

2003 REPORT ON THE INTERNATIONALISATION OF PIEMONTE

SOCIOECONOMIC DATA AND INDICES
TO GUIDE REGIONAL DEVELOPMENT
ON INTERNATIONAL MARKETS

UNIONCAMERE

PIEMONTE


PIEMONTE



INVEST IN TURIN AND PIEMONTE
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REPORT ON THE INTERNATIONALISATION OF PIEDMONT (2003)

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PRESENTATION



*Visiting distant lands
and talking to different people
makes men wise
Miguel de Cervantes*

The growing importance of internationalisation phenomena for economies and regional societies has meant that considerable attention has been paid to these topics by Piedmont's regional policies. The internationalisation process, understood in terms of commercial projection, is a decisive factor in the Dna of Piedmontese companies and of the regional socioeconomic system in general. This is something that has undoubtedly been facilitated by the region's geographical position, but the competitiveness and dynamism of local businesses have constantly contributed, and still contribute, to its evolution into more innovative and widespread forms.

This Report consists of three distinct sections. The first includes ten contributions to the knowledge base of a socioeconomic nature: this section consists mainly of an in-depth analysis of a statistical and aggregate character. The second is dedicated to public policies and to the internationalisation strategies pursued by public and private organisations in Piedmont. This part of the report also provides a concise overview of seven case studies regarding companies that have embarked on different paths towards international development, involving both incoming and outgoing investments. In the third section, in addition to the closing remarks, it is worth highlighting the construction of a complex index of internationalisation by calculating two sub-indices and six basic indices.

It worth considering that, in addition to the traditional economic phenomena linked to trade or international corporate investment activities, an important role in internationalisation is played by other production factors that are increasingly recognised as the basis for economic and social development, like the calibre of human resources, knowledge and the nature of institutional relations.

In this respect, the "multidimensional" approach used in this report is particularly important. In other words, this approach takes into account, as far as is possible, the flows of persons, both in terms of consumption and as a productive factor (tourism and workers, exchanges involving students and researchers, cultural exchanges, university programmes), the participation in active internationalisation policies (European programmes, means of promotion), international relations implemented at a local level (twinings, development and co-operation), and institutional relations.

We sincerely hope that this publication will contribute to the development of an awareness of these phenomena in an integrated logic where economic and social aspects are strongly correlated, thereby confirming their usefulness for public and private policy makers.

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1.1 THE NATIONAL AND INTERNATIONAL REFERENCE SCENARIO IN INTERNATIONALISATION PROCESSES

Edited by Ires Piemonte - Vittorio Ferrero

Globalisation has coincided with the growing deregulation of markets and has involved an extraordinarily wide spectrum of economic activities, resulting in important changes in the ways of establishing social and cultural relations.

The most striking effects have been the intensification of rivalry and international competition, leading to a greater role played by the market and a higher degree of interaction, which has heightened the degree of interdependence between economic and social contexts that are both geographically and culturally distant.

One of the characteristic features of the last decade was the fact that world trade in goods and services grew at rates that were considerably higher than those of production: the increased elasticity of trade in relation to world production therefore highlights the growing integration of world economies and underlines the extent of their interdependence.

The expansion of trade has also promoted the development of numerous economies, above all those of emerging countries whose inclusion in world trade has generated a wide range of social and economic improvements. However, not all economies have benefited from the increased opening-up of markets. In many countries, this growing openness has led to a balanced situation between the advantages and disadvantages of globalisation owing to greater exposure to international competition. The effects of these changes have highlighted the need for appropriate forms of governance in relation to a globalisation that is solely market-led, in order to guarantee its sustainability over time.

All these phenomena have occurred against a background of profound change in the international division of labour. Between 1993 and 2002 the proportion of goods exported by advanced economies fell from 80 to 72% to the advantage of the developing countries whose share, albeit still considerably smaller, rose from 17 to 23%. For countries moving towards a market economy, the growing integration of the world economy has enabled their share of world exports to rise from 3.5 to 5%. In particular, some areas stand out for their increased openness to the international context, namely the Chinese economy, some central and eastern European countries, and south-east Asian countries. Countries like Mexico and India have also achieved noticeable increases.

On the contrary, the trend towards a reduced share of world trade affected almost all the developed countries: only South Korea and Ireland managed to increase their ranking in terms of world trade, but this was associated with a considerable incoming flow of direct foreign investments (Dfi).

In the services sector there has been a more gradual shift in the rebalancing of positions between industrialised and developing countries. Nonetheless, it is important to bear in mind the difficulty of evaluating the effective level of trade in services from a statistical viewpoint given that the closely-woven network of relations, occurring when the supplier and purchaser are in a situation of proximity, is only partly "captured" by current statistics which often underestimate the real extent of interactions between economic partners from different geographical contexts. The quota represented by industrialised countries shrank however between 1993 and 2002, falling from 76 to 74%. A phenomenon that is to the advantage of the developing countries. However, it is important to point out that the increase in global exports by the most recently industrialised countries has been balanced by a greater intensity in their absorption

of imports: the latter have in fact provided dynamic markets for industrialised countries which have reoriented themselves towards products requiring higher levels of human capital and innovation depending on their own comparative advantages.

Direct foreign investments and international production (figures in billions of dollars)

	Value at current prices		Annual rate of growth (%)						
	1990	2002	1986-90	1991-95	1996-2000	1999	2000	2001	2002
Incoming Dfi	209	651	23,1	21,1	40,2	57,3	29,1	-40,9	-21
Stock Dfi	1.954	7.123	14,7	9,3	17,2	19,4	18,9	7,5	7,8
Cross-border M&A	151	370	...	24	51,5	44,1	49,3	-48,1	-37,7
Sales of foreign subsidiaries	5.675	17.685	16	10,1	10,9	13,3	19,6	9,2	7,4
Exports by foreign subsidiaries	1.197	2.613	13,5	7,6	9,6	3,3	11,4	-3,3	4,2
Workforce of foreign subsidiaries (thousand)	24.262	53.094	5,5	2,9	14,2	15,4	16,5	-1,5	5,7
Gdp	21.672	32.227	10,8	5,6	1,3	3,5	2,6	-0,5	3,4
Exports of goods and services	4.300	7.838	15,6	5,4	3,4	3,3	11,4	-3,3	4,2

Source: Unctad, World Investment Report, 2003

The growth in trade during the Nineties can also be attributed to a series of structural and institutional changes, which are unlikely to be repeated in the future, or at least not with the same intensity as in the recent past.

The rapid liberalisation of imports by developing countries and the spread of transnational production networks have played a considerable role in promoting the opening-up of economies. These have resulted in an intensification of intra-industrial trade not just between the advanced economies but also in north-south traffic. Moreover, it is important not to forget that rising levels of direct foreign investment (Dfi) have also played a decisive role in boosting trade. While it is true that this might result in a replacement effect between export and direct investment, in other words the removal of trade barriers might prompt companies to export rather than invest abroad, nonetheless the evidence of the Nineties highlights that overcoming obstacles to trade was just one of the deciding factors for foreign investment, emphasising the consonance between the quantitative development of Dfi and trade, in such a way that the former acted as a driving force for the latter.

The volume of direct investments rose steadily throughout the Nineties before accelerating during the closing years of the decade: it accounted for about 5% of world trade in 1993, rising to record levels in 2000 when it levelled out at nearly 20% of overall trade volumes.

A number of factors contributed to this sustained expansion: the steep rise in share prices, the upward trend of corporate earnings, above all in sectors linked to the new economy, the marked process of corporate reorganisation and restructuring in some sectors, and the launch of massive privatisation plans in numerous countries.

Furthermore, the wave of cross-border mergers and acquisitions that took place before the current crisis generated significant effects.

However, globalisation affected more than just the economy: it also involved movements of persons. According to the UN's latest report on international immigration ⁽¹⁾, approximately

(1) United Nations, "International Migration Report 2002", New York, 2002.

175 million people, namely 3% of the world population, currently live in a different country to the one they were born in; the number of migrants has doubled since the Sixties; 60% of these live in developed countries and Europe attracts the largest number, 56 million compared to 50 in Asia and 41 million in North America. In the Nineties the number of migrants worldwide rose by 21 million, a growth rate of 14%. This marked increase in immigrants was concentrated in the more developed regions, whereas less developed areas showed a negative balance, a trend that has recently become more marked. Nine per cent of immigrants are refugees. These figures highlight the importance of migration as a vehicle of cultural contamination, and also as a means of fertilisation leading to innovation; however, the problems brought about by the phenomenon have led to the introduction of restrictive regulations by most host countries.

It is important not to forget that the movement of people can also be attributed to a notable increase in tourist movements.

International tourist arrivals (figures in millions of euro)

	Arrivals		Rate of annual change (%)			
	1990	2002	1990-2000	1999-2000	2000-2001	2001-2002
World	456,8	714,6	4,3	6,8	-0,5	3,1
Europe	282,2	411	3,6	5,8	-0,3	2,4
<i>Northern Europe</i>	29,1	42,5	4,3	12	-5,9	2,3
<i>Western Europe</i>	113,8	141,4	2,2	4	-1,6	1,8
<i>Central-Eastern Europe</i>	43,8	81,1	5,8	4,1	1,6	3,9
<i>Southern and Mediterranean Europe</i>	95,5	146,1	4	10,4	1,6	2,2
Asia and Pacific	57,7	130,6	7,2	12,3	5	7,9
Americas	92,9	120,2	3,3	5	-5,7	-0,6
Africa	15	28,7	6,1	3,2	2,5	3,7

Source: World Tourism Organization (Wto)

According to the World Tourism Organization international tourist arrivals increased at an annual rate of 4.3% between 1990 and 2002, in parallel with the steady increase in air transport. The volume of arrivals is highest in the developed world: starting with Europe and followed by North America. Arrivals have recorded higher growth rates in other areas of the Middle East, in Asia, in the Pacific and in Africa.

It is worth noting that, among the developing countries, China ranked fifth for volumes of arrivals in 2001 after the traditional destinations in the developed world: France, Spain, the United States and Italy.

Most recently, following the onset of the depression in the world economy in 2001, a number of important changes have occurred in the overall picture. When the driving force fuelled by the robust growth of the American economy, largely resulting from the wave of innovations in the Itc sector, petered out, it was followed, perhaps not fortuitously, by a political crisis sparked off by the terrorist attacks of 9/11, which created an atmosphere of mounting tension in international relations leading to an exacerbation of conflict that has heavily conditioned the evolution of the process of international economic integration.

The growth of world trade in fact came to an abrupt halt in 2001, undergoing only a slight rally in 2002 when the growth of trade was restricted to levels similar to the weak growth in production. This appeared to mark a turning point in the expansive role previously played by trade and explains why the recovery took so long to materialise, given that it lacked the driving force provided by international trade in earlier growth phases of the international economy. This change of direction is even more evident in Dfi, which plummeted by 41% in 2001, a negative trend that continued throughout 2002 with an additional fall of over 20%. Set in the context of the world crisis, at whose epicentre was the slowdown in the American economy and European stagnation, some areas continued to be particularly dynamic and fuelled both the movement of trade and Dfi. China's economic growth continued at considerable rates, setting the tone for the recovery of the Eastern Asiatic area as a whole, and it benefited from a massive inflow of foreign investments, also encouraged by the country's recent adherence to the World Trade Organisation.

Moreover, Central and Eastern European economies have also expanded and their integration into international trade movements has been largely influenced by the fact that many of these countries will soon join the European Union.

The negative effects of the new economic situation on international tourism have been less evident: according to statistics drawn up by the World Tourism Organization, 2002 presented a few surprises compared to the rather depressing picture painted by earlier forecasts. In spite of the continuing economic crisis and persisting international tension, the movement of tourists on a world scale rose by a total of 3.1%.

It is calculated that there were 715 million arrivals worldwide, 22 million more than in 2001, the "millennium year" regarded as a key benchmark.

European destinations appear to have retained their lead, but the most dynamic situation was recorded in Asia and the Pacific with increases in the region of 8%. This needs to be weighed against the drop in arrivals in North and South America, in particular in the Caribbean area and, above all, in Latin America, whereas Africa and the Middle East enjoyed an appreciable upswing in travel resulting in a substantial trend inversion compared to the previous year.

In Europe, where arrivals rose 2.4%, just below the world average, there was a marked emphasis on central and eastern countries, with a slower rate of growth in Mediterranean countries. In practice, the evolution of tourism in 2002 appears to have been characterised more by economic fluctuations than by international tension. The same cannot be said about the current situation. After the explosion of conflict in Iraq and, perhaps to an even greater extent, to the subsequent Sars epidemic, tourist movements in the first few months were significantly down, with a marked fall in air travel.

In spite of this, some destinations that had been more severely hit in previous years and were furthest away from the conflict zone experienced a trend inversion, above all in Latin America and the Caribbean.

Turning to the situation in Europe, it is important to bear in mind that many tourists have been put off by the strong euro: taken as a whole these factors have meant that many countries have openly relied on national tourism to make up for the drop in foreign demand.

Against this background of continuing uncertainty a clearer trend has emerged to strengthen preferential integration agreements on a regional basis: in the past, these do not appear to have had a negative impact on the overall growth of trade, given that they generally formed part of liberalisation strategies towards countries outside the area, but in the light of the increasing tension provoked by the stagnant international situation, there is concern that a gradual drift towards regional closure might impede the multilateral integration process. Some pitfalls, in this respect, might even arise from the persistent imbalance in trade and the balance of payments resulting in the rising Us foreign trade deficit, which reached a record level of 5% of Gdp, and the growing trade surplus in Europe and Japan. Foreign exchange movements, which have recently seen the dollar weaken against the euro and have highlighted a certain resistance to the appreciation of Asian currencies (the area in which the Us deficit is largest), have not appreciably helped redress these imbalances, while also contributing to the delayed recovery in Europe. It is no coincidence that some experts have outlined the risk that this might trigger competitive devaluations resulting in the negative economic effects already seen in earlier historical periods.

This raises the question of whether the globalisation process, in the forms that it has taken over the past decade, has already come to a standstill. In other words, it remains to be seen whether the last two years represent a temporary economic setback following a period of perhaps over-exuberant growth, or whether globalisation as it was understood during the past decade is now changing shape, giving way to greater uncertainty regarding its continuation or possible alternative forms of development. Compared to earlier periods of crisis, it is no coincidence that the slowdown in trade and Dfi appears excessively sharp, even in relation to the negative trend of the economy: there is a feeling that the response to international tensions has been insufficient to revive the confidence of individuals and companies, and in addition there are renewed signs of protectionist tendencies between areas involving both the developed world (the most striking example being the disputes between Usa and Europe regarding Gm foods and steel) and the developing countries. Evidence of these difficulties can be found in the substantial breakdown of talks at the Wto summit in Cancun leading to an impasse in the negotiation process for the liberalisation of trade started at Doha which will not be easy to resolve.

In this adverse context, Italy's position reveals critical elements owing to the need to adapt a model of specialisation that seems to have lost its competitive edge through the keen competition offered by the emerging economies. This model of specialisation will be difficult to defend using protectionist measures or relying on devaluations in the exchange rate when the majority of exports are to other Eurozone countries: instead, it must change by raising the levels of quality and innovation in production which must also take into account careful internationalisation strategies and manufacturing relocation.

In practice, if market conditions become more difficult and if a trend emerges towards stagnation or even closure, it will be even more important to pursue policies aimed at providing credibility to bolster the confidence of operators and sustain the processes of change and growth. A region like Piedmont has much to gain by continuing to support a process of international openness. The structural nodes of the region are marked by a weak demographic trend, the

relative scarcity of human resources, the gradual saturation of physical spaces, as well as the need to move towards post-manufacturing specialisations and to fulfil the potential enabled by the development of a knowledge-based economy. Moreover, the fact that the difficulties faced by large manufacturing companies allow the local potential to emerge in the form of medium-sized companies and area-based productions also makes it necessary to embark on a widespread process of internationalisation covering the entire regional system, pursued more energetically than in the past. It is not solely a question of encouraging the mobility of factors like goods, companies or people, but changing the interactions and geographical reference of the system to which individual companies belong: in the new context it will be increasingly difficult for internationalisation to become the privilege of individual companies. Instead, it must become a systemic element linking the entire area where companies are located to reference areas, even if far removed in geographical and cultural terms. The transition required to achieve this can only be accomplished through an extension of the region's international relations and appropriate internationalisation policies.

1.2 TRADE IMPORTS-EXPORTS

Edited by Unioncamere Piemonte - Sarah Bovini

Economic internationalisation has brought with it increasing interdependence between the markets and economies of different countries, each of which has to develop strategic policies aimed at efficiently projecting its own companies and products to the external world. In 2002 Piedmont registered a 4% fall in the exports of goods. The specialisation of exports in terms of manufacturing sectors, excessively focused on traditional industries, is one of the most significant problems.

The trend towards higher quality products has only partially offset the fall in exports, but has not laid the foundations for winning new markets which can only be reached by enhancing the areas of excellence offered by the region at an international level.

PIEDMONTESE EXPORTS TO INDIVIDUAL COUNTRIES

2002 was not a positive year for international trade for our region. At a regional level, this can be attributed to three main factors:

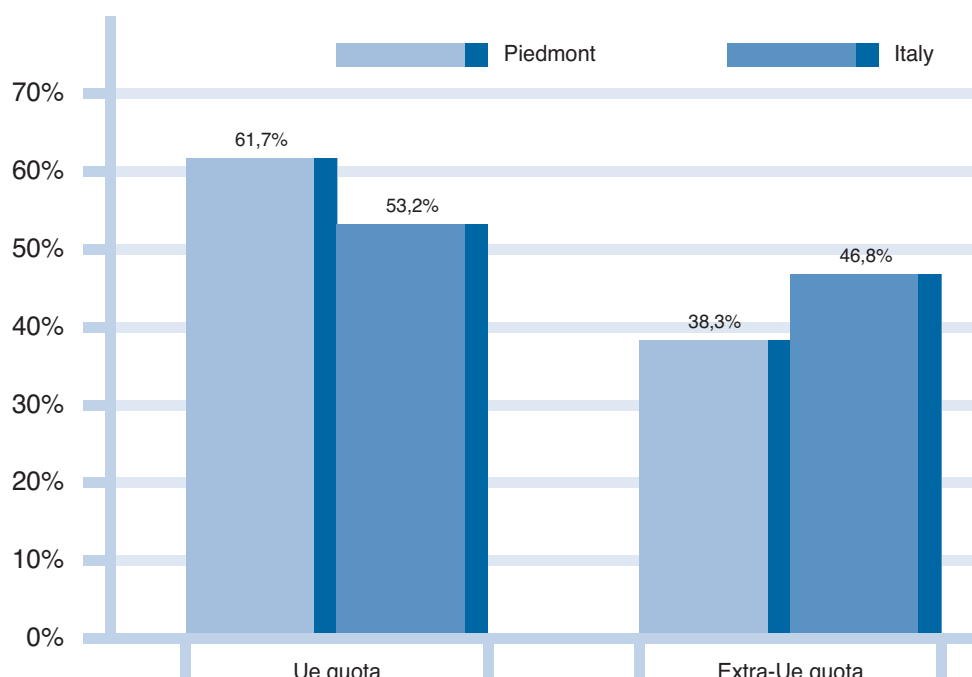
- the limited dynamism of world trade, also due to international geopolitical tension
- the economic difficulties affecting our main partners (France, Germany) and the excellent performance of Central and Eastern European markets
- the inadequate penetration of Piedmontese goods in some emerging markets (China)
- the appreciation of the euro.

PIEDMONTESE EXPORTS DIVIDED BY SECTOR

From a sectorial point of view, 2002 marked a crisis of the region's principal manufacturing supply chains, still over-dependent on traditional sectors like cars and textiles, which had a negative effect on the trend of exports.

The driving force behind foreign trade was once again the agricultural and food sector (+6.8%), above all thanks to the export of beverages (+14.8%).

Piedmont's and Italy's export quotas. Year 2002



Source: Unioncamere Piemonte, elaborated from Istat data

1.3 IMPORTS-EXPORTS OF SERVICES

Edited by Unioncamere Piemonte - *Cristina D'Ercole*

The interchange of services forms a major component of world trade. Its marked expansion over the past few years can be attributed, on the one hand, to increased personal mobility, which has allowed the growth of services linked to international travel, and, on the other, to the impulse resulting from Ict. In fact, the development of the latter now means that the provision of services increasingly allows the person providing the service to be physically distant from the user of the service.

In Piedmont, these “intangible” transactions resulted in a deficit, with losses that were quantified in 2002 as 1,796 million euro, net of international transport for which regional figures were not available. The worst losses were recorded by communication services, but notable losses were also made by foreign travel which, on a national level, represent an item that is always in the black. Expenditure exceeded income also under the heading of personal services, corporate services, insurance, royalties and licences, It services and government services; while financial services and the construction sector were in the black.

In 2002, Piedmont generated credits for the export of services amounting to a total of 2,467 million euro, excluding transport, namely a rise of 7.3% on the previous year. This brought the contribution made by the region to Italy's credit balance of payments to a total of 4.6%.

The most significant contribution to regional credit payments from abroad is generated by the tourism service sector: in 2002, travel accounted for 43.9% of Piedmontese exports of services, continuing to move upwards, unlike the overall Italian trend for the past five years.

Seen against the national picture, Piedmont emerges as an area characterised by greater diversification of credits related to the export of services: the region manages to achieve high levels of revenues linked not just to tourism but also to the provision of services for companies (communication, finance, It and others).

In particular, 41.2% of Piedmont's foreign credits can be classed under the heading "other corporate services", 3.8% to communications, 3.5% to royalties and licences, 2.6% to financial services and 1.8% to It services.

Moving on to an analysis of imported services, in 2002 Piedmont recorded foreign debts amounting to 4,263 million euro, again excluding transport, equal to 4.7% of the national total. Foreign indebtedness can be itemised as 34.9% for international travel and 30% for other corporate services. Compared to exports, imports are characterised by a broader distribution between the different types of transaction, with significant portions also for communication services, which accounted for 16.5% of total debts, but also personal services (7.3%), royalties and licences (4.3%), insurance (3.6%) and It services (2.1%).

1.4 PIEDMONT'S TECHNOLOGICAL BALANCE SHEET

Edited by Unioncamere Piemonte - Cristina D'Ercole

In 2002, Piedmont recorded revenues from the foreign sales of disembodied technology amounting to 552 million euro and payments worth 314 million, with a surplus of 238 million euro, up 27% on the previous year.

The commercial transactions in which Piedmont has the strongest record are not those involving the effective transfer of technology, but those linked to the provision of services with a technological content, namely technical studies and engineering, technical assistance, the secondment of technicians and experts, and personnel training, all of which account for 64.9% of revenues and 53.2% of payments, generating a positive balance of 192 million euro.

Piedmont also has a good track record in the sale of technology, which represents the central core of international technology transactions, and, against a national situation that is heavily in the red, it manages to close the year with a surplus of 18 million euro. Of this, almost 10 million can be attributed to the net foreign transfer of intangible property, namely patents, inventions and know how, and a further 8 million to royalties on patents.

In the sector of industrial property transactions, the regional balance sheet tips into the red, with payments exceeding revenues by just under 23 million euro: compared with a positive

balance generated by property transfers for trademarks, models and designs, Piedmont in fact pays more royalties linked to the use of trademarks, models and designs than it receives from abroad, with a deficit of 38 million euro.

Industrial property rights therefore constitute the key “weak point” in Piedmont’s technological balance sheet.

Lastly, Piedmont generates a 58-million euro surplus for R&D services.

The reality of the Piedmontese industry is characterised by a strong concentration of technology sales in the Eu area, accounting for 76.1% of overall regional revenues. Piedmont has preferential relations with France, which account for 28.2% of the regional technological output, and Germany (21.5%), which sees Piedmont as its main Italian partner. Other major trading partners are the Netherlands (8%), United Kingdom (7%) and Belgium (6.1%), whereas, outside the 15 Eu member-states, the main areas of interest for Piedmontese technologies include the United States (7.2%), Switzerland (1.4%) and Japan (4.2%).

From a national point of view, Piedmont emerges as the principal exporter of technology to Japan, and in fact 43.6% of Italian sales to the Japanese market are made by operators based in the region.

On the contrary, turning to the procurement of technology, Piedmontese businesses source 58.4% of their needs from Eu countries and 16.3% from the United States, while a considerable proportion of payments end up in Switzerland (14.9%) and Japan (5.2%). Of the 15 Eu member-states, the main suppliers of technology continue to be France (19.5% of payments), United Kingdom (11.6%), Germany (9.6%) and the Netherlands (7%).

The credit balance generated by Piedmont’s technology industry can be chiefly attributed to its relations with Eu partners (237 million) and, in particular, with France (94 million) and Germany (89 million), whereas there is a trade deficit with Switzerland (-39 million) and the United States (-12 million).

1.5 INCOMING AND OUTGOING DIRECT FOREIGN INVESTMENTS

Edited by Unioncamere Piemonte - Cristina D’Ercole

Seen against the rest of Italy, Piedmont appears to be a particularly attractive area for foreign investors: during the two-year period 2001-2002 the region attracted annual direct investments averaging 997 million euro, net of disinvestments.

Foreign capital invested in Piedmont mainly originates from other Eu partners (over 90%), not only the Netherlands and Luxembourg, pivot countries for the international movement of capital owing to their particularly attractive tax regimes, but also France and the United Kingdom. Relations with Germany are particularly weak, in terms of the flow of investments, compared to the rest of Europe: although it ranks as the second largest export market for Piedmontese businesses, Germany only accounts for 2.7% of incoming capital flows to Piedmont.

German companies are more inclined to develop trade relations with the region (and with Italy in general) rather than focus on a direct presence in the area.

Outside the boundaries of the 15 Eu members, Piedmont has attracted capital investments from Switzerland (2.7% of overall Dfi), United States (2.2%) and Japan (2.3%).

The destination of regional Dfi is strongly influenced by Piedmont's specialisation in the automotive sector, which is particularly evident in the province of Turin: between 2001 and 2000, the automotive industry brought foreign investments worth 818 million euro into the region, thus ranking as the most attractive sector for foreign investors.

Other key areas are the energy sector, with an average annual value of 601 million euro, followed, in the manufacturing sector, by food products, beverages and tobacco (76 million), products in rubber and plastic (45 million), and metal (19 million); in the services sector, retailing has attractive significant flows of resources (34 million).

On the other side of the coin, over the same two-year period, Piedmontese companies undertook foreign investments to the tune of 4 billion euro each year, ranking Piedmont as a particularly active area in terms of internationalisation.

Piedmontese companies therefore tend to enter the global market not only by exporting their products or services but also, with increasing frequency, by adopting more complex and challenging methods of internationalisation, involving direct investments, through manufacturing or commercial relations, in the areas of interest.

The Eu partners are the preferred destination for regional investments, accounting for over 80% of net outgoing flows from Piedmont, whereas outside the boundaries of the 15 member states, a significant proportion of resources is invested in Brazil (9.5% of the total) and Usa (6%). China, on the other hand, has not yet been fully included among the areas of interest for Piedmontese companies (and Italian investors in general).

Piedmont, itself mainly attractive to industrial-type investments, invests abroad above all in the services sector: during the two-year period in question, the net outgoing capital flows from the region were used to finance service companies, averaging some 3.5 billion euro a year, with a strong concentration in financial services and communications; industrial activities, on the other hand, accounted for just 467 million.

1.6 FOREIGN COMPANIES IN PIEDMONT

Edited by Ires Piemonte - Renato Lanzetti, Alves Marchi, Marco Mutinelli

A large number of foreign companies hold stakes in Piedmontese companies.

At the start of 2002, 462 companies based in Piedmont had foreign multinationals among their shareholders; these companies employed over 142,500 workers and generated a turnover of over 43.8 billion euro in 2001. On the other hand, a total of 408 Piedmontese companies were wholly owned by foreign multinationals, employing some 91,600 workers and generating a turnover of 21.2 billion euro in 2001.

Piedmont accounts for 8.5% of the national total of companies with foreign shareholdings and 16.2% of employees; these companies are concentrated in the Province of Turin.

The transport sector plays a key role, as is confirmed by the events of the past few years in sectors linked to the "car system".

Companies with foreign shareholders, by region, at 1st January 2002

	Companies with foreign shareholders		Workers in companies with foreign shareholders (a)		Companies wholly owned by foreign companies		Workers in companies with foreign shareholders (a)	
	Abs. value	Value %	Abs. value	Value %	Abs. value	Value %	Abs. value	Value %
North-West	3.494	64,5	578.807	65,6	3.259	65,3	490.084	65,9
<i>Piedmont</i>	462	8,5	142.561	16,2	408	8,2	91.608	12,3
<i>Aosta Valley</i>	8	0,1	2.446	0,3	7	0,1	2.286	0,3
<i>Lombardy</i>	2.897	53,4	412.657	46,8	2.725	54,6	376.997	50,7
<i>Liguria</i>	127	2,3	21.143	2,4	119	2,4	19.193	2,6
North-East	969	17,9	128.761	14,6	872	17,5	109.887	14,8
<i>Trentino Alto Adige</i>	112	2,1	13.151	1,5	109	2,2	12.974	1,7
<i>Veneto</i>	335	6,2	40.561	4,6	305	6,1	37.591	5,1
<i>Friuli Venezia Giulia</i>	99	1,8	22.270	2,5	84	1,7	18.111	2,4
<i>Emilia Romagna</i>	423	7,8	52.779	6	374	7,5	41.211	5,5
Centre	702	12,9	128.130	14,5	641	12,8	107.365	14,4
<i>Tuscany</i>	215	4	31.927	3,6	193	3,9	30.355	4,1
<i>Umbria</i>	38	0,7	7.494	0,8	35	0,7	7.374	1
<i>Marche</i>	39	0,7	4.080	0,5	34	0,7	3.629	0,5
<i>Lazio</i>	410	7,6	84.629	9,6	379	7,6	66.007	8,9
South and Islands	256	4,7	46.731	5,3	219	4,4	36.785	4,9
<i>Abruzzo</i>	53	1	20.432	2,3	46	0,9	13.526	1,8
<i>Molise</i>	5	0,1	398	0	5	0,1	398	0,1
<i>Campania</i>	84	1,5	10.581	1,2	74	1,5	9.474	1,3
<i>Puglia</i>	30	0,6	6.612	0,7	26	0,5	6.064	0,8
<i>Basilicata</i>	16	0,3	978	0,1	11	0,2	826	0,1
<i>Calabria</i>	7	0,1	877	0,1	7	0,1	877	0,1
<i>Sicilia</i>	33	0,6	2.696	0,3	23	0,5	1.522	0,2
<i>Sardegna</i>	28	0,5	4.157	0,5	27	0,5	4.098	0,6
Total	5.421	100	882.429	100	4.991	100	744.121	100

(a) Workers are attributed entirely to the province where the head (administrative) office of the company is located

Source: Elaborated from Istat data (Intermediate Census 1996) and Reprint data bank

1.7 FOREIGN ENTREPRENEURS IN PIEDMONT

Editeb by Unioncamere Piemonte - Roberto Strocchio

At the end of June 2003 there were 25,075 foreign entrepreneurs in Piedmont (3.2% of the total), marking an increase of 5.7% compared to the same period for 2002. About a quarter (27.3%) of foreign entrepreneurs are Eu citizens, and the remaining three-quarters (72.7%) come from non-Eu countries.

Thirty per cent of foreign entrepreneurs come from Africa, 27% from Emu, and 21% from Central and Eastern Europe. Seventy-one per cent of all foreign entrepreneurs are men, and 29% women. Foreign entrepreneurs can be divided into the following age brackets: 62.4% are aged between 30 and 49, 25.3% between 50 and 69, 8.6% between 18 and 29, and only 3.6% are aged over 70.

What are the preferred activities of foreign entrepreneurs working in Piedmont?

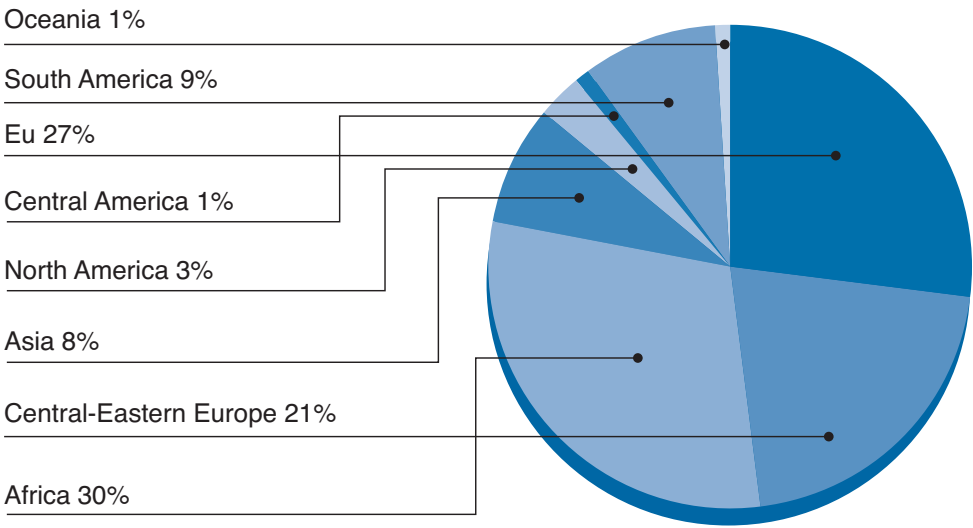
About a quarter choose commerce, 16.9% provide services for companies, 16.3% work in the manufacturing industries and 14.6% in the construction sector.

In addition to their professional background, the choice depends on the low set-up costs often accompanied by moderately low profit margins.

Among the Eu entrepreneurs, the most successful sectors are commerce (20% of total), manufacturing (19.7%) and corporate services (17.9%). Moving to Central and Eastern Europe, approximately one third of the entrepreneurs from this area work in construction, 12.8% in commerce and 12.3% in manufacturing. About half the building contractors come from Albania (21.4% of the total productive sector), and a third from Romania (17.4%).

Commerce occupies first place among entrepreneurs from Africa (43.5% of the total), well ahead of construction (14.7%). Commerce (31.6%) and hotels and restaurants (23.5%) come top of the list for entrepreneurs of Asian origin. The Chinese hold first place in the catering sector, accounting for 24.8% of foreign entrepreneurs in this segment. Entrepreneurs of North American origin prefer to work in the manufacturing industry (almost one third of the total) and corporate services (20.3%).

Foreign entrepreneurs in Piedmont



Source: elaborated by Unioncamere Piemonte using Infocamere data

1.8 FOREIGN IMMIGRATION FLOWS IN PIEDMONT

By Ires Piemonte - Vittorio Ferrero, Enrico Allasino

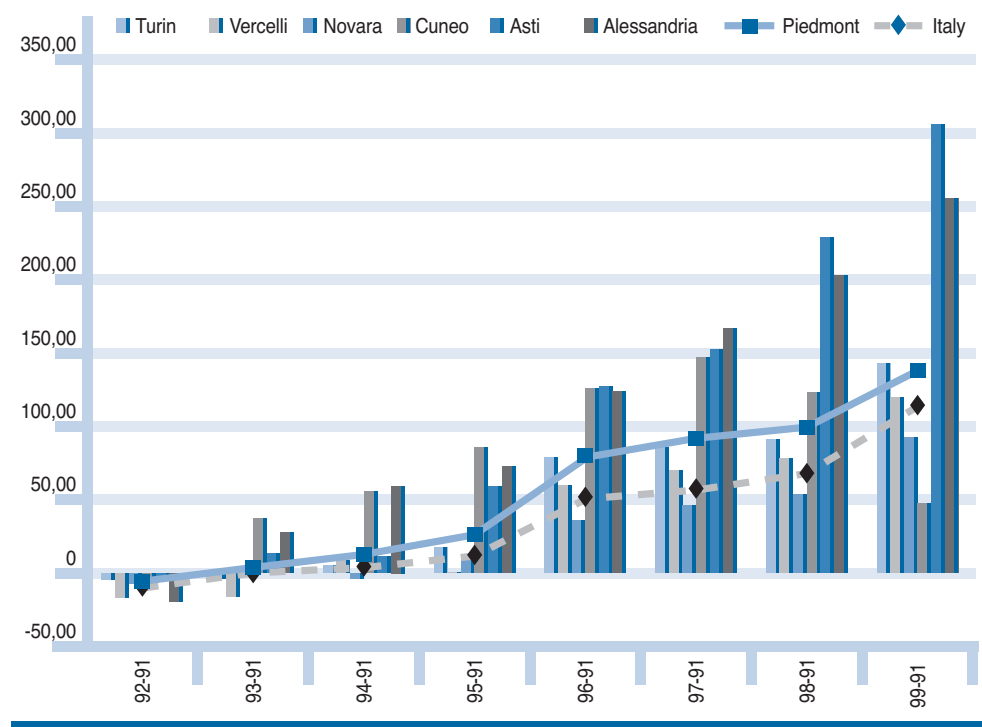
Although there are many foreign immigrants in Piedmont, the region's capacity to attract and insert them is relatively low compared to the more dynamic regions of Northern Italy.

Piedmont is one of the regions where the presence of immigrants grew the most in the 1990's. The figures of the recent regularisation of foreigners in Italy show a further strong increase in the presence of foreigners (57 thousand), which raises the number of foreigners living in the region to 150 thousand.

The demographic dynamics of the region, with a natural balance that has been structurally negative for some time now due to high mortality and one of the lowest fertility levels in Italy, is therefore fed by the quite consistent flows of immigrants, especially in the component.

In these recent years we have seen a growing process of stabilisation of the immigrants, with an increase in the reuniting of families, the growth of their inclusion in schools of every type and level, and births from foreign parents and mixed marriages. Moreover, changes are taking place in the areas of origin, with a progressive increase of immigrants from Eastern European countries compared to the "historical" flows coming from the southern shores of the Mediterranean and from other continents.

Increase of permissions to stay in the Piedmont provinces (1991=0)



Source: Istat

1.9 FOREIGN TOURIST FLOWS

By Ires Piemonte - Vittorio Ferrero, Maurizio Maggi

The balance of the shifts of Piedmont tourism shows a passive situation, due to the limited appeal of a region that is historically industrial, and on the other hand, the high level of wealth of Piedmont residents that encourages the flow tourists outside the region.

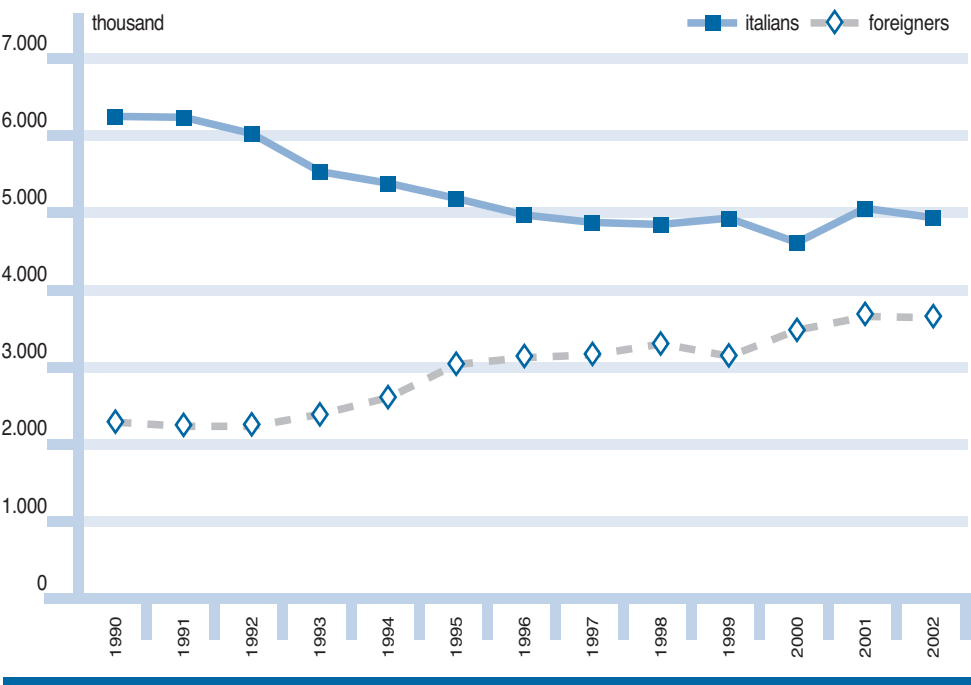
The total spending of foreign (1) travellers in 2002 amounted to 1.1% of Piedmont’s gross internal product, a figure below half of the Italian average, while the spending of Piedmont residents travelling abroad reached 1.2%, a value close to the Italian average.

If Piedmont in the last ten years has lost some tourist share compared to Italy in general, this is due to the arrival of fewer Italians, while the number of foreign tourists shows some growth and maintains more or less the same percentage as the national total. This is happening in a context of diversification and qualification of the reception offer, and of the consolidation, in addition to the traditional specialisations of winter and lake tourism, of those tied to the valorisation of specific cultural elements of the single territories (environmental and enological and gastronomical tourism).

For the region the German market is the most important (25.1% of the arrivals), followed by France, (11%), the United Kingdom (9,5%), Switzerland (8,9%) and the Usa (7,2%).

(1) According to a survey on international tourism of the Ufficio Italiano dei cambi

Tourist presence in Piedmont



Source: Regional Observatory of Tourism, Regione Piemonte

1.10 COOPERATION FOR DEVELOPMENT IN PIEDMONT

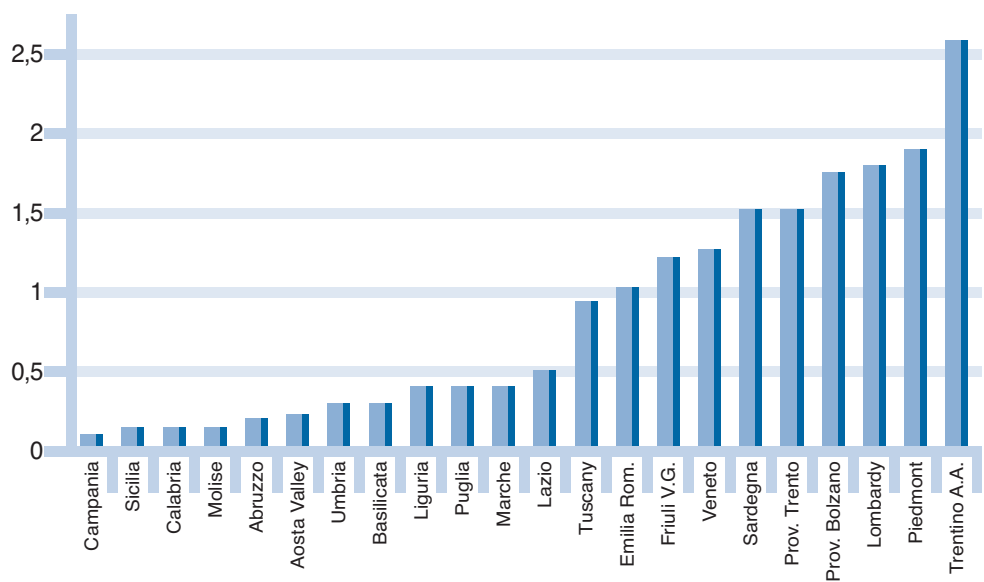
By Ires Piemonte - *Vittorio Ferrero, Renato Lanzetti, Daniela Nepote*

An aspect of the internationalisation process that is quantitatively reduced but qualitatively relevant regards the relations with local communities of the Developing Countries through cooperation for development. This has found a growing space in the dimension of decentred cooperation, also in light of the requests for greater autonomy put forward by the social and economic actors, by the community and the local institutions, in the framework of the decentralisation of functions and competences to local levels.

The action of Piedmont Region, that planned for 2003 the allocation of a total of about 840 thousand Euro, has a role of coordination between the networks of subjects present on the territory (Association, ONG's (non-profit organisations), public and private institutions, businesses, religious bodies, etc.) and the national and international petitions, and of promotion of the participation of the Local Bodies in the programmes of cooperation.

The areas of consolidated cooperation programmes of Piedmont are: Bosnia, Sahel, Morocco, Tunisia, Brazil and Hungary. The areas of strategic interest: Corridor 5 (Slovenia, Hungary.), the Balkans and the Maghreb (Tunisia, Morocco).

Annual outlay of money of regions (figures in millions of euro)



Source: Interregional Observatory for Development Cooperation, year 2000

2.1 THE INTERNATIONAL PIEDMONT PROJECT

Edited by the Institutional Communications Sector of Regione Piemonte

The radical social changes of the past years have prompted Piedmont to embark on a process of intense and laborious transformation. Piedmont's Dna has always been characterised by a strong identity, even if translated into a weak, often intentionally underplayed image, and includes the recognised characteristics of seriousness, self-denial, the ability to take up challenges, to act as a laboratory region and an incubator of knowledge.

Unfortunately, it has had trouble shedding its image and position as a hard-working but cold region, productive but not particularly attractive either as a place to life or as an investment area. A solid strategic plan, sustainable development, social cohesion, renewed pride, the rationalisation of investments: these have been the cornerstones of the active policy for change which has redefined Piedmont's image and position as a leading region on both a national and international scale. It has been complex process, involving the concerted efforts of several players from the institutional and private sector, and based on a number of key concepts, like the ability to build a system and to consolidate a solid and stable image, coupled with a strong propensity to enhance the chain of competitiveness, drawing attention to research, innovation, quality and an openness to international markets.

The internationalisation project must be seen against this background, having been launched as a cornerstone of the Docup ob. 2 2000/2006 programme involving the investment of around 22,500,000 euro over six years from Eu, national and regional resources within the context of the European Regional Development Fund. The planning strategy behind these interventions aimed to define Piedmont's identity, portraying it as the "factory of the future", a place where tradition and innovation could coexist, inspiring confidence in both technology and modernity, a winning, cohesive system with a "can-do" culture permeated by a desire for challenges and the willingness to offer strong and appetising businesses and brands to attract both investments and tourism.

Today, more than ever before, the Regional Government has chosen to back a single, strongly integrated project that reinforces Piedmont's image as a successful system and draws other resources into the initial budget. In the immediate future, absolute priority will be given to the promotional activities focused on the 2006 Olympics, with the aim of using the strategic system and the "factory of the future" mission statement to promote and position Piedmont as a stable, modern and attractive region. With the next four years, the focus will turn to opinion leaders and operators primarily in those markets where the institutional presence has been consolidated through the economic and tourist promotion of the Region (Europe, United States, Japan), and secondarily to the new accession Eu countries and "emerging" markets, whose growth and desirability is clear from appropriate scenario analyses (China, India, Korea, Canada, etc.). The internationalisation programme, coordinated by the Presidency of the Executive Government, is backed by the main players involved in marketing Piedmont's image and products abroad (Federpiemonte, Centro Estero Camere Commercio Piemontesi, Itp, Atr, Politecnico, University, Technology Parks and other organisations, institutions, associations and individual outstanding companies).

2.2 INTERNATIONALISATION POLICIES DEVELOPED BY REGIONE PIEMONTE

Edited by *Ugo Cavallera* - Foreign Trade Councillor for Regione Piemonte

Over the past five years the Regions have gradually had to form part of a highly centralised management for promotion and, after the initial difficulties of being recognised as a legitimate and authoritative partner both at a central level and abroad, it is now acknowledged that Regions play a decisive role in improving promotional activities, in terms of both resources and their vicinity to the final partners, namely the companies, and above all by coordinating the potential and requirements of a particular area. Regional internationalisation policies are based on knowledge and overall enhancement that involves research and backing for manufacturing excellence and collaboration between public and private bodies.

Piedmont has always been characterised by an economy with a strong international vocation owing to both its geographical position and the fact that some sectors of excellence – namely the automotive industry and its ancillary sectors in the Turin district, textiles in the Biella area, taps and household goods around Novara and Verbano, jewellery in Valencia, wine and gastronomy throughout the region – have exercised a strong hold on foreign markets since the economic boom of the post-War years.

Today, the driving sectors for internationalisation are being enhanced by new strengths in multimedia and the new technologies; at the same time, considerable progress has been made in the diversification of overweight sectors, like the automotive industry. Over the past few years, in terms of the number and quality of initiatives, the commercial promotion of Piedmontese products has reached one of the highest levels of all Italian regions: this is the outcome of a process that started with the affirmation of a wider concept of internationalisation, as well as the aim of helping Smes and artisan firms to penetrate foreign markets by establishing increasingly stable and effective roots in loco. In this context, Piedmont ranks as Italy's fourth largest exporting region after Lombardy, Veneto and Emilia, whereas over 27% of foreign investments made by Italian companies originate from Piedmont. In practical terms, exports are promoted using a number of different instruments. The most extensive programmed measures are developed as part of the agreement between Regione Piemonte and the Ministry for Production, through the annual convention with Ice, drawn up at the Consultation Table that brings together the leading players of local promotional activity. In particular, specific projects carried out with the Centro Estero of the Piedmontese Chambers of Commerce (of which the Region is a supporting member) represent a valid means of promoting the outstanding qualities of our region, based above all on training for internationalisation.

The Regional Office for Internationalisation, linked to the Globus offices which are present in every Chamber of Commerce, acts as a bridge between the financial and insurance services offered by Simest, Sace and the banks and other services offered by business organisations. The trademark and model of "Sportello Piemonte", Sprint, has also been adopted by other Regions, like Friuli Venezia Giulia, Emilia Romagna, Tuscany, Marche, Molise, Campania, Sicily. The sectorial Desks and "Antenne Piemonte" offer companies a crucial working reference abroad, in Bosnia (Zenica), Serbia (Belgrade), Brazil (Belo Horizonte), China (Peking – Chengdu, Shanghai, Weiai), South Korea (Seoul), Russia (Moscow), Argentina (Buenos Aires). Another important instrument takes the form of resources that the Region has made available for internationalisation until 2006 by drawing on structural funds: Docup 2000/2006 includes two measures to promote internationalisation, each divided into two lines of intervention.

In particular, intervention line 1.1.b (international promotion by economic sectors and geographical areas), which is under regional management, aims to be a driving centre for initiatives that may take a wide variety of forms, with the input and financial participation of the Province, Chamber of Commerce, Centro Estero, trade associations, Regional Tourist Agency. By making full use of these instruments, the strategic regional guidelines for internationalisation are achieved, thereby enhancing the following aspects:

- synergies and the confluence of all available resources towards large, broad-based projects
- reception of input from production categories
- inclusion of Smes in a training process that ensures greater confidence when entering foreign markets
- promotion of the whole of Piedmont as an area of excellence
- internationalisation seen as the company's capacity to establish roots in foreign countries through partnerships, joint-ventures or any other type of direct investment that helps to win a stable share of the market.

Alongside this, export policies aim to provide appropriate marketing to enhance the quality of products making them recognisable and "unique" on the market, and therefore unaffected by competition and price.

Regional public intervention also allows access to the widest possible range of information to ensure that companies can follow an optimising strategy, and allows them to identify other support and additional instruments so that small/medium-sized companies, which would otherwise be unable to afford the high market costs, can embark successfully on globalisation processes. This is all the more true in the case of new markets where public intervention, in the form of "accompanying" firms along a difficult path or one that takes very long time to complete, is sometimes essential.

The pursuit of these targets essentially depends on a combination of choices, which must be jointly coordinated in line with the methods and timing of European integration:

- simplification and streamlining of administrative procedures
- support for Smes undergoing necessary modernisation and throughout the internationalisation process
- promotion of local and regional development factors
- preparation of legislative reform measures for the sector, consolidating the transition of skills and functions to the Regions and Local Authorities, and providing appropriate means of incentive and backing for investments
- adoption of criteria to monitor and verify the effects of regulations in this sector, in order to ascertain the validity of strategies and the tools used to implement them and to draw up measures to correct the results obtained.

The aim, therefore, is to build a new framework of opportunity that rewards efforts at qualification. The Regions are now faced with the new prospect of multi-regional projects that focus on the complementary nature of regions and products, and offer foreigners a complete and specialised picture of the country.

This is an effective measure against the pulverisation phenomenon affecting interventions in the most interesting markets.

The experience of the “Italy in Japan” trade fair, in which ten Regions were involved as a result of Piedmont’s commitment, or other initiatives focusing on fine foods and wine, in particular in Canada, Russia, Uk and Belgium, make it clear how important coordination between different organisations is in these situations. Internationalisation is a complex subject.

On the one hand, it calls for the maximum concentration of public resources, in synergy with private companies, on those sectors and countries that require the greatest investment to achieve the best results, and, on the other, it needs constant dialogue with the region and its specific traits to identify new opportunities and to support them with the least bureaucracy and most efficiency (the right service and funding at the right time).

In 2003 alone, regional intervention based on the current laws enabling promotion (Regional Law 32/87, Regional Law 25/96, Regional Law 21/97, Law 83/89, Law 84/2000) allowed 101 projects to be carried out involving 83 subjects, amounting to a total of 4,316,755 euro. Instead, Docup funds (in 2002 and 2003) were used to finance 41 projects with a total value of 7,065,385 euro. This budget is not exceptional (if you think that a single advertising campaign for one product can cost tens of millions of euro), but it is sufficient to stimulate and support companies, hypothesising the increasing identification of strategic lines in the future that will select three or four broad choices for intervention which will then be the focus for promotional activities. This means that the instruments used to tackle periods of crisis, such as the present, will become increasingly incisive and will allow final assessments to be made of the importance of public intervention in situations where market rules are increasingly difficult, obliging small and medium-sized companies to make greater efforts to adapt and requiring the support of all institutions.

2.3 THE INTERNATIONALISATION STRATEGIES OF SMES

Edited by *Roberto Panizza* - Full Professor of International Economics the University of Turin

THE DIFFICULTIES OF ADAPTING INTERNATIONALISATION THEORIES TO SMALL AND MEDIUM-SIZED ENTERPRISES

Internationalisation strategies, once the exclusive domain of large companies moving towards a growing expansion into world markets, are today of direct relevance also to small and medium-sized enterprises (Smes) for a series of reasons, primarily the weak economic conditions now affecting the European and US economies. This phenomenon is particularly relevant for Italy which is characterised – as a unique case worldwide – by a system of Smes that can be described as “pulverised”, but which accounts for over three-quarters of Italy’s industrial output. As prophets of doom, economic commentators had predicted not only extremely severe difficulties but, furthermore, the impossibility of the Italian system of Smes becoming internationalised against a global background of multinationals, which appeared to dominate the markets and deter any medium-sized competitor. In practice, however, our Smes have shown enormous determination and have penetrated foreign markets, not only on the more traditional level of purely commercial export activities but also at the more challenging levels of direct

foreign investment, the decentralisation of production or the stipulation of joint-venture agreements with foreign companies.

As highlighted by the draft agreement instituting this Report, raw and insufficiently digested data often help to define an unrealistic picture of the presence of Italian companies abroad, because they are limited to an analysis of export figures or market shares held by the latter without highlighting the real forces within world markets. In practice, falling exports and shrinking market shares may conceal an active policy undertaken by Italian companies to move production facilities abroad and penetrate foreign markets which, as a result, boosts the volumes exported by the host country and diminishes those from Italy.

Ice-Istat figures from the 2003 report on "Italy in the International Economy" show, for example, that Italian companies have brilliantly overcome the challenge represented by other European businesses in new markets, and also those in emerging countries or in the Far East. The market shares held by our country have certainly fallen in European markets and in the United States. Apart from a few specific cases in which they have been replaced, for example, by Chinese companies or those from the Far East, Italian companies have won leading positions (a prime example can be found in countries belonging to the former socialist block).

For this reason, the most severe losses can be ascribed almost exclusively to shrinking demand at home and, in the most industrialised countries, to the results of the global crisis.

On the other hand, Italian companies, renowned for their dynamism, have been prompted to turn increasingly to internationalisation precisely because of the difficult economic climate, moving towards new markets predominantly located in the most recently industrialised countries.

The increasingly pressing need for Smes to define new strategies on global markets makes it necessary to reformulate a theory of internationalisation that also includes smaller businesses. Until now, internationalisation has been mainly studied in relation to multinational companies with a consolidated presence on world markets: these studies have analysed the use of oligopolistic advantages or radical product innovation, they refer to the capacity of multinationals to internalise foreign markets, they highlight the international transfer of much larger production functions compared to those of rival companies, and they stress the existence of major competitive advantages within the distribution system and in terms of customer assistance. This type of approach is difficult to apply to companies that do not have the same characteristics as multinationals and is therefore of little value for gaining an understanding of the internationalisation strategies adopted by Smes.

Multinationals expand by using strategies based on establishing a worldwide network of control and supremacy in the production sectors of interest to them. Smes, on the other hand, operate using very different forms of logic and, in some cases, are prompted to choose an internationalisation approach for reasons that are often fortuitous.

THE TYPES OF SMALL AND MEDIUM-SIZED ENTERPRISES THAT FOLLOW THE PATH OF INTERNATIONALISATION

Several regional studies have shown that over 70% of companies currently develop their own internationalisation process with exclusive reference to the distribution and sale of their products abroad, namely by resorting to export.

In other cases, the remaining 30%, the penetration of foreign markets by Smes is backed up by other kinds of presence, like the stipulation of collaboration and partnership agreements, the decentralisation of production, and direct foreign investments.

These new forms of presence increasingly often involve the production sphere rather than the purely commercial sector.

In this context, and on the basis of the strategies pursued, we can identify various types of small and medium-sized enterprise present on international markets.

Some companies decide to operate in foreign markets as a result of occasional or particularly favourable circumstances: these represent a small minority, although the companies in question often have the potential to develop their activities systematically on an international scale. The export distribution channel used by these companies is primarily based on direct sales. Other companies, on the other hand, achieve a stable and consolidated presence (successfully building up a large market share in some cases), but concentrated on a single market or a very limited number of markets. Their vision is relatively narrow and their prime goal is to defend their original niche position.

Lastly, some companies try to structure their presence abroad differently using a multiplicity of approaches, flanking purely commercial export activities with production-related initiatives, like the creation of new business structures in foreign markets.

Irrespective of the type of Sme that decides to redefine its presence at an international level, the recent transformations affecting all world markets, which we can summarily define as globalisation, call for a much more original approach than these openings towards new outlet markets. This means that nothing must be left to chance, as was the case when the decision to export could virtually be attributed to a residual choice, once domestic demand had been met. Nowadays, when a company decides to follow the path of internationalisation it involves every sector and phase of the corporate process, and its completion influences the entire corporate system. As a result, the support strategies for the internationalisation process cannot focus solely on the final phase of a company's presence in foreign markets, but it must start upstream and involve all the segments of the production process without being partial or reductive. When an Sme decides to embark on the internationalisation process, it has to define interventions affecting the different variables within the corporate reality, starting with human resource training, the procurement of production factors, sourcing financial resources, as well as updating technology and constant process and product innovation.

This complete involvement of every aspect of production and organisation creates the effective conditions for stable and permanent access to new world markets.

This challenge must be tackled by creating a new way of conceiving the company, endowing it with a structure that enables it to act in the new and increasingly integrated reality of global markets. To achieve this, local enterprises, which are rooted in an area that they know inside out, characterised by clearly defined boundaries, must be persuaded to operate in a global context. A new organisational structure must be defined for this purpose, equipped with the appropriate human and material resources for the task, as well as constantly updated technology and innovation, in order to ward off fierce competition from companies that are often larger and have made internationalisation the prime goal strategic goal of their business.

THE DIFFERENT PHASES OF THE INTERNATIONALISATION PROCESS FOR SMALL AND MEDIUM-SIZED ENTERPRISES

Given the lack of an adequate theory of internationalisation, it is important in the case of Smes to identify the stages of the process that will accompany them onto international markets.

In this context, we can define at least four successive phases that must be completed to ensure that the process of opening up to new markets is adequately fulfilled.

Initially, it is worth studying the new management architecture of a company that decides to become internationalised, not only through occasional sales but through the systematic presence of its products on foreign markets: the reorganisation of the head office, which must achieve the economic, technical and functional feasibility of the new strategy, identifying the specific internal resources on which to rely or using specialist support resources.

The identification and selection of foreign partners, as agents, distributors or partners, for the new activities that have been created also forms part of this phase.

At a second stage it is important to focus efforts on re-elaborating access routes and possibly consolidating the presence of Smes on foreign markets: this should allow the firm to become firmly established, on a long-term basis, within a very different territorial reality compared to its original setting. This presence is primarily expressed in the following ways:

- support and promotion for the sale of goods and services through export
- implementation of sales agreements relating to the distribution of exported products
- creation of partnerships for technological cooperation in order to enhance the company's technical assets
- definition of joint ventures with foreign companies for the joint production of goods and services abroad
- direct foreign investments aimed at setting up subsidiaries or production plants abroad.

With regard to the first point, namely supporting export activities, companies require the traditional policies of product support and promotion, including initiatives that facilitate their attendance at fairs or specialist sectorial events. In these cases, it is important to define how foreign opportunities are discovered and, possibly, how to create occasions for meeting new clients. Moreover, it is worth providing the assistance of an export specialist, able to assess the opportunities and define strategic choices, in order to access more efficient market channels.

At the third stage, once the working architecture of the internationalisation operation has been set up, it is important to create the conditions for its optimal management over time: this phase mainly involves the painstaking and constant search for information about the foreign market in question and, possibly, about the selected partners. The continuous monitoring of the market and the internationalisation process of the company is essential to ensure that the operation involving its presence on foreign markets is long-lasting, in view of the constant and abrupt changes taking place on the international scenario, which risk catching the small business offguard as it embarks on its own internationalisation process. All this presupposes that companies are able to acquire the necessary resources to allow systematic communications with the foreign market and their own partners. These communication systems also ensure that strategies for the company's presence on the market are constantly adapted in the light of unforeseeable changes.

Lastly, during the fourth stage, the company must be helped to access research on process and product innovation, an aspect that is crucial when a local enterprise abandons its own niche position in the domestic market and penetrates foreign markets: the former situation, in fact, does not require the constant updating of products, given that the competition is less cut-throat. However, when the company decides to penetrate foreign markets, it is suddenly exposed to global competition. Its survival is only guaranteed by a constant process of innovation. The personnel training provided by the company must also be permanently updated in response to ongoing changes. To an even more pressing degree compared to the needs of companies operating solely on the home market, this requires financial support to undertake the task of constant adaptation and innovation.

As a guarantee of the soundness of the project, the banks can rely on the fact that the local company does not operate in isolation but within a system involving other companies, chambers of commerce and local organisations.

This is a brief summary of the four phases that accompany the opening up of Smes to international markets. These are very demanding and expensive procedures, which Smes are hardly ever able to tackle alone and they therefore need the intervention of external structures specialising in these tasks.

THE NEED FOR INTERVENTIONS TO SUPPORT THE INTERNATIONALISATION STRATEGIES OF SMALL AND MEDIUM-SIZED ENTERPRISES

Smes are faced with a twin approach in order to resolve this situation of potential weakness: on the one hand, they can undertake initiatives of a purely private nature, like, for example, signing agreements to set up consortiums to export particular products; or, on the other hand, they can coordinate internationalisation interventions with public support, in order to increase their efficacy. However, given the traditional reserve of Smes, it is unlikely that they will spontaneously undertake to sign agreements among themselves.

This leads, on the one hand, to the need for institutions like the Chambers of Commerce or local authorities, such as Regions and Provinces, to specify interventions in order to help Smes to give themselves a global structure, which is necessary during the various phases of opening up to foreign markets.

Smes must be aware that it is important to think in terms of systems of companies and not individual isolated operators, each with their own individual strategy. It is, in fact, unimaginable that interventions could be planned for individual companies: the latter must give up their traditional individualism and move using the logic of a multinational system. Only a radical change of mentality can assure the transition from an occasional presence on foreign markets to one that is systematic and coordinated.

However, before making a detailed examination of the individual services offered to the system of companies, it is important to note that Smes in general require, above all, “proximity” support for lesser known and more distant markets, and support programmes aimed at companies starting a systematic policy of opening up to these markets. Instead, those companies that are already present abroad require interventions aimed at consolidating this presence, and if necessary encouraging delocation processes for their production activities.

As mentioned earlier, the more these initiatives are coordinated among themselves, the greater chance of success they will have. To do this, it is important to set up a network within which the initiatives of individual companies are coordinated and integrated, through the intervention of institutions like the Institute for Foreign Trade and the Chambers of Commerce, as well as specialised institutes belonging to the Regions or Provinces. All this entails the preparation at a regional or macroregional level of a plan of action aimed systematically at raising the quality standards of the service, and intervening at the weakest points of the network in order to improve them. The construction of this network should reinforce the efficiency and efficacy of the promotion system not only for export (at a purely commercial level), but also to encourage production delocation in all its various forms.

A first step in this direction aims to strengthen the associative structures, above all between individual micro-enterprises brought together by an identical internationalisation project: these enterprises are perfectly aware of the difficulties they will encounter when they have dealings with large foreign distribution networks and large markets characterised by completely different customs and practices compared to ours. Increasing coordination is required between trade associations, specialised bodies working within local authorities, and above all a more systematic collaboration between the main institutions supporting internationalisation, like the Chambers of Commerce, the network of foreign Chamber of Commerces and the Institute for Foreign Trade, already linked by systematic collaborative relations. It is superfluous to emphasise that the more coordinated these initiatives are, the greater their chance of success.

In particular, there is a tendency nowadays to rediscover the role of “economic diplomacy” within the regions, aimed at providing decentralised cooperation for the benefit of companies, accompanying them as they move between global markets. In this sense, the Regions above all coordinate the “positive external features” present in the area of origin, conveying them to those companies wishing to internationalise, and secondly, they encourage the signing of international agreements and the collection of systematic information to back these up.

THE TYPES OF INTERVENTION UNDERTAKEN BY THE REGIONS AND THE CHAMBER OF COMMERCE SYSTEM FOR THE INTERNATIONALISATION OF SMALL AND MEDIUM-SIZED ENTERPRISES

Based on what has been said until now, it can be inferred that the challenge represented by small local enterprises to global markets, the domain of the large multinationals, can only be successfully accomplished through a public-private agreement involving, on the one hand, regions, research institutes and chambers of commerce, and on the other, the companies. These interventions by public bodies and the institutions that collaborate with them, should pursue the following goals:

- enhance the manufacturing, technological and training resources in the region, which can usefully be used to support internationalisation processes
- promote a regional policy to support the competitiveness of companies by facilitating access to research-innovation and to production factors that are strategic for increasing competitiveness, and providing constant updating of training for personnel intending to work at an international level

- pursue a strategy of active integration between the various institutions in the region, acting as a catalyst for companies, research centres, universities, polytechnics and banks, in order to facilitate the inclusion of local companies in key global economic and trade flows
- elaborate a strategy of internationalisation aimed at interventions, upstream, within the region, and downstream, in foreign outlet markets, which promote, on the one hand, the global position of local business systems in advanced economic areas and, on the other, decentralised cooperation aimed at emerging areas and developing countries
- sign agreements and understandings concerning particular market areas to promote trade initiatives or encourage the decentralisation of manufacturing by regional companies: the choice of these areas should be justified by the breadth and potential of the market they represent, as well as by the distance and difficulties presented by these markets, owing to their complexity, to companies wishing to open up to them.
- facilitate the access to ordinary and subsidised funding, aimed at supporting internationalisation processes
- develop a system of regular monitoring for all companies, their internationalisation processes, and destination markets.

In concrete terms, as can be seen from the points listed above, the regions and the Chamber of Commerce system should coordinate their initiatives in order to provide the working tools to accompany the “diaspora” of local companies within global markets.

Of course, the need for services relating to internationalisation assumes different connotations depending on the requirements of individual companies. In particular, smaller companies demand more services to support the promotion of their products on foreign markets, like support for attendance at fairs and other exhibitions, the creation of targeted contacts and the provision of soft loans for export, while larger companies mainly need market information to enable them to make motivated strategic choices.

Moreover, the larger companies need institutional support in some markets, particularly those that are further away or more difficult.

However, bearing in mind this varied range of requirements, it is possible to define the services most frequently requested by the corporate system:

- systematic information on market regulations, the business opportunities that these offer, the list of international tenders, notice of fairs held periodically in different markets; these goals all form part of the Extender project
- recourse to the consultancy sector through assignments and tutoring, with the help of cofunding by local authorities and temporary enterprises set up by the latter as export specialists
- easier access to ordinary and subsidised funding, aimed at supporting internationalisation processes
- a support policy for setting up export consortiums both for promotion and sales, in order to accompany companies entering new foreign markets for the first time and transacting their first sales: this should also promote the specific identities of regional production in new areas
- promotion of business networks aimed at making the different regional economic realities interact in order to assist the process of manufacturing delocation

- the expansion of the It system by sending regular and updated information to companies and setting up interactive on-line advisory systems: entrepreneurs always want to be informed about the characteristics and changes affecting the markets in which they operate and also about events affecting their partners
- the creation of targeted occasions to make contact with foreign counterparts to whom they export, or who represent suppliers or subcontractors who might accept some of the production processes (potential partners with whom to draw up alliances or joint ventures).

This is a concise summary of the system of services demanded by the most dynamic companies embarking on an internationalisation process. The commitment shown until now by companies and by the institutions that support them during the demanding challenge of penetrating foreign markets has not been in vain, even if it is important to state that this is only the beginning and it cannot be said that the most important interventions have been completed. However, based on data gathered at a regional level, it is worth noting that about 30% of the Smes that have embarked on this approach have adapted to new markets, consolidating their position through a number of forms that almost always involve the delocation of production, thus enabling them to generate increasingly larger shares of their turnover abroad, at much lower costs. All this is possible if the local company, even if moderate in size, is helped by a variety of structures (government, regional, chamber of commerce) to define and formulate strategies in global terms: this explains the recent coining of the neologism “global company”, namely one able to act on a worldwide horizon thanks to the organisational, technological and innovative level assured by public and institutional interventions, while continuing to be rooted in a well defined and geographically circumscribed territory. The success of the “global company” represents the challenge mounted by local micro-enterprises to the large multinationals that dominate markets in the era of globalisation.





Altair Engineering
Via S. Luigi 18/20
Orbassano (TO)
www.altairtorino.it



CASE STUDY "A"

Edited by Itp - Investimenti Torino Piemonte - *Giuliana Zanoletti*

Altair Engineering is a Us multinational that has been present on the market for nearly twenty years in the sector of design and virtual testing. In Italy it chose Turin as the location for its general headquarters and it has two other operating bases in Lecce and Milan.

Altair is an engineering-house whose core business consists in supplying new solutions for engineering problems to contribute to the spread of wholly optimised production processes, a goal that it achieves thanks to the vast range of advisory services offered, as well as software tools for structural engineering: Altair® HyperWorks®, an integrated packet of codes for Cae is the main example.

The company is also engaged in R&D programmes through which it has constant access to the most advanced levels of technology used in this sector. Altair Engineering enjoys consolidated partnerships with a number of strategic Oem clients aimed at developing solutions dedicated to specific calculation requirements by elaborating complex projects and personalising software applications (Process Automation): Fiat Auto for the Italian market and General Motors for the Us market are two of its main clients, together with their relative ancillary companies. Some of the company's areas of excellence include structural optimisation (topological, topographical, form and dimension), metalforming (feasibility analysis, method development, simulated press-work and the design of dies for sheet metal components), highly non-linear analysis (crash) and passive safety, and multibody (kinetodynamic analysis of complex mechanical systems).

Altair Engineering is structured on a geographical basis and is closely linked to the location of the major car manufacturers, to which it traditionally targets the widest range of services offered. However, thanks to its competitive edge in terms of cost and very high quality services, the Italian head office (www.altairtorino.it) also works with foreign markets, in particular for die design.

To capitalise on its own know-how, Altair aims to enter markets other than the automotive industry, offering consultancy and services not only to companies in the aerospace and railway sectors, where Cae has already been present for years, but also in new sectors.

In particular, the household appliance, electronic, chemical, machine tools and automation sectors, as well as industrial vehicles and packaging, science and medicine. In many cases, the use of advanced design technologies is still at the start-up or experimental stage, and the presence of often extremely sophisticated 3D modelling tools (Cad) is regarded as the attainment of a frontier that is already satisfactory and "modern".

The message to be conveyed to these partners is that of a structured and virtuous series of benefits deriving from the adoption of numerical simulation technologies: this is not translated as the "detached" supply of calculation software, but rather the offer of methodological support and operative engineering advisory services to stimulate and accompany the evolution of the designers' mentality towards the maximum optimisation of production processes.

Altair Engineering, which employs a 700-strong workforce worldwide, provides jobs for 70 employees in Italy, in addition to the 50 who work in the Turin head office.

CASE STUDY "B"

Edited by Itp - Investimenti Torino Piemonte - *Giuliana Zanoletti*

Johnson Controls is one of the leading international companies in the car equipment sector and also provides technical infrastructures for construction and building automation.

In the automotive sector the company is one of the largest suppliers of car seats, internal equipment and batteries. Johnson Controls (New York Stock Exchange: Jci) was founded in 1885 and its head office is in Milwaukee, Wisconsin. The European head office is located in Burscheid, Germany. The company's global turnover for 2002 amounted to 20.1 billion Us dollars, 15 billion of which are generated by the Automotive Systems Group. In the current classification published by "Industry Week", Johnson Controls has been ranked for the fifth year running as one of the world's 100 best managed companies.

JOHNSON CONTROLS IN PIEDMONT

In 1999 Johnson Controls – which has been present in Italy since 1969 with offices in Milan, Rome and Padua – was looking for a site for the new production plant to be opened.

A number of possibilities were weighed up. In particular, during this first phase, Piedmont was competing against other European locations in Catalonia and Germany, above all in terms of costs and the chance to obtain subsidies.

Through its own development agency dedicated to attracting foreign investment (Itp Invest in Turin and Piedmont) Piedmont presented its candidacy to host the plant for the American multinational. A fund raising opportunity was organised to support the investment and the possible levers were identified for personnel training.

Thanks to a location proposal that met the company's manufacturing and logistics requirements (the building in question belonged to a local company in receivership which was taken over by Johnson Controls, proving mutually beneficial in terms of costs and advantages involving the re-employment of part of the staff), Johnson Controls decided to locate in Piedmont and received help in identifying the best incentives and during the contractual stages, as well as in obtaining permits.

The company has built up a good network of relations with the local economic and institutional community and it is evidently satisfied with its choice of Piedmont. In fact, one year after the opening of the plant, Johnson Controls has transferred its Italian headquarters from Milan to Turin; an operation that was carried out within a short space of time, also thanks to the collaboration of local institutions.

Johnson Controls is now present in Piedmont with a manufacturing plant in Grugliasco, which produces top-of-the-range car seats and employs 150 workers, with an annual turnover of over 40 million euro. Its central headquarters in Rivoli also designs and develops all the products manufactured and sold by Johnson Controls in Italy.

As well as car seats, the company is also present in the door panel sector for which it is the principal supplier to the Fiat Group on all major models produced by the Turin-based car manufacturer. The Rivoli headquarters is staffed by about 80 employees, fulfilling all the core functions of Johnson Controls Italia. Given the current situation of the automotive market in Italy, and especially in the Turin area, the company has no plans to take on new workers or embark on new investments. However, Johnson Controls still intends to consolidate its presence in Piedmont and to take advantage of new opportunities that the market may offer in the near future.

JOHNSON
CONTROLS

Johnson Controls

Seating Plant

Via Scoffone, 3

Grugliasco (TO)

Johnson Controls

Head office

Corso Francia 155/A

Cascine Vica, Rivoli (TO)

www.johnsoncontrols.com



Colt Telecom S.p.A.
Environment Park,
Via Livorno, 60
Torino
www.colt-telecom.it



CASE STUDY "C"

Edited by Itp - Investimenti Torino Piemonte - *Giuliana Zanoletti*

Founded in 1992 by Fidelity Capital, the largest fund manager and investment management group, within the space of just ten years Colt has become the leading European fibre optics operator and provider of solutions for business communications. It has been awarded a total of 41 prizes for the excellence of its service, including the prized World Communications Award which it has won three years running.

Colt is listed on the London Stock Exchange (Ctm.L) and on Nasdaq (Colt) in the Us.

The company uses modern metropolitan networks in all the main European technology centres, connected by a 20,000 km network of fibre optic cables, the Ip Colt EuroLan network, linking the individual metropolitan area networks of each city. The whole network is fully owned and managed by the company itself.

Colt produces a vast range of technologically advanced telecommunication services for businesses: data transmission, e-Business services, voice telephony and xDsl.

It owns and manages metropolitan area networks in 32 European technology centres in 13 countries, with an average of 250 km in each city, and it accounts for more fibre optic networks in more buildings, and in more countries than any other direct competitor in Europe.

In 2002 the Colt Group reported sales worth 1.5 billion euro (+13.9%). According to a study carried out by Morgan Stanley, Colt is the company with the most extensive fibre optic network in cities (approx. 5,000 km) and the greatest number of cabled buildings (9,000).

COLT-TELECOM IN PIEDMONT

The contact with Colt-Telecom dates back to the time when various companies identified Italy, and some Piedmont, as an outlet market for the introduction of fibre optic cables and their relative services. Key factors leading to the choice of Turin were the presence of a potential market represented, above all, by the large manufacturing companies, banks and insurance companies; the city's position on the East-West Euro-Mediterranean axis; the identification of favourable conditions within the city for the launch of the first host farm in Turin, together with the high skills base and relatively low costs of personnel.

The management of Colt-Telecom has repeatedly expressed considerable satisfaction with its choice of Turin where, for an equal length of cabling laid, it has proceeded three times faster than in Milan, in particular as far as concerns permits, authorisations, constraints and the helpfulness of the Public Administration. *"From 1999 to the present, Colt has invested 90 million euro in Turin",* said Davide Suppia, Chief Executive of Colt, *"and we have succeeded in cabling the entire strategic area of Turin, stretching over some 150 km. These rapid cabling times would not have been possible without the valuable support and organisational excellence of the local Public Administration".* Itp played a major role on behalf of the company, above all in terms of building a system of relations, providing assistance to identify location solutions (the Technology Park Environment Park), relations with local institutions, information regarding cost-effectiveness, collaboration in attaining targets to meet the company's timing, and providing assistance to give greater visibility to the investment.

Colt has become well established in the region, where it has continued to develop and has also joined forces with other companies in the Topix (Torino Piemonte Internet Exchange) Consortium to create a Nap-Neutral Access Point (a first level access node to Internet).

Topix, promoted by Itp, represents one of the strong point for the creation of the new European Ict pole in Turin, flanking and being fully integrated in the synergies of the "Torino Wireless" project system, the nerve centre of the network and the protagonists for the development of "wireless" technologies, capable of sustaining all strategic sectors in the economy and Public Administration.

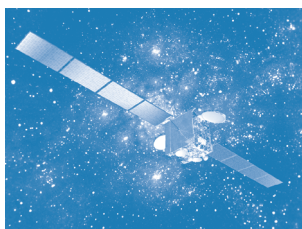
In September 2003 Colt officially launched its own commercial Wi-Fi offer, making the first Piedmontese hot spot at the Hotel Le Meridien in Turin. *"We are heavily committed to the Wi-Fi project"*, Davide Suppia declares, *"and by the end of 2004, we expect to have about thirty hot spots in the Piedmontese area alone."* *"Moreover"*, he added, *"we are committed to expanding the offer also to small and medium-sized enterprises."* For this pan-European company, the launch of Wi-Fi in Italy is a pilot project that sees this new technology as an optimal extension of its broadband telecommunications service able to offer users a high-speed connection to the Internet now also using wireless technology. The company's expansion plan foresees the creation of a dozen hot spots, involving investments of approximately 1 million euro, in Rome, Milan and Turin, aimed at the prime target in the form of hotels, conference centres, airports, universities; according to a study undertaken by Colt during the experimental stage of the service, these places were found to be particularly receptive to this new technology.

By the end of 2004 the company expects to have created about a hundred hot spots, throughout Italy, also offering the service to game centres, museums, libraries and railway stations. Investment levels for the coming year will total around 5 million euro.

Colt's Wi-Fi service differs from others available on the market in view of its band scalability which assures high-speed navigation also at times of high-peak usage of the service (e.g. in the Conference Centre of a hotel). In addition, as a pan-European broadband operator, Colt provides connections to leading European peering companies, making web navigation using Wi-Fi access genuinely fast.



Eutelsat Skylogic Italia srl
Strada della Manta, 24
Torino
www.eutelsat.com/skylogic



CASE STUDY "D"

Edited by Itp - Investimenti Torino Piemonte - *Giuliana Zanoletti*

Eutelsat, one of the world's largest satellite operators, has its headquarters in Paris. It operates through subsidiaries in the United States (Eutelsat Inc.), Brazil (Eutelsat do Brasil) and Italy (Skylogic Italia). It also has a commercial unit in Germany. Eutelsat has opened its first European branch office in Turin. The new company, Skylogic Italia srl, provides a complete range of professional services for businesses, trade associations, public bodies, operators, and Service and Content Providers.

EUTELSAT IN PIEDMONT

The first contact with Eutelsat took place in 2000, just before the company was privatised in June 2001. Eutelsat has always been very interested in relations with Italy, which represents its largest market since it provides services and capacity to all the national broadcasters and bouquets for payment. Eutelsat already had a foothold in Italy to provide support communications to its commercial development, whose operating centre is in the North East, also because this is where the major manufacturers of satellite reception equipment are based. On the strength of this positive experience, Eutelsat decided to choose Italy as its centre for the provision of broadband services via satellite. After contacting Itp and having studied the proposals drawn up by the Agency regarding links with reference bodies on the local market and the provision of financial support for the teleport (which had not been taken into consideration by other areas), Eutelsat decided to choose Turin where the presence of R&D centres run by the Politecnico, the University of Turin and T-Lab, Telecom Italia's research centre, represented additional plus factors. Another important factor in the equation was Turin's advantageous geographical position, both for its vicinity to France and for its accessibility to the fleet of Eutelsat satellites.

Eutelsat therefore decided to set up its first "foreign" company in Europe, Skylogic Italia, in Turin, the host city for the 2006 Winter Olympics which will generate a substantial increase in telecommunications traffic in the regional capital and its hinterland. The company is incorporated under Italian law and was assisted by Itp throughout the process of simulating its Business Plan (prefeasibility), identifying the nature of the new company and its incorporation. The Skylogic Italia platform located in Turin complements and boosts the multimedia offer proposed by Eutelsat through its technological structures based in Paris. This means that Eutelsat's services are enhanced both in quality and quantity, in an area of dense industrial development like North West Italy.

Apart from the natural user basin (in terms of proximity) available in the industrial regions of North West Italy, thanks to the extensive cover provided by Eutelsat satellites, Skylogic services can also be used anywhere in Italy, Europe, the Mediterranean basin, the Middle East and in South America.

Six months after locating in Turin, through the initiative of Itp and the local system, and thanks to contacts with Colt-Telecom, Csi etc., Eutelsat took part in setting up Topix, Torino Piemonte Internet Exchange, an initiative that contributes to boosting the visibility of Turin and its position on the international marketplace. Eutelsat's participation as a founder member of the Topix Consortium gives Skylogic preferential access to Nap (a first level access node to Internet) in Turin.

In 2003, through the initiative of the Province of Turin, Skylogic and Csi-Piemonte signed a contract to create a digital satellite network that will integrate and complement the traditional narrowband connections. This is the first agreement in Italy between a satellite operator and a public It consortium (Csi-Piemonte) to supply broadband access via satellite to the Public Administration. In view of its strategic choice and the contribution made to the development of Piedmont, in particular in the telecommunications and advanced technology sector, Itp awarded Eutelsat the Greenfield Prize for 2001.



Gruppo Formula S.p.A

Cascine Vica, Rivoli (TO)

www.gformula.com

Start of business

1972

Turnover 2002

70 million euro

Workforce 2002

Over 600

Exports as (%) of turnover

11%



CASE STUDY "E"

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

Gruppo Formula S.p.A. started business in 1972. It has grown over the past thirty years, building up experience and expertise that have enabled it to restructure in order to penetrate foreign markets.

The company studies and produces packaged software solutions for small and medium-sized companies operating in various industrial sectors; in other words, it designs, produces and distributes management software for companies whose core business comprises: Erp, Scm, Crm and Dw. For those not specialised in this sector, these are the abbreviations used by international market analysts to identify areas of application.

More specifically:

- Erp – management software used to coordinate and control the company, from accounting to warehouse management and production
- Scm – software wholly developed using Internet technologies, which covers the needs arising from supply relations
- Crp – solutions used to manage customer relations Sales Central (used in salesforce management); Marketing Manager (management of market opportunities); MaintenAct (for maintenance specialists engaged in work on client's premises)
- Dw – data analysis solutions developed using Business Object technology.

The Formula Group currently boasts over 600 customers in Italy, at least 80 of which are in Piedmont, and about 50 abroad. Some of the best-known names include: Breed, Arvin Meritor, Sutter, Aurora, Alpitour, Dea, Farid, Icsa, Graziano Trasmissioni, Officine Cornaglia, Util, Vir, Weruska & Joel. Formula Group started its first dealings with foreign markets by distributing products through local dealers and supplying after-sale services to the representative and to Italian clients in the country.

The systematic and structured internationalisation process only began recently, starting in 2001 in Spain, using a development policy that follows two complementary routes: on the one hand, the possibility of offering a full service to Italian companies requiring international support, and on the other, through the activation of these factors, the organisation of a local representative able to provide a growth channel in the market of the country in question.

Within the space of two years, after the positive conclusion of the first operation in Spain, the Formula Group rapidly set up representatives also in Portugal, Benelux, Romania, Poland and Venezuela. Looking to the future, the company expects to be able to offer its services also in Nafta (Usa, Canada and Mexico), China, Slovenia, Uk and Dach (Germany, Austria and Switzerland).

THE SUCCESS STORY

Spain represents the highest user basin in terms of clients that Formula Group has in Italy and the need to guarantee support and rapid, efficient assistance prompted the company to sign a technical collaboration agreement in 2001 for distributing software in the country.

Within the space of six months the Formula Group stipulated an agreement leading to the creation of relations with a local company that would start up and manage an agency able to provide support to Formula's corporate clients in Spain, but also capable of autonomously developing the domestic market.

This type of operation has enabled the Formula Group to cut the times and costs required to provide assistance to its clients in Spain, also strengthening customer loyalty because, from the user's point of view, the security of relying on the support of local staff guarantees greater peace of mind. To achieve this, a process was followed involving the close examination of the two parties and the added value that would be generated by joining forces in the field.

In fact, while, on the one hand, the advantages for the Formula Group consisted in rapidly increasing its presence in the country, on the other the distributor, a small to medium-sized company, would immediately acquire a series of products in its portfolio, thereby expanding its penetration of the market.

The process of defining the collaborative relationship also raised a number of critical elements, primarily linked to what could be called "country image" given that, broadly speaking, an Italian software company finds it difficult to present itself abroad because Italy cannot claim "historical" expertise in this field. Moreover, the greatest problems concerned the ability to adapt the methods used to approach the market. These cannot be reduced to solely economic terms, but are affected by countless aspects: marketing, positioning, offering, delivery. Broadly speaking, criticalities arose in relation to: the creation of credibility or brands, references, institutional and business relations, as well as problems linked to different customs, including social customs.

In fact, Spain, although close to Italy in geographical and cultural terms, is characterised by different styles that can play a crucial role in the development of economic and commercial operations. What emerges from the experience of the Formula Group is that basically in this country, trust and reliability are "sold" during the negotiating stage, whereas the product itself is only assessed at a later stage.

Having reached an agreement, it was clearly then necessary to define a training programme for the partner covering the products and services that Formula Group intended to guarantee in Spain. Training is ongoing in relation to the various solutions that are defined. At present, the Formula Group in Spain mainly distributes the Erp solution, Diapason. The majority of end users are subsidiaries of Italian companies, like Flos, Fillattice, Polti, Sutter and Negrini. The company also continues to provide direct assistance to its Spanish users, but always tries to obtain back-up from local partners in order to expand the structure still further. Relations with its partner are ongoing and consolidated, and it is now seen as another of Formula's other subsidiaries.

In order to launch and manage this operation, the Formula Group contacted the Innovation Relay Centre Alps (a consortium coordinated by the Turin Chamber of Commerce, developed as part of the European Irc network, and 50% cofunded by the Dg Enterprise of the European Commission) which operates through the Centro Estero Camere Commercio Piemontesi, with the aim of using its services to promote their business management product (Erp).

Irc published the technology offer in the network database and the Spanish partner identified the offer as a potential technological solution for one of its clients.

San Valeriano

San Valeriano S.p.A

Strada Provinciale Carignano -

Virle km 5,7

Virle (TO)

www.sanvaleriano.it

Start of business

1947

Turnover 2002

32,5 million euro

Workforce 2002

206

Export as (%) of turnover

43,3

CASE STUDY "F"

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

San Valeriano Spa has operated in the automotive sector since the mid 20th century, acting as a direct supplier of moulded carpets and a subcontractor for non-woven and extruded textiles used in car interiors, luggage compartments and wheel arch liners. It now produces over 23,000 items for the automotive industry, and over 74,000 square metres of non-woven textiles every day. From the outset, San Valeriano has been actively committed to recycling and has created a product known as "Repol[®]", using recycling and regeneration methods for its own production scraps. A large volume of scrap is generated during the cutting and moulding stages of finished products; after the addition of raw materials, this can be re-transformed into a new material suitable for processing.

The company has invested 2.5 million euro in R&D over the past three years, and its 2003 turnover is expected to reach 38.5 million euro, with 50% of sales abroad. Its main clients include: Alfa Romeo, Audi, Fiat, Lancia, Mercede-Benz, Nissan, Opel, Peugeot, Renault, Suzuki, Volvo, Toyota.

Internationalisation activities started in 1992 by making contacts in the European market, more specifically in Belgium, and over the last decade these activities have expanded and diversified. San Valeriano currently exports to France, Germany, Uk, Poland, Portugal, Spain, South Africa, Sweden and Turkey, as well as to Belgium. The Turin-based company also has manufacturing plants overseas, in Mexico, and has experimented with the transfer of some technologies to Brazil. Throughout this process, the company has developed its own internationalisation strategies based on careful scouting activities, by attending numerous conferences, fairs and workshops in Italy and worldwide, giving priority above all to the management of contacts and relations with car manufacturers, the company's main clients, and also constantly evaluating the possibility of joint ventures in countries of particular interest.

Today, as it consolidates activities in the markets where it already operates, San Valeriano is also looking to China, United States and Iran.

THE SUCCESS STORY

In 1999 San Valeriano received the "nomination letter" in which it was assigned the supply of locary (internal bumper covers, wheelbox) for the New Beetle which is produced in Mexico, and exported all over the world. The strategy initially followed, namely the search for a local partner, failed to produce any satisfactory collaborations. Although they continued to evaluate possible joint ventures with local partners, the company decided to carry on the business alone by starting up a production site for preforming and finishing pressed parts, laying emphasis on its location close to the customer to ensure just-in-time product supply and to guarantee the necessary customer assistance with optimal response times. In 1999, this led to the founding of Saval de Mexico S.A. de C.V., based in Monterrey. However, the process leading to the start of production was particularly complex and costly, with unexpected difficulties that pushed the start of production back from 2000 to the beginning of 2002. Monterrey was chosen for its central position which appeared to present advantages: halfway between Volkswagen Mexico and other car manufacturing plants. It was later decided to move to Tlaxcala, subletting space and some activities from a supplier to Volkswagen Mexico, with which San Valeriano considered setting up a joint venture.



Following a successful meeting with the current plant manager, a new head office was decided in 2001, in Puebla, very close to the Volkswagen Mexico plant. This is where the workers were hired and all the necessary procedures were carried out, including certification with Volkswagen Mexico. The plant management is currently the responsibility of a trusted man with extensive powers and the sales sector has become increasingly autonomous by introducing a dedicated full-time resource.

Various aspects have had a negative influence, namely the lack of commercial, legal, fiscal and cultural information, the difference in mentality and customs with some difficulties in understanding, the scant number of commercial contacts, and the timing and methods of logistics which are extremely critical. Plant management also requires a complex structure because many activities (plant management, sales management, quality management) cannot be managed concurrently, let alone from Italy. Without including the practical factors, like the time difference and the geographical distance which can cause delays in response times and lead to difficulties of understanding.

San Valeriano acquired a new client (Volkswagen) through Saval de Mexico and permanently entered a steadily expanding market; moreover, Mexico is strategically placed between the United States and South America. It is no coincidence that the company is thinking of using the plant as a base to promote the sale of semi-finished products in the Americas (Usa and South America), and it is looking for a partner to start the production of semi-finished products directly in Mexico, in order to make the Mexican company complete autonomous from supplies from Italy and expand San Valeriano's market. In fact, the company is using a Simest loan to open a commercial agency in Mexico. This is an extremely important project for the future of the subsidiary and the parent company, which will also include the transfer of machinery and technology. In developing this operation in Mexico, San Valeriano has benefited from collaborating with various bodies, including Bancomext (National Mexican Bank which has 34 Bancomext centres in the Republic of Mexico, 42 offices and sales offices throughout the world; its aims include supporting the promotion, financing and development of Mexican foreign trade and investment projects in the country) which was useful to set up a network of relations and information. Ice has identified sources of funding, in particular Simest. Later, the company also used the services of the Centro Estero Camere Commercio Piemontesi to make contacts and attend fairs and conferences, in both Italy and Mexico. Some contacts turned out to be valuable, enabling the company to establish profitable relations. The company also pointed out that Sprint, with its extremely pragmatic updates and indications, represents a valid partner in the context of internationalisation.



Seven S.p.A.

Leini (TO)

www.sevenet.it

Start of business

1973

Turnover 2002

55 million euro Seven Italia;

69 million euro

aggregated Seven Group.

Workforce 2002

80 in Italy; 15 in Spain,

2 in Romania

Export as (%) of turnover

13% of aggregate turnover

Seven Group.



CASE STUDY "G"

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

The activity that made Seven a well-known brand both in Italy and abroad started in 1973, when the company, which was then a family-owned business known as Euroborse Snc dei fratelli Di Stasio, manufactured sports bags. These products were first of all boosted by mountain rucksacks and then by school rucksacks, which from 1981 were sold under the Seven brand (namely the number of Di Stasio brothers). In 1990, when the brand was already a well-known name, Euroborse was transformed into a joint-stock company. The company grew and quickly built up a reputation on the market, thanks to a number of clever guesses regarding product evolution aimed at the reference target, represented by children and young people aged between 5 and 14, and to a strategic development plan in terms of product innovation, marketing, advertising. Planning and correct choices allowed Seven to expand from a turnover of 7 million euro in 1993 to 55.5 million euro in 2002.

This exponential increase started in 1993 when, alongside the identification of growth opportunities in the Italian market, the process of internationalisation started through distribution to a number of countries including: Switzerland, Germany, Greece, Iceland, Malta, Croatia, Czech Republic, Russia, Slovenia, Saudi Arabia.

In this way, while Seven was committed in Italy to the development of diversification projects with new products under its own trademark and other brands, and to the expansion of its retail channel, abroad the company acted primarily through a policy of Europeanisation, identifying the most competitive manufacturing sources to create international collections.

The first significant step occurred in 2000 when a production plant was started up in Hungary, and one in Romania the next year. In 2002 Seven took over a company that distributed to Spain, France, Belgium and Portugal. Lastly, in 2003 Seven set up a coordination office in Hong Kong for production and distribution in the Far East.

THE SUCCESS STORY

With a view to distributing in Europe and becoming a market leader, Seven decided to set up manufacturing structures in Eastern Europe which would work alongside new commercial companies for distribution. Within the space of two years, Seven set up a number of production plants, belonging to associated companies, in two countries:

- the first in Hungary in 2000, with 70 workers; in this case Seven replicated the Italian model creating a project leader workshop that used specialised satellite workshops for individual processing phases
- three production units were opened in Romania in 2001, creating a total of 230 jobs, and were coordinated in terms of quality control by Seven Romania. In this case Seven implemented a new production model using a series of centralised structures where all the processing phases were completed.

This delocation policy reduced the packing costs for products made using Italian materials and made it possible to attack local markets and European markets in general with a wider range of products and trademarks, as well as more competitive sales prices.

It was obviously the high quality of products and their innovative design that allowed Seven to become a market leader in Italy and to win a high level of credibility, making it easier to obtain famous brand names (Kappa, Barbie, Fisher Price, Miffy, Dragon Ball, Beyblade etc.).

As can be readily surmised, it was not easy to embark on this programme; in the first place, it meant analysing the European market, above all from a marketing point of view. This analysis prompted a wider range of products through the realisation of international collections that matched the models and price brackets requested by individual countries. In particular, the main difficulties encountered by the project consisted of problems of an economic, socio-political, fiscal and distributive nature characteristic of each country and, of course, the identification of the most suitable partner.

In order to improve the future management of its brand name in Europe, Seven intends to set up commercial subsidiaries in a number of strategic countries through which it will monitor various geographical areas: in Hungary to control Poland, Czech Republic and Slovakia; in France for Belgium and Luxembourg; in Germany for the Netherlands, Norway, Sweden, Finland, Denmark; and in UK for Ireland and Iceland. By doing so, product development, marketing, finance and control, logistics, distribution etc. would remain centred with the parent company in Italy, optimising managing costs and guaranteeing coordinated evolution.

The completion of the project should allow the company to attain European leadership by 2005, with a turnover of over 120 million euro.

In developing the expansion project in Europe, Seven used the advisory services of the Centro Estero Camere Commercio Piemontesi to verify aspects concerning customs, tax aspects and constraints relating to exports, imports and production.

The importation of a product purchased abroad must comply with the principles of the Madrid Agreement regarding the use of "Made In", in order to protect the consumer by prohibiting false or fake indications of origin and provenance.

However, a number of custom solutions exist for components or semi-finished products that are shipped abroad to undergo processing and then subsequently returned, including the possibility of preserving ownership of the components.

This means that tax is paid solely on the "retribution for processing" when the goods are returned to Italy. Seven also used the support of the Export Office of Unione Industriale, of which Bruno Di Stasio is a director, for information regarding foreign investment opportunities and Eu and international regulations.

3.1 CONSTRUCTION OF A CONCISE INDEX OF INTERNATIONALISATION

Edited by Unioncamere Piemonte - Roberto Stocco

The construction of a concise index of internationalisation is a task that presents inevitable problems of standardisation and pre-arranged core hypotheses. Even internationalisation itself presents purely qualitative aspects that are difficult to sum up numerically. There is also a qualitative aspect, that is hard to measure, in phenomena which can be quantified precisely in numerical terms; this is the case of exports, for example: a numerical quantification can certainly be placed on the value of goods exported, but no precise definition can be made of quantity in terms of the volume of goods exported and also quality in terms of its innovative content, which makes it more competitive on international markets. Moreover, the importance of exporting a particular product acquires different values depending on whether we are talking about increased levels to nearby markets rather than the ex-novo entry into difficult but potentially important markets.

While taking these introductory remarks into account, it is impossible to avoid the methodological effort required to create a concise index (or several indices) able to monitor both the degree of local internationalisation and the path of international projection accomplished by the region. Having stated this, the researcher is faced right at the beginning with the dilemma of choosing the indicators: namely which variables to take into account and which to disregard on a scale of descriptive importance. The aim is to evaluate all the main facets of the phenomenon, in this case the internationalisation of Piedmont, at the same time avoiding any possible duplications and overlaps. The second difficulty lies in the mathematical model chosen to link the different variables and the way of showing this index (numerical, based on a graph, etc.). In this context, the researcher's sensitivity and discretionary powers are greater and could, in completely hypothetical terms, invalidate the reliability of the results.

The technical and scientific Working Group of the partner organisations for the Report on Internationalisation set another four "reference posts" or constraints for the construction of a concise index, in addition to the methodological premises detailed above:

1. *Correctness of data.* The model must use economic and statistical variables from reliable official sources and, if derived from sample surveys, must consider the possibility of evaluating the sampling and data gathering plan. Even if this seems obvious, the model must be fed with the correct data, failing which any further consideration is completely random.
2. *Repeatability over time.* The model must contain information derived from periodical surveys, repeated regularly over time. This constraint tends to rule out all otherwise interesting research that is irregular or performed on a one-off basis. The hypothesis underlying this constraint is that the index must be constructed at regular intervals to monitor the degree of internationalisation every year.
3. *Comparison with situations in other regions* The model and choice of variables must allow the degree of internationalisation in Piedmont to be compared with that in other Italian regions and with the national index, therefore carrying out a benchmarking study.
4. *Simplicity* The model must contain a limited number of the most important variables in order to facilitate updating and, above all, comprehension and interpretation.

The Technical and Scientific Working group has therefore identified the important strategic variables, also based on the multidimensional philosophy (economic and social) of the approach to the analysis of internationalisation.

The concise index of internationalisation (IseI) is made up of two subcategories and six basic indices:

- Index of economic internationalisation (IeI) which is divided into three basic indices:
 - Propensity to international trade of goods and services, calculated as the total imports and exports of goods and services in relation to Gdp (gross domestic product)

$$\frac{\sum (X + M)}{Y} \text{ where } X = \text{exports; } M = \text{imports and } Y = \text{Gdp}$$

This index, like those that follow, was also calculated for Italy, and assumed as being equal to 100. By taking Italy = 100 it is possible to make a comparison with Piedmont.

- Degree of attractiveness of Foreign Investments, calculated as the value of direct foreign incoming investments compared to Gdp

$$\frac{\sum Ide}{Y} \text{ where } Dfi = \text{Direct Foreign Investments and } Y = \text{Gdp}$$

This index was also calculated for Italy and assumed as being equal to 100.

- Foreign labour, both self-employed and dependent. This index aims to assess the percentage of foreign entrepreneurs (% of total entrepreneurs) and the number of job placements for non-Eu workers (% of total job placements). The arithmetic mean of the two indices was then calculated (with Italy = 100).

$$\frac{\text{Foreign entrepreneurs}}{\text{Total entrepreneurs}} ; \frac{\text{Non-Eu job placements}}{\text{Total job placements}}$$

- Index of social Internationalisation (IsI), also divided into three basic indices:
 - Presence of foreigners. This index is calculated as the percentage of foreigners against the total resident population.

$$\frac{\text{Foreigners}}{\text{Total population}}$$

This index was also calculated for Italy and was assumed as being equal to 100.

- International tourism. The index aims to evaluate the region as an international tourism destination, in comparison to Italy.

$$\frac{\text{Number of foreign tourists}}{\text{Total number of tourists}}$$

This index was also calculated for Italy and assumed as being equal to 100.

- Destination for international relations. This index aims to evaluate Piedmont as a place of departure (or arrival) to (or from) international destinations. One available source of information is the statistics for passengers arriving/departing on international routes from "Sandro Pertini" Airport in Turin.

$$\frac{\text{Passengers arriving and departing on international routes}}{\text{Total passengers}}$$

These indices are linked on a linear basis, without giving priority to either the economic or the social component. The concise index of internationalisation (IseI) is therefore the arithmetic

mean of the basic indices: in order to make it easier to understand, the index was also divided into its two sub-components (the economic and social components) and a “radar” or “spider’s web” graph was drawn to highlight the advantages or disadvantages of each single indicator. Here are the specific data relating to Piedmont:

Internationalisation for Piedmont

	Piedmont	Italy
Global index (Isel)	102,9	100,0
Index of economic internationalisation (Iel)	107,4	100,0
Basic index no. 1	104,3	100,0 (a)
Goods	110,7	100,0 (a)
Services	72,6	100,0 (b)
Basic index no. 2	108,4	100,0 (c)
Basic index no. 3	109,6	100,0
Entrepreneurs	88,9	100,0 (d)
Workers	130,3	100,0 (e)
Index of social Internationalisation (Isl)	98,5	100,0
Basic index no. 4	99,0	100,0 (f)
Basic index no. 5	101,2	100,0 (g)
Basic index no. 6	95,2	100,0 (h)

(a) The figure for goods exported is revised for 2002, source Istat, Coeweb data bank; the estimated Gdp is for 2002, source Prometeia, Scenarios of local economies, July 2003.

(b) The figure for services exported is revised for 2002, source Uic (Ufficio Italiano Cambi). Data relating to transport, which can be distributed at a regional level, have been removed from the national figure.

(c) The figure for Dfi is revised for 2002, source Uic, calculated net of disinvestments.

(d) The figure is revised for 2002, source InfoCamere, Stock-view data bank.

(e) The latest comparison unfortunately dates from 2000. Although data are available at a regional level for non-Eu job placements in 2002, the Italian figures (Ministry of Welfare, National Observatory on the Labour Market) has not been revised for 2002 given that data have not been provided by the Regions.

(f) The comparison dates back to 2000, the last official data available. The source is Istat, data bank <http://demo.istat.it>.

(g) The figure is revised for 2002, source Istat, “Statistics for Tourism – 2001”. At a regional level the information could potentially be revised for 2002, but there are no comparable Italian figures.

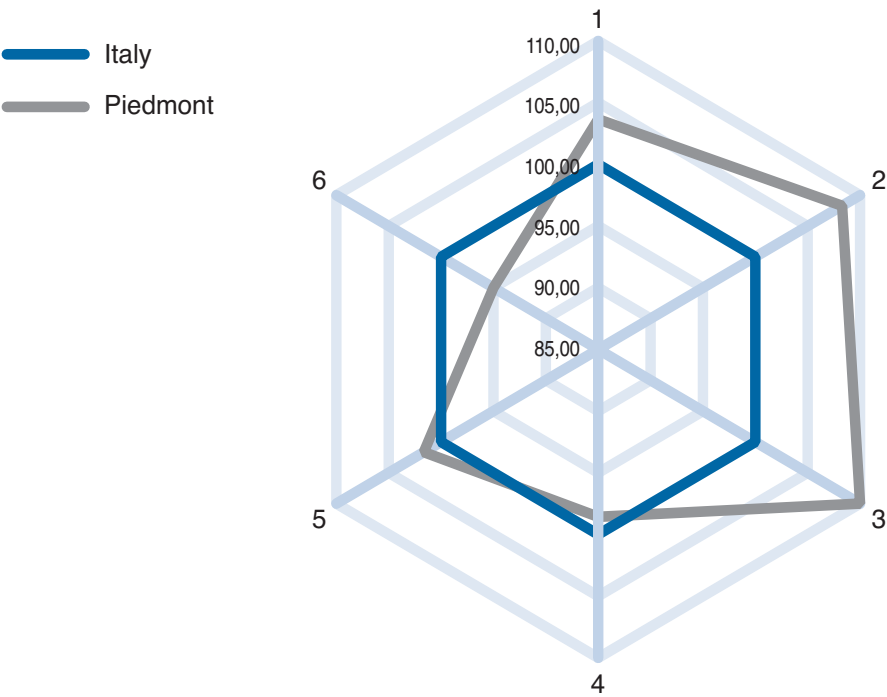
(h) The figure is revised for 2001, source Istat, “Air Transport – 2001”. At a local level the information could potentially be revised to 2002, but there are no comparable Italian figures.

Source: Unioncamere Piemonte

The above table and the resulting radar chart clearly highlight the increased level of internationalisation in Piedmont compared to Italy as a whole. The index shows a degree of internationalisation in the region of 3 percentage points compared to Italy, an advantage based essentially on the economic component rather than the social one. The economic index (Iel) is more than seven points higher than the Italian average, whereas the “social” index (Isl) is 2.5 points “below”.

Within the economic segment, the strong propensity to the import/export of physical goods is clearly apparent, as is its attractiveness of foreign capital and the use of non-Eu labour (even if the figures for the latter indicator are rather dated). Instead, below-average values were recorded for the foreign trade of services and presence of foreign businesses. On the “social” front, Piedmont shows a higher percentage of foreign tourists among total tourists, a figure that is slightly lower than the national average of foreign residents and a 5% deficit in terms of air passengers on international routes.

The "diamond" of Internationalisation in Piedmont



Source: Unioncamere Piemonte

3.2 SOME CONCLUDING REMARKS

Edited by all the partners

The start of this report on internationalisation became indelibly marked in our minds right from the earliest moment of planning. The first meeting held to discuss the project was arranged in the early afternoon of 11 September 2001; precisely while we were outlining the technical feasibility of the project, the meeting was interrupted to follow the catastrophe of the terrorist attacks on New York and Washington. At the time, it was regarded as an international problem, and it still is now; a problem of internationalisation, perhaps, both economic and social. At that extremely emotional time, even the concept of internationalisation was questioned: in concrete terms, we asked ourselves whether the international exchange of goods, persons and capital could continue to develop as it had in the past.

Parallel to this, a sentiment that was contrary to internationalisation (or rather globalisation) was gaining ground in the international community, a sentiment that singled out the economic imbalance between North and South, created precisely by the international trade in goods and services. Except for a few extreme examples, the so-called no-global movements have acquired greater awareness of their means and they challenge the mass media with their calls to restore the economic balance.

Today, at a distance of over two years from the events of 9/11, we can affirm that internationalisation remains the sole way forward for the economic and social development of a country.

The key to the economic success of the developed countries from the Second World War to the present has been precisely their openness to international trade. The degree of openness to foreign trade, calculated as the sum of imports and exports as a percentage of Gdp, has increased steadily over the past few decades; its level, now 63%, is an unequivocal sign of how internationalisation plays a fundamental and strategic part in the development of an area. This report is designed to be a work in progress: it does not have a “closed” structure but, on the contrary, lends itself to the addition of information. When planning the technical construction of the report, we realised that much of the information linked to internationalisation has not yet been quantified precisely. Culture, for example, a feeling of being European, the spread of ideas rather than international research reports are all cognitive fields that need to be more fully explored in future editions.

With regard to the economic context, about which there is perhaps a greater supply of information, it is important to underline the entrepreneurial attitude of exporters. As many as 86% of regional exporters export goods and/or services worth less than 750 thousand euro and are very small in size.

How these companies, which undoubtedly lack sufficient human and, above all, financial resources, can compete effectively on international markets has been the subject of many economic studies. In this context, attention has been drawn to the model of the industrial districts: small firms can achieve efficient dimensions by creating formal and informal relations. In recent years, some economists have shown that belonging to a group, not necessarily a formally structured group, is a fundamental condition for moving ahead in terms of competitiveness and the capacity to compete at an international level. Obviously, relations with other companies can be linked to the territorial component and consequently become an industrial district, or it can be spread over several areas, in order to reach partners in different countries. The capacity of companies to collaborate with one another is strategic for the profitability of the entire economic system. A regional industrial policy should therefore provide support and incentives for establishing links between companies.

From a social point of view, the phenomenon of immigration often acquires negative connotations in the mass media in relation to problems and difficulties of integration. This also explains why broader dynamics exist, on which the local policy makers will have limited influence. A few key data: more than one worker out of ten starting work in 2002 comes from a non-Eu country, over 3% of Piedmontese entrepreneurs are foreigners (a figure that is growing annually at a double-digit rate).

In an “old” region, with a high number of over-sixty-five year olds and few young people, foreign immigration can cover jobs that would otherwise be left vacant.

Here again, the network, this time between public and private sectors, is the brilliant but obvious solution: a concerted political and social policy that cannot be dissociated from a policy for employment and welfare systems. An integrated view of the various policies, although undoubtedly more difficult to interpret and plan, would create the necessary conditions for economic development of an increasingly internationalised nature which, at the same time, would be more balanced and long lasting.