Argentina Year 2003

	N.
Requests from Piedmontese firms for contacts with Argentina	16
Answers from Argentinian enterprises	19
Requests from Argentinian firms for contacts with Piedmont	42
Answers from Piedmontese enterprises	85

Argentina Year 2004 (January-July)

	N.
Requests from Piedmontese firms for contacts with Argentina	20
Answers from Argentinian enterprises	38
Requests from Argentinian firms for contacts with Piedmont	9
Answers from Piedmontese enterprises	12

Business sectors: agro-alimentary, furnishings, house-ware, chemistry, construction, machines, mechanical and electrical appliances, engineering, safety, taps and fittings, textiles, wines and spirits.

Types of collaboration

	N.
Import-export	7
General information	3
Joint venture	1
Distribution and agency	9

Brazil Year 2003

	N.
Requests from Piedmontese firms for contacts with Brazil	102
Answers from Brazilian enterprises	115
Requests from Brazilian firms for contacts with Piedmont	20
Answers from Piedmontese enterprises	114

Brazil Year 2004 (January-July)

	N.
Requests from Piedmontese firms for contacts with Brazil	30
Answers from Brazilian enterprises	44
Requests from Brazilian firms for contacts with Piedmont	20
Answers from Piedmontese enterprises	103

Business sectors: agro-alimentary, automotive, automation, furniture, house-ware, chemistry, machines, mechanical and electric appliances, engineering, perfumes, wines.

Types of collaboration

	N.
Import-export	13
General information	2
Transfer of know-how	1
Distribution or agency	14

BOSNIA AND SERBIA - FROM 1997 AT ZENICA AND FROM 1999 AT BEOGRAD

Bosnia and Serbia Year 2003

	N.
Requests from Piedmontese firms for contacts with Bosnia and Serbia	20
Answers from Bosnian and Serbian enterprises	10

Bosnia and Serbia Year 2004 (January-July)

	N.
Requests from Piedmontese firms for contacts with Bosnia and Serbia	17
Answers from Bosnian and Serbian enterprises	10

Business sectors: automotive, spares and original equipment componentry, electronics, material handling machines, engineering, textiles, trading and consortia, wines.

Types of collaboration

	N.
Import-export	10
General information	2
Industrial collaboration	5

RUSSIA - FROM 2003 AT MOSCOW

Russia Year 2003

	N.
Requests from Piedmontese firms for contacts with Russia	28
Answers from Russian enterprises	150

Russia Year 2004 (January-July)

	N.
Requests from Piedmontese firms for contacts with Russia	59
Answers from Russian enterprises	121

Business sectors: clothing, agro-alimentary and wines, furnishings, rubber technical appliances, house building, car componentry, cosmetics, electronic-electrotechnical appliances, jewels, lighting, machines (construction, food processing, farming), small metal items, manufacturing of oleodynamic systems and goods handling plants, advertising, industrial safety, braking systems, second-tier textile production, valves.

Types of collaboration

	N.
Import export	82
General information	5

BELARUS – FROM JUNE 2004 AT MINSK

The Piedmont Region has started an experiment with a new Antenna. Intensification of the activity in Belarus is the Antenna's objective. Activities are now targeted to the promotion of international collaboration (social and humanitarian projects). Some entrepreneurial ventures might also be developed in the future.