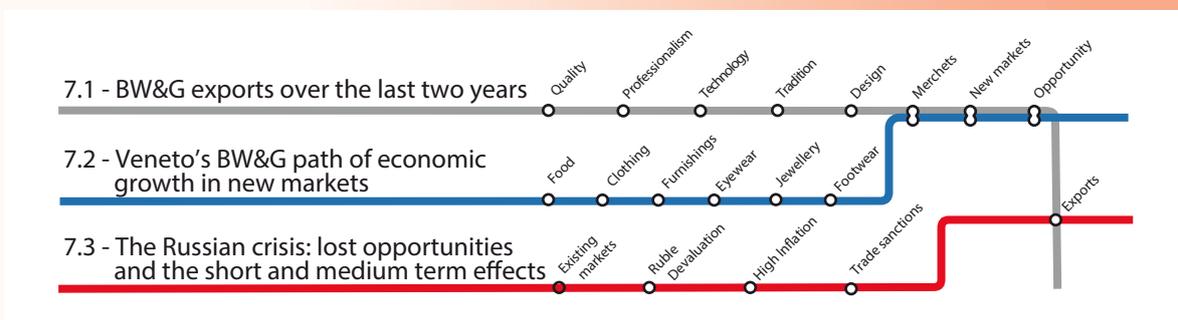


Beautiful, well made and good products (BW&G) are final goods from the medium to high range category, of age-old tradition and craftsmanship but innovative in their design and technology, created according to the highest standards and professionalism and belonging to the following sectors: food, furnishing, clothing and home textiles, footwear, eyewear and goldsmiths/jewellery. Export sales of such products are an extremely important resource firmly rooted in the genetic heritage of the entrepreneurship of a region that has never shied away from the challenges imposed by the market. After a four year study of these products, a picture has emerged confirming what was already known as well as identifying new challenges that are cropping up more frequently now than in the past. To begin with, the study confirmed that Veneto's BW&G products made up a quarter of all those manufactured in Italy in 2013. In 2014 they made over 16 billion euros in export sales which represented around 30% of all regional exports. In 2014, BW&G performance was up by 3.8%, higher than the 2.7% recorded by Veneto's total export. However, there was a fall in the total number of BW&G exports to new markets. In 2014 in particular, weaknesses in the Russian development plan became apparent due to insufficient diversification and too much imbalance in its exploitation of raw materials. Without a doubt, the resizing of the demand from Russia, the main catchment area for new BW&G customers, weighed heavily on the progress of exports towards new markets as a whole; but, in 2014 was not without some excellent results all the same. Indeed, Veneto increased its BW&G exports to certain rapid-growth markets: in the United Arab Emirates, for example, but also in Saudi Arabia (with the exception of clothing) and China, where Veneto's export registered a fall only in the goldsmiths/jewellery sector (a fall that can be traced at least in part to a triangulation transaction with Hong Kong). Positive results came from more accessible countries closer to home such as Turkey, Poland or South Africa which, thanks to a more advanced urbanisation process than that of any other African country, is able to take on a strategic role in trade towards the whole of sub-Saharan Africa.



Beautiful, Well-made and good (BW&G): Veneto faced with new challenges





7. Beautiful, Well-made and good (BW&G): Veneto faced with new challenges¹

The BW&G sector is made up of products from the medium to high range category in sectors such as agroindustry, clothing, footwear, furnishings, eyewear and jewellery. These products combine Veneto's ancient traditions and expertise with innovation in design, new materials and production techniques and are an important strength of local production, a legacy that needs to be exploited and showcased to the full in order to increase competitiveness in an increasingly global market. Therefore, for the fourth year running, the Report offers an analysis of BW&G on international markets, with particular focus on the emerging markets in which there are new or expanding upper middle social classes, who are not only more sensitive towards the purchase of quality products, but also have sufficient financial means.

Whilst the presence of a potential catchment area of new consumers is a pull factor not to be ignored, there are still a number of obstacles to implementing a successful expansion strategy. Still fragile development models, political instability, problems with logistics and distribution networks are all aspects that need to be taken into careful consideration when choosing new markets offering the best opportunities. In the same way as last year, a market access index was created for each sector to evaluate issues that could restrict the entry of BW&G products into new markets (the modernisation of the distribution system, efficiency of the logistical network, the degree to which the business is operational, non-price-related barriers and duties). Market accessibility is measured by an indicator that goes from 0 to 100 based on five key components. The first is the level of modernisation of the distribution system; failures in this area are a hurdle above all for small and medium businesses who do not have the independent strength to manage the own sales channels. The second component is the quality of the logistics system; in this case, the infrastructure of a country is evaluated, as well as social phenomena, such as urbanisation, that make serving a market more or less

difficult. The third component derives from the World Bank's Doing Business indicator, which evaluates the quality of the market according to company operations, taking into consideration administrative factors (such as bureaucracy timescales) taxation factors (levels of taxation) and other operational risk factors (for example, protection of intellectual property). The final two index components take into consideration price-related barriers (duties) and non-price-related barriers (e.g. licences, import quotas, legislation).

A new aspect of the analysis as compared to last year is the choice of new markets, which is partially different from that made before. If, indeed, the main objective is to identify the most potentially promising markets, it is necessary to cast the net wider in the direction of those countries which are currently not such important players in the International arena but whose relevance will grow as a result of the social economic changes that they are currently undergoing (growing urbanisation, increase in the number of wealthy people...). Countries that make up this new market list are the Philippines, Pakistan or sub-Saharan African countries: South Africa first of all, as well as Angola, Ghana, Kenya and Nigeria. Conversely, Czech Republic, Slovakia, Bulgaria, Croatia, Romania, and countries such as Libya and the Ukraine are seen as high risk and no longer make it onto the list of new markets.

BW&G is confirmed as a strength for Veneto but new challenges emerge on international markets.

This year's study confirmed a lot of what was already known but also identified new challenges arising more frequently than ever before. The

first confirmation are the Veneto BW&G figures, which show that, in 2013, its total products made up nearly a quarter of the national total and, in 2014, recorded a total of over 16 billion Euros worth of exports, around 30% of total regional exports. The BW&G trend was also positive: up 3.8% in 2014, a 2.7% increase of the total export figure in Veneto. However, there was a fall in BW&G exports to new markets. It is worth focusing on this point because, behind this aggregate data, different forces come into play. First, emerging areas unsurprisingly find themselves on an as yet unconsolidated path of growth, to which is naturally associated a higher risk of fluctuation in demand. In 2014, in particular, the fragility of the Russian development model began to emerge, scarcely diversified and with too much imbalance in its exploitation of raw materials.

¹ The chapter is based on the methodological approach and on results from the Confindustria- Prometeia report "Exporting la dolce vita. Exporting Beautiful and well made Italian products to new markets. Processes and hurdles. May 2015² Cfr. Ernst & Young *Future growth in the UAE and Qatar lies in economic diversification*, settembre 2014.



Without a doubt, the resizing of the demand from Russia, the main catchment area for new BW&G customers, weighed heavily on the progress of exports towards new markets as a whole; but, in 2014 was not without some excellent results all the same. Indeed, Veneto increased its BW&G exports to certain rapid-growth

The economic outlook for the Chinese and Emirates market remains positive but less so for Russia.

markets: in the United Arab Emirates, for example, but also in Saudi Arabia (with the exception of clothing) and China, where Veneto's export registered a fall only

in the goldsmiths/jewellery sector (a fall that can be traced at least in part to a triangulation transaction with Hong Kong). Again, positive results came from more accessible countries closer to home such as Turkey and Poland, or South Africa which, thanks to a more advanced urbanisation process than that of any other African country, is able to take on an strategic role in trade towards the whole of sub-Saharan Africa.

In terms of sectors, eyewear continues to grow at a double figure rate, thanks to Veneto's internationally established reputation which guarantees the reward of total image satisfaction

The recent ups and downs must not detract from the basic point of the study which is based on a longer term outlook. Indeed, it is in the medium term that Veneto's expansion strategies should be applied to markets that are lesser known or often difficult to access and that are characterised by changes in consumer preferences that are to be carefully monitored. The Chinese market, for example, which is the third largest in terms of size of market demand for Veneto's BW&G products (after Russia and the UAE). If Veneto were to maintain its current position, its direct exports to the country would increase by nearly 220 million Euros in 6 years. To reach this target, it is necessary to understand the customers, whose preferences are moving progressively from interest in brand recognition to attention to detail, for example the processing and quality of materials. Such naturally maturing consumer preferences are accelerated by the sober style and new austerity measures imposed by President Xi Jinping. Other hurdles slowing down expansion in China are the non-price-related barriers which are amongst the highest in all BW&G areas, and the high risk of counterfeiting, especially for clothing. By 2020, of all the new markets, the United Arab Emirates will have the largest consumer catchment area; the expected increase in BW&G imports is 64% as compared

to 2014. Indeed, to make up for losses deriving from fluctuations in oil prices the country is counting on the diversification of its economy, reinforcing services (to companies and customers). To this regard, one of the biggest drivers is tourism, thanks to an ever increasing number of foreign visitors to the cities of Dubai and Abu Dhabi. The organisation of Expo2020 in Dubai will serve to support this diversification process towards non-oil sectors; the event will have a positive impact on the construction sector as well as on hospitality and catering². That is not all: thanks to modern distribution and logistical networks and barely onerous trade barriers, the country proves to be, in all sectors, the most accessible new market for Veneto BW&G. It is a market that offers great opportunities in which supply is located in a premium segment that targets very wealthy local residents and foreign tourists. This affinity between Venetian quality and the interest of new consumers in the country is confirmed by the data: in 2014, 57% of Veneto's exports to UAE were BW&G products; this is the highest recorded incidence of exports directed towards new markets. Precisely because it is a hub for international tourists, the United Arab Emirates provide an important opportunity for showcasing products to potential customers from all over the world. Events such as the Vincenzaoro Dubai which took place for the first time in April, provide a solid opportunity to strengthen Veneto's position on international markets (both new and established).

By 2020, the United Arab Emirates, as previously mentioned, and Russia will be competing to be the largest catchment area of BW&G consumers. Thus, in the next few years, it is expected that the importance of the Russian market to Veneto's BW&G exporters will remain undiminished, strengthened by growing interest in quality products among the upper middle classes, for whom they are seen as a social status symbol. However, never more than in this case is there a need for the conditional. On a positive note, it is without doubt that Russian customer loyalty is well established and independent of the economic situation that is sweeping through the country. On the other hand, however, one cannot ignore the risk of possible long term repercussions caused by the current climate. In particular, tensions with the European Union could weaken the appeal of BW&G on the wealthier Russian classes, with the risk of conditioning demand sensitivity even in the long term. In summary, these considerations lead us to believe that Russia will retain its importance, especially for Vene-

² The study includes Istat data on Veneto's foreign trade. Definitive figures for 2013 and provisional for 2014



to's BW&G exporters who are already operating in the market via well-established business relations whereas it is more difficult to outline a success strategy for those emerging for the first time on a market which, according to accessibility index results, is hard to approach. The Turkish and Polish markets, however, are more accessible, primarily thanks to their geographical proximity and the absence of custom duties; the expanding Turkish urban middle classes and Poland's increased awareness of BW&G products are doing the rest.

Although Brazil and Mexico are geographically more distant, they are still important markets for Veneto's BW&G products: excellent results were recorded in Brazil for eyewear, while Mexico is one of the most accessible markets thanks to its modern distribution network.

Hence, there are many opportunities that can open up for Veneto's businesses which have understood how to earn a large share of international markets. However, quality products and a good international reputation may not be enough to maintain the position held. The fact that it is located in a middle-high market segment will not protect Veneto's BW&G market from international competitors. As an example, consider the eyewear sector in Brazil where a challenging economic climate makes consumers particularly sensitive to value for money, which favours Chinese businesses that operate in the market. In China itself, clothing businesses, as a result of various attempts at upgrading production, can gain a foothold in the middle to high market segment. More generally for Veneto BW&G, maintaining its share of the international market is anything but a foregone conclusion and requires that it keeps alive the consumer perception of high quality standards, reliability and innovation for which the new consumer is prepared to pay a premium.

As mentioned in last year's report, trade fairs are an effective way of strengthening Veneto's position in new markets. Since they offer an optimal means of showcasing products internationally, it is necessary to select the correct locations in key markets: this not only provides an opportunity to make products known, but, above all, through direct contact, enables the continuous monitoring of new consumer preferences and the anticipation of their needs.

Finally, but no less importantly, tourism is proving to be extremely useful in the expansion of Veneto's BW&G

industry. The influx of visitors from all over the world to Milan's Expo in which Veneto participated with a large number of related initiatives, provided a unique opportunity to introduce consumers from new markets to Veneto's food and wine culture and consequently aroused interest in the region's other premium range products. However, whilst Expo was a one-off event, the region's tourism industry allows it to exploit daily the tourist incentive to allow the BW&G sector to branch out into new international markets offering the best prospects. In that respect, we need only remind ourselves that that, in 2014, Veneto welcomed 809,000 tourists from China, more than any other Italian region.

7.1 BW&G exports in the last two years³

Before focusing on the growth expectations of Veneto's BW&G in new markets, it is worth spending a moment to look at its recent history. Two main facts emerge from the 2013-2014 study. The first is that the sector continues to command a leading role. On the one hand, the incidence of BW&G on regional exports is confirmed as being significant (higher than the national average); on the other, Veneto's BW&G products made up an important part of all Italian products. Another point flagged up by the study was how the complexities of the international landscape and, more specifically, the fragilities that characterise some of the new markets, emerged much more clearly in 2014. Decreased diversification of the economy and political instability are factors that, as was the case in Russia (see paragraph 7.3), can have a significant impact on the economy of such countries.

In 2013, regional exports of BW&G products stood at 15.5 billion euros, representing slightly less than a quarter of the Italian exports in this sector. This incidence is higher still in the goldsmith-jewellery sector (30%) and above all in eyewear, where national exports were made up by more than 90% of products from Veneto.

As already highlighted in previous years, the BW&G sector plays a significant role in regional exports. In 2013, 30% of Veneto's manufacturing exports was made up of beautiful, well made and good products (BW&G)

Tourism: the region's golden ticket to securing new consumers

Veneto remains the leader in BW&G exports but could be disadvantaged by the instability of new markets

³ The analysis used Istat data on Veneto's foreign trade; definitive up until 2013 and provisional for 2014



	Veneto	Italy
Food	3,348	21,388
Clothing	3,356	17,609
Footwear	2,079	7,952
Furnishings	2,591	10,094
Eyewear	2,486	2,721
Jewellery	1,646	5,334
Total	15,505	65,098

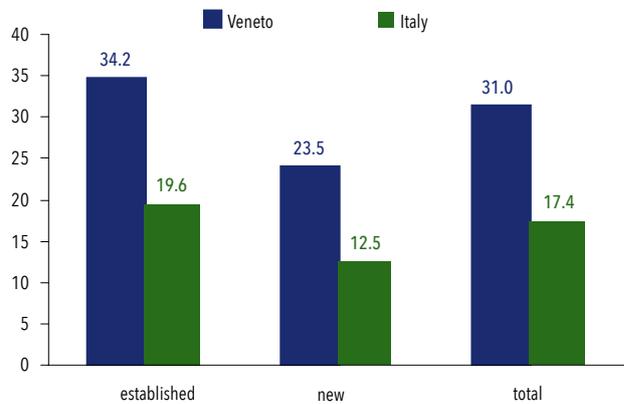
Source: Veneto Region Data Processing- Regional and Prometeia Statistical System on ISTAT data

while the corresponding national percentage was a modest (17%).

The importance of quality products to Veneto's exports is confirmed at a sector level too: comparing each BW&G area with exports of the reference macro-sector, there are evident and very high percentages (ranging from 77.5% for food to almost 100% for furnishings), which are also almost always higher than the Italian figure.

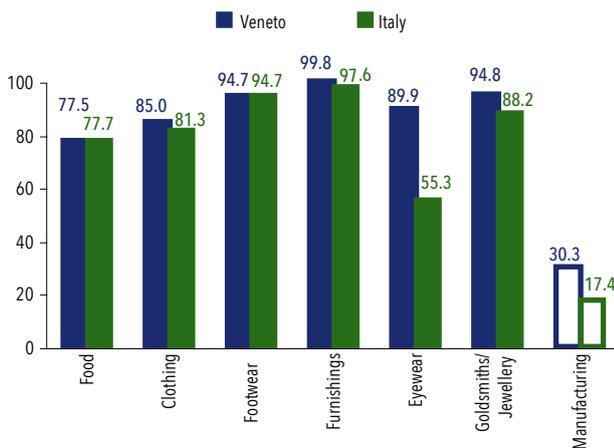
BW&G is more important in Veneto than in Italy

Fig. 7.1.2 - Percentage impact of BW&G products on exports to new and existing markets. Veneto and Italy - 2013



(*) New Markets: Russia, Poland, Kazakhstan, Turkey, Hungary, United Arab Emirates, Saudi Arabia, Egypt, Algeria, Morocco, Tunisia, South Africa, Angola, Nigeria, Ghana, Kenya, China, Malaysia, Vietnam, Thailand, Indonesia, India, Philippines, Pakistan, Mexico, Brazil, Chile, Colombia, Peru, Argentina. Existing Markets: Austria, Canada, France, Germany, Japan, United Kingdom, Spain, USA, Sweden and Switzerland Source: Veneto Region Data Processing- Regional and Prometeia Statistical System on ISTAT data Eurostat, HIS and National Institutes for Statistics

Fig. 7.1.1 - Percentage impact of BW&G exports on the reference sector highlighted and on manufacturing Veneto and Italy - 2013

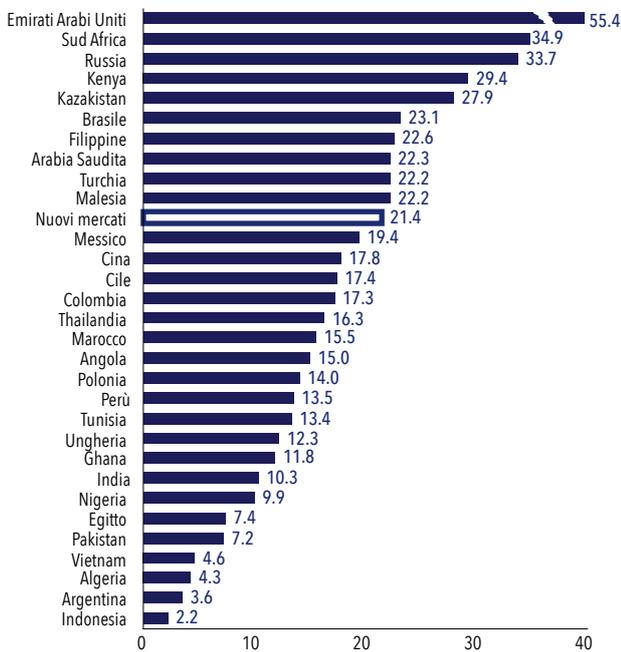


Source: Veneto Region Data Processing- Regional Statistical System on ISTAT data

As mentioned earlier, the analysis found in this report contains a list of new markets differing from that of previous years, made up of the following 30 countries: Russia, Poland, Kazakhstan, Turkey, Hungary, United Arab Emirates, Saudi Arabia, Egypt, Algeria, Morocco, Tunisia, South Africa, Angola, Nigeria, Ghana, Kenya, China, Malaysia, Vietnam, Thailand, Indonesia, India, the Philippines, Pakistan, Mexico, Brazil, Chile, Colombia, Peru, Argentina. The list of the 10 established markets used for comparison remains unchanged (Austria, Canada, France, Germany, Japan, United Kingdom, Spain, United States, Sweden and Switzerland). In 2013, 23.5% of Veneto's exports to new markets was made up of BW&G products, a large share when compared with the corresponding Italian percentage of 12.5%. In certain new markets, the BW&G has a particularly significant impact on Veneto's exports. In 2014, regional exports to United Arab Emirates, for example, are made up by 55.4% of BW&G products and percentages of between 29% and 35% were recorded for South Africa, Russia and Kenya.



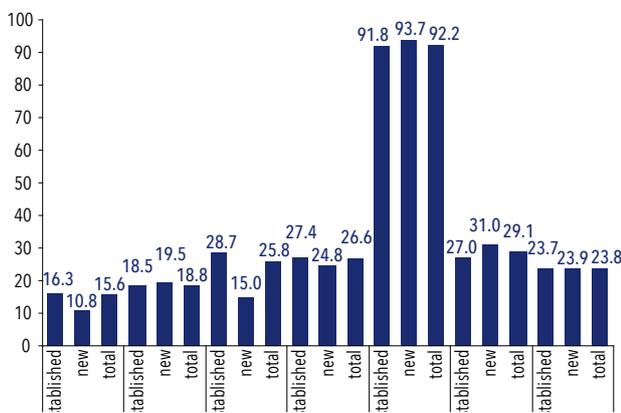
Fig. 7.1.3 - Percentage share of BW&G in total Veneto exports to new markets – 2014



Source: Veneto Region Data Processing- Regional and Prometeia Statistical System on ISTAT data

Veneto's importance in national BW&G exports can be observed even by looking just at flows directed towards new markets. Indeed, of the Italian BW&G exported to these countries 24% came from Veneto and the number was higher still for eyewear, goldsmiths-jewellery and furnishings.

Fig. 7.1.4 - Veneto's exports as a percentage of national BW&G exports – 2013



Source: Veneto Region Data Processing- Regional and Prometeia Statistical System on ISTAT data

Eurostat, HIS and National Institute for Statistics data. Still focusing on the comparisons between Italy and Veneto, in the analysis of new markets, many analogies are confirmed in the role played by individual countries. Russia, therefore, remains the most important new market for both Italian and Veneto BW&G products and, in both cases, the Russian market is followed by the United Arab Emirates, China, Turkey and Poland. Up to this point, there have been many confirmations of Veneto's quality exports. But how did BW&G fare in 2014? Good news first: Veneto's exports reached a value of over 16 billion Euros, an increase of more than 3.8%, over 1 percentage point more than total regional exports.

Veneto BW&G continues to grow, exceeding 16 billion Euros in 2014

BW&G's impact on total regional exports stood at around 30%, with food and clothing both accounting for 6%, followed by eyewear and furnishings (around 5%), whilst footwear (4%) and goldsmiths-jewellery (3%) were relatively less prominent.

The analysis by destination area shows that, in 2014, growth in Veneto BW&G did not depend on new markets: their impact on Veneto's exports reduced from 17.2% in 2013 to 15.1% the following year.

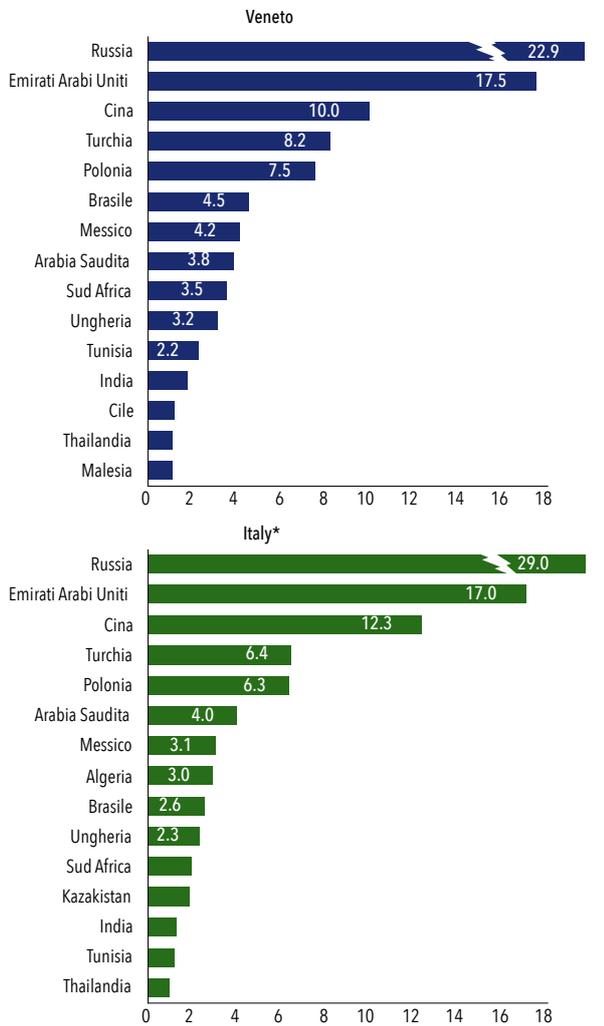
In 2014, Veneto's BW&G exports to new markets suffered a fall of 9.2%, whilst driving them forward were the established markets (up 4.5%) and other countries (up 11.4%).

There were many reasons for the fall in BW&G exports to new markets. The first and most significant was the negative economic situation in Russia. As will be revealed in more detail further on, Veneto's direct exports to Russia saw a fall ranging from -14% in furnishings to -27% in footwear. Secondly, changes in new market boundaries led to the exclusion of certain countries, such as Croatia and the Czech Republic, who had contributed positively to growth in Veneto's BW&G in 2014. Finally, the fall could also be attributable to commercial triangulation. For example, the drop in market flows towards China in goldsmith-jewellery products counterbalances the sharp rise in their exports to Hong Kong, an area which enjoys favourable commercial agreements with the Chinese market.

Behind the 9% fall in direct exports to new markets lies a picture that is more complex in terms of sectors and countries. Let us start with the "good", that is to say Veneto's food products. In 2014, the sector contracted

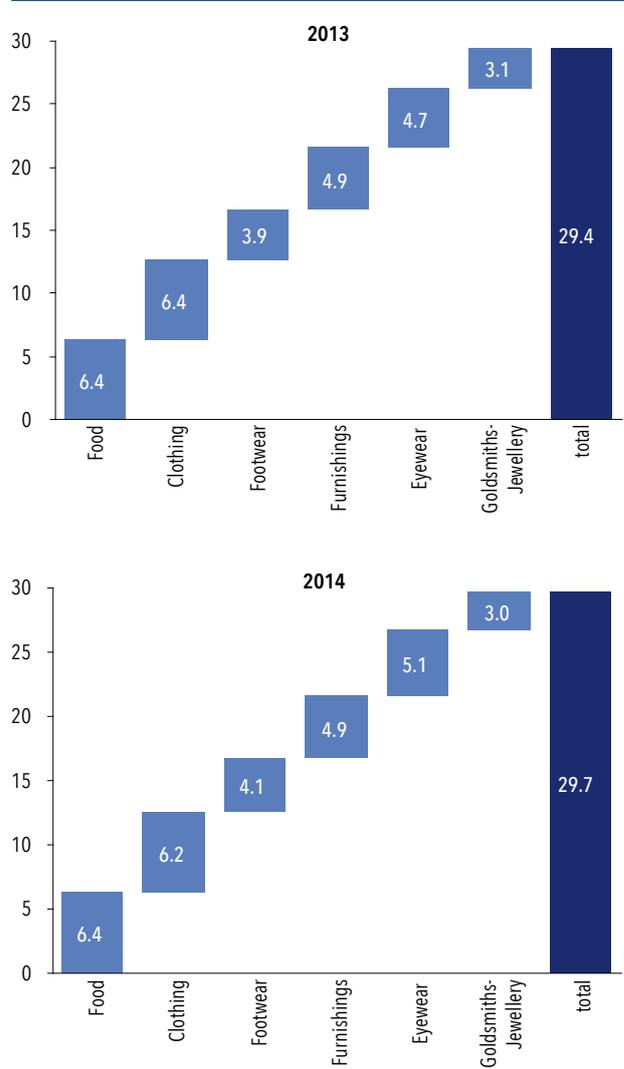


Fig. 7.1.5 - Principal new markets in BW&G exports: national percentage share of total BW&G exports to new markets. Veneto and Italy 2014



(*) 2013 Source: Veneto Region Data Processing- Regional and Prometeia Statistical System on ISTAT data Eurostat, HIS and National Institute for Statistics data.

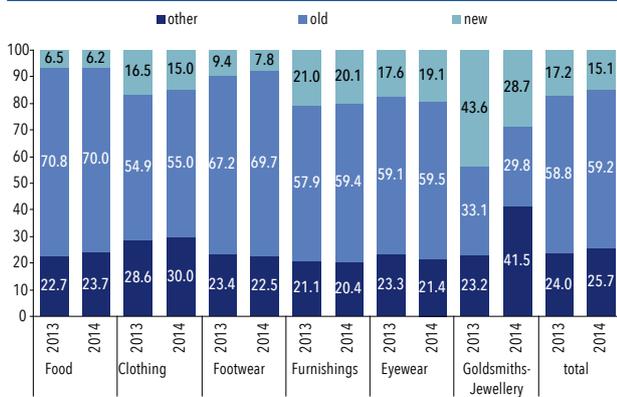
Fig. 7.1.6 - Impact of BW&G as a percentage of total exports. Veneto 2013 and 2014



Source: Veneto Region Data Processing- Regional and Prometeia Statistical System on ISTAT data

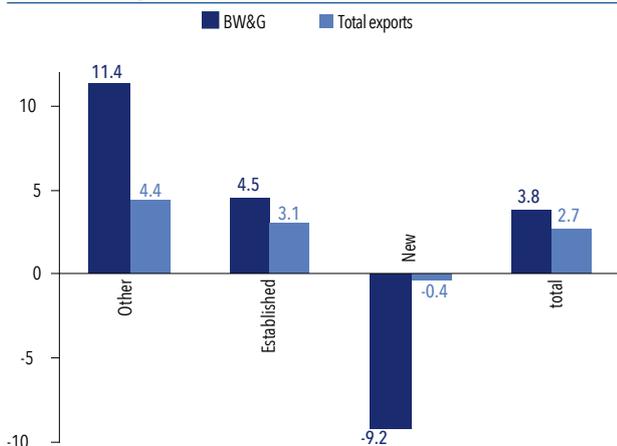


Fig. 7.1.7 - Percentage impact of analysed markets on BW&G exports. Veneto 2013 and 2014



Source: Veneto Region Data Processing. Regional and Prometeia Statistical System Section on Istat data

Fig. 7.1.8 - Percentage variations 2013/2014 of Veneto's exports



Source: Veneto Region Data Processing. Regional and Prometeia Statistical System Section on Istat data

by 1.5%, less than other sectors (with the exception of the eyewear sector which experienced growth). In some countries the "good" grew significantly: in China, for example, exports were made for 27 million Euros, marking an increase of 20% as compared to the previous year. There was an increase of over 60% in Saudi Arabia, reaching 8 million euros in 2014, whilst, although to a lesser extent, Mexico, Brazil and the United Arab Emirates also contributed to growth. At the opposite

In China, "good" Veneto shoots up to 27 million Euros in 2014

end of the scale the "good" recorded a fall of 19.4% in Russia.

In clothing too, the fall in exports to Russia (-26%) had a negative effect on sector dynamics, though it did still record an increase of over 10% in Tunisia, Turkey, United Arab Emirates and Brazil, while in China it stopped at 6%. In the footwear sector, where total new market exports had fallen by 11.5%, there was very positive progress in exports to Poland (16%) and the United Arab Emirates, where Veneto's exports exceeded 10 million Euros in 2014, an increase of 19% compared to the previous year. Although the analysis contained in this report focuses on new markets, it is interesting to note how, in 2014, Veneto managed to more than make up for the fall in exports of footwear to these markets with an increase in exports to others, especially to established markets, which recorded an increase of 12%. There was a slight contraction (-1.9%) in BW&G furnishings exports to new markets as a whole. In this case too, the full picture in terms of individual countries is varied: in China, Veneto's furnishings exports made over 56 million Euros, an increase of 27% as compared with 2013. Similarly, the sector's exports to markets with high development potential (Saudi Arabia and the United Arab Emirates) grew significantly; at the opposite end of the scale, the Russian market again has a significantly negative impact on overall market flows (-14%). Eyewear, whose exports to new markets increased by 21%, received a very positive contribution from the Chinese market, in which Veneto's exports reached a value of 86 million Euros in 2014.

Among those countries that have had a positive impact on growth, there are other important countries, such as the United Arab Emirates, Brazil and South Africa. The fall in the goldsmiths-jewellery sector is to be attributed almost entirely to export trends to China, where, added to substantial commercial barriers in this sector, there are the effects of government anti-corruption measures, which may have had a negative impact on the purchasing of jewellery and gifts in general.



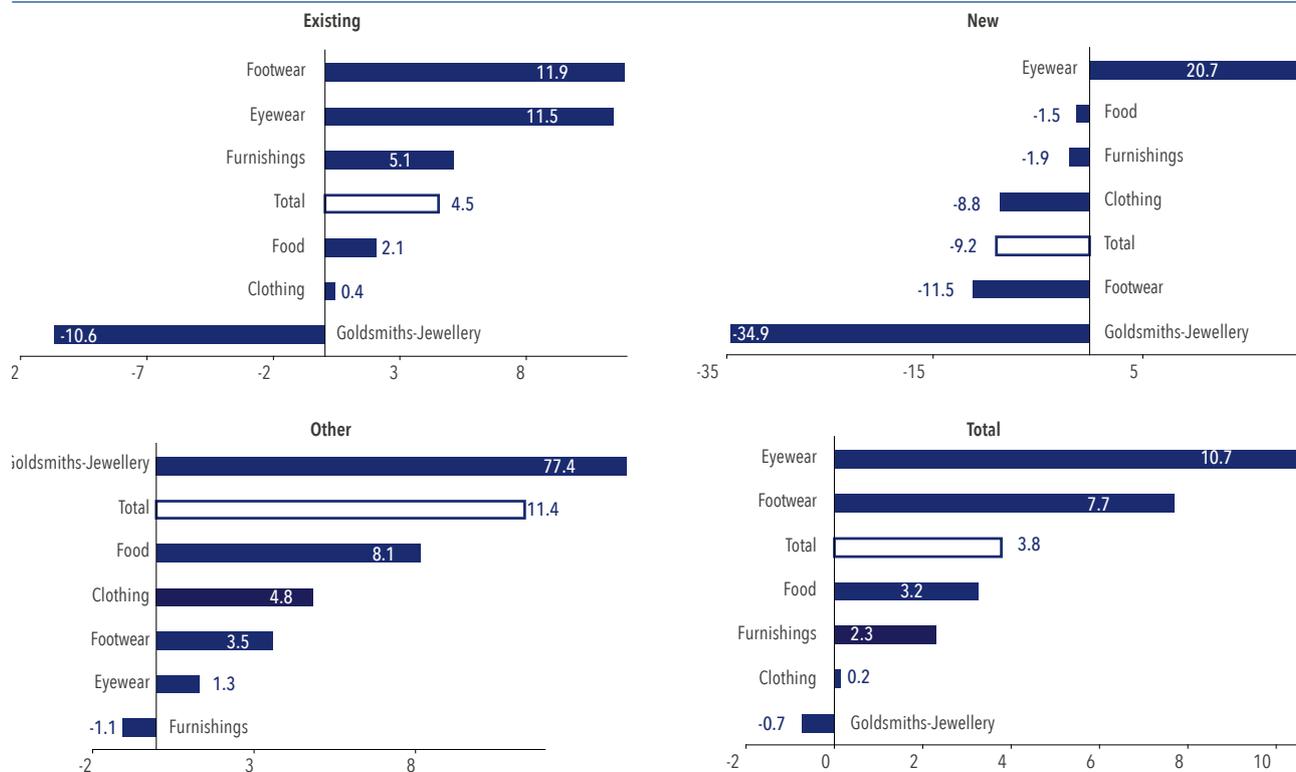
Tab.7.1.2 - Countries that contribute most and least to the growth of Veneto's BW&G exports to new markets 2014

Food		Clothing		Footwear	
Cina	++	Tunisia	+	Polonia	++
Arabia Saudita	++	Turchia	+	Emirati Arabi Uniti	+
Messico	+	Emirati Arabi Uniti	+	Ungheria	+
Brasile	+	Brasile	+	Cina	+
Kenia	-	Polonia	-	India	-
Russia	--	Russia	--	Russia	--

Furnishings		Eyewear		Goldsmiths-Jewellery	
Cina	++	Cina	++	Emirati Arabi Uniti	++
Arabia Saudita	++	Emirati Arabi Uniti	+	Turchia	+
Emirati Arabi Uniti	+	Brasile	+	Sud Africa	+
Algeria	+	Sud Africa	+	Polonia	+
Turchia	-	Thailandia	-	Algeria	-
Russia	--	Russia	-	Cina	--

Source: Veneto Region Data Processing. Regional and Prometeia Statistical System Section on Istat data

Fig. 7.1.9 - Percentage variations of BW&G exports per destination market. Veneto 2014



Source: Veneto Region Data Processing. Regional and Prometeia Statistical System Section on Istat data



7.2 Veneto BW&G's path of growth⁴ in new markets

In 2020, the demand for BW&G products from new markets will have risen to 230 billion Euros, a quarter of the sector's global demand. In six years, new markets will record an increase in BW&G imports worth over 77 billion, a 51% increase, as compared to 2014. In 2020, the United Arab Emirates will sit at the top of the new market league table; Russia will be just behind, with China and Malaysia in 3rd and 4th place. BW&G imports to these 4 countries in 2020 will exceed the value of 88 million Euros⁵, satisfying 40% of potential demand from new markets.

Between 2014 and 2020, increased demand from Malaysia (71%) is expected. In Malaysia, the potential for growth of a burgeoning middle-class market – ideal catchment area for BW&G products – has recently been confirmed by the World Bank. A similar trend is expected in Vietnam, whose society is characterised by significant numbers of younger people, who have increasing preferences for luxury goods. Strong growth in the United Arab Emirates (64%) is forecast, characterised by great potential absorption of demand by the main urban areas (Dubai and Abu Dhabi). In these two cities, the growing trend in the purchase of luxury products will not only involve the local population but also the many leisure and business tourists from all over the world. Among the other main new markets, there will be a potential growth in demand of over 50% for Kazakhstan, Saudi Arabia and South Africa.

In 2014, Veneto generated 1.8% of total BW&G exports to new markets. However, the region holds even higher market shares in extremely profitable markets: just under 3% in China and United Arab Emirates, around 2.6% in Russia, where increase in demand is forecast to be less than the new market average (+26% from 2014 to 2020).

In countries where a stronger increase in demand is expected, Veneto has a relatively higher market share in South Africa (1.8%) and in Saudi Arabia (1.5%) while the region's presence in promising but far away countries such as Vietnam and Malaysia is low.

Out of all Veneto's main markets for BW&G exports, a higher penetration rate was noted in Tunisia, with a recorded market share of 11% and, in thanks to the implementation of favourable commercial agreements, in Turkey (4.2%).

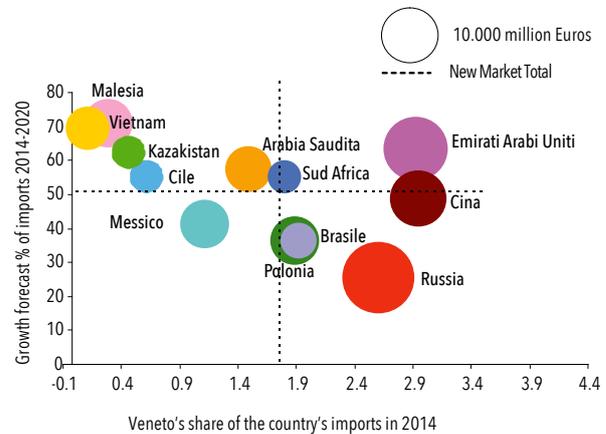
⁴ Import growth forecasts for new and existing markets have been taken from Confindustria-Prometeia (2015). The forecasts for imports from Veneto have been obtained by assuming a constant market share for each individual BW&G sector in each country with the aim of estimating its growth potential from its most recent position (2014)

In the goldsmiths-jewellery sector, exports to China were higher than the provisional Istat data, as they included an estimate of exports that arrive in China via passage through Hong Kong

⁵ Values expressed using constant exchange rates and prices

⁶ See The World Bank Malaysia Economic Monitor: Towards a Middle-Class Society, December 2014.

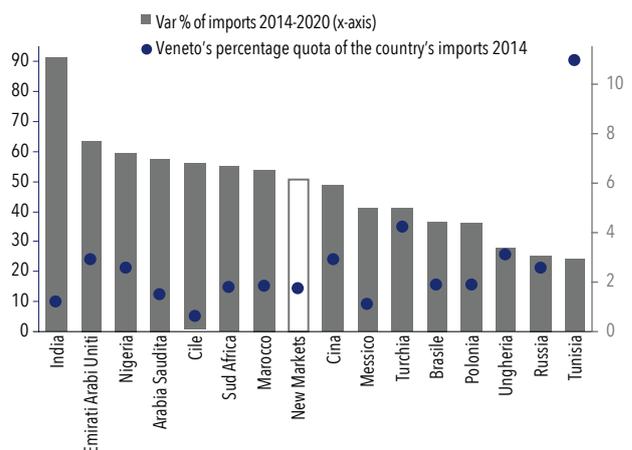
Fig. 7.2.1 - The 12 main new import markets of the BW&G sector: Veneto's percentage of the country's imports in 2014 and the cumulative percentage increase of imports 2014-2020 (*)



(*) The size of the dots is proportional to the significance that the country has on BW&G's global imports Source: Veneto region Processing. Regional and Prometeia Statistical System Section on Istat, Eurostat, HIS and National Institute for Statistics data

The paragraphs below consider, for each BW&G sector, the predicted growth in demand from new markets and the subsequent opportunities that will be created for Veneto exports.

Fig. 7.2.2 - BW&G: Percentage variations 2014-2020 of imports by country and Veneto's market 2014



Source: Veneto region Processing. Regional and Prometeia Statistical System Section on Istat, Eurostat, HIS and National Institute for Statistics data



As in last year's report, a market access index was drawn up for each sector, for the purpose of highlighting obstacles encountered by Veneto enterprises during their internationalisation towards new markets. The synthetic indicator is a weighted average of the 5 components described at the beginning of the chapter: the level of modernisation of the distribution system, logistics efficiency, enterprises efficiency level as calculated by the Global Bank's⁶ doing business indicator and the level of duties and non-price-related barriers. The index ranges from 0 (minimum) to 100 (maximum).

BW&G Food

By 2020, Veneto's exports of BW&G food to new markets could successfully exceed 270 million Euros. After all, in the past ten years, Veneto's 'good' sector has succeeded in conquering international markets, gaining significant market shares in established and emerging markets. Among the more significant new markets, Veneto demonstrated in 2014 a higher penetration rate in Hungary, Poland and Russia. As regards Hungary and Poland, members of the European Union, Veneto food products enjoy facilitated access and, in Poland, tourism, especially religious tourism plays an important role in promoting Veneto's food and wine culture. This is illustrated by the 6.5% average yearly increase, from 2009 to 2013, in the number of Polish tourists visiting Veneto, compared to the 0.4% recorded nationally⁶.

Despite sanctions that directly penalise food imports and weaker estimated future demand, Russia continues to be an important market: by 2020, of the 5.746 million Euros of BW&G food product imported by Russia, 64 million will come from Veneto. Market penetration by 'good' Veneto is to the result of a successful strategy that led to the progressive strengthening of Russian consumer loyalty: from 2004 to 2014 there was a real boom in exports to Russia of Veneto's finest food and wine products (+17.5% on average per year), with wine,

Russian customer loyalty is a success story despite estimated future demand being weaker than in the past.

pasta and cheese being the main contributors. Tourism too was and remains a powerful way of promoting the flavours and traditions of Veneto's food and wine, a legacy that goes far beyond the current negative figures for prospective growth. Whilst the 'good' has managed to win over the new wealthy Russian middle classes, it has had to, and still has to, deal with limited market accessibility, especially due to

the underdevelopment of the logistical system and the fragmentation of the distribution system.

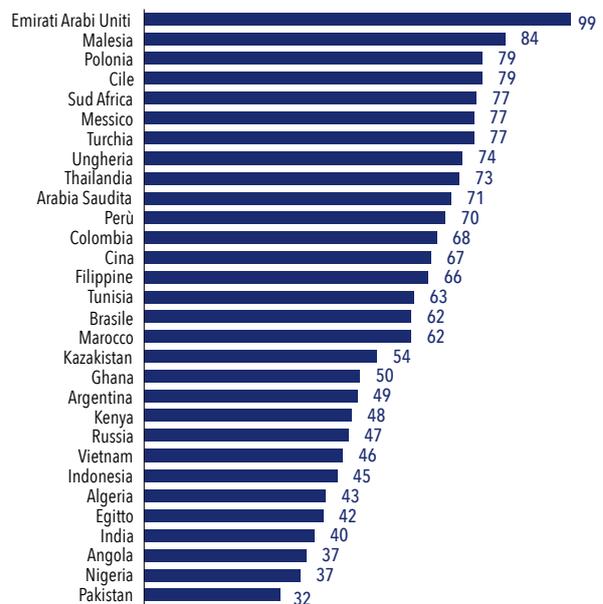
Amongst those countries for whom particularly strong development in BW&G food is predicted, Veneto has the highest market shares in China and the United Arab Emirates (0.5% and 0.6% respectively). With 7.7 billion Euros, China will absorb 14% of all new market BW&G imports. China continues to offer great future growth potential for Veneto's food sector, which focuses on a strategy that aims not only to introduce Veneto products but also to identify the product whose characteristics best suit the tastes and traditions of Chinese consumers. Taking wine by way of example, there is

Veneto effectively exploits tourism to promote "good" in China

an evident need to focus on more versatile products that can better accompany the varieties of Chinese cuisine.

Tourism provides an excellent opportunity to attract potential consumers. In the case of China, the potential is high; in 2014, China was the largest outbound tourist market in the world (over 160 dollars spent by each of 116 million tourists⁸).

Fig. 7.2.3 - BW&G food: Veneto's accessibility index (*) 2013



(*) accessibility index: maximum accessibility=100 Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Istat, WTO, GTA, World Bank data Euromonitor and CBRE

⁷ See Istat data: Customer movement in hospitality companies

⁸ See COTRI- China Outbound Tourism Research Institute

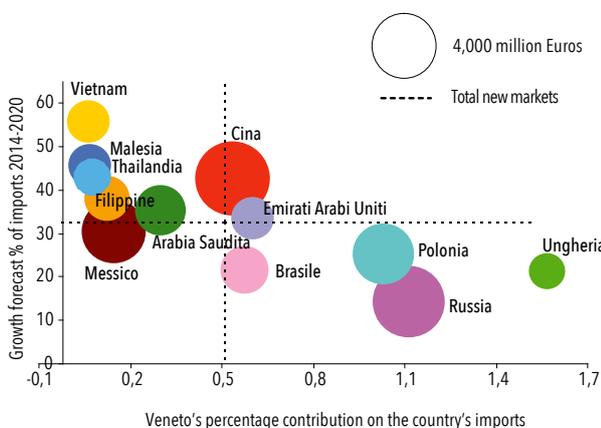
⁹ The Conad franchise plans to open supermarkets in Shanghai and surrounding areas by 2015



Here too, Veneto did not sit on the side-lines, welcoming 809,000 Chinese tourists in 2014, more than any other Italian region.

Whilst tourism represents an opportunity for growth in China for Veneto's food sector, the main obstacles continue to be concentrated in the presence of non-price-related barriers, as well as in a fragmented and often inefficient distribution system. Compared to Italy, other countries can rely on a more consolidated presence of large distribution chains (e.g. France with Auchan and Carrefour), whilst Italian distribution has only recently started to move in that direction⁹. By 2020, Veneto's 'good' in China could reach 41 million Euros, which is more than that which is currently being exported to a closer and more accessible country such as Poland. Great growth potential is identified in the United Arab

Fig. 7.2.4 - BW&G food: Veneto's percentage contribution of the country's imports in 2014 and cumulative percentage increase in the 12 main markets 2014-2020 (*)



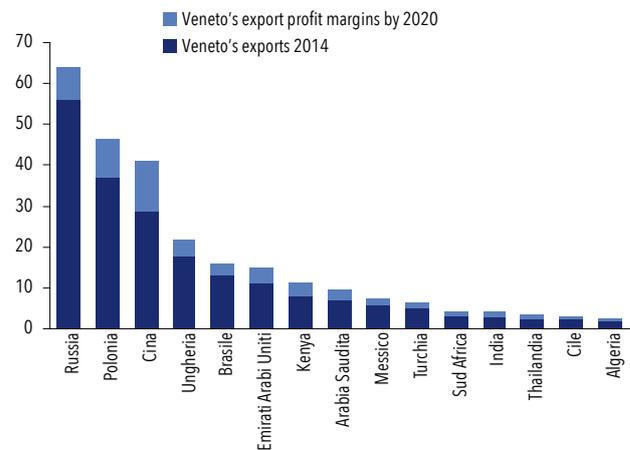
(*) The size of the dots is proportional to the significance that the country has on global BW&G imports. Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Eurostat, HIS and National institute for Statistics data

In the United Arab Emirates, the region's finest food exports could reach 15 million Euros by 2020. This market benefits from great accessibility (the highest of all new markets), as well as being an important international tourist hub, in which there is a meeting of consumer preferences and tastes from around the world.

Emirates, a market that benefits from the highest levels of accessibility.

The best BW&G food growth prospects involve more distant countries, such as Vietnam and Malaysia, where Veneto's products are currently under-represented. In Vietnam, despite there being growth in the awareness of food safety, especially among the young and educated categories of the population, as well as an interest in western consumer habits, the distribution of Veneto's food products is hindered by weaknesses in the logistics and distribution network and high non-price-related barriers. This is not the case for Malaysia, which has high accessibility levels and is characterised by rapidly growing demand, mostly thanks to the growing influx of international tourists.

Fig. 7.2.5 - BW&G food: Veneto's exports 2014 By destination country and their margins for growth by 2020 (calculated in millions of euros at 2013 prices)



Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Eurostat, HIS and National institute for Statistics data

BW&G Clothing

In 2020, BW&G clothing destined for new markets could exceed 660 million Euros, an increase of 177 million over 6 years. Of all the countries analysed, Russia will



continue to have the highest consumer demand. The devaluation of the Ruble during 2014 led to a loss of purchasing power among Russian consumers, which was reflected in purchasing figures. However, despite the financial crisis, from which the country is unlikely to emerge before 2017, demand prospects for BW&G clothing in the medium term remain positive. In 2020, Russia will still be the largest of all the new markets, importing 11,229 million worth of goods, of which 192 million will come from Veneto.

This is on the condition that market share is maintained an objective that is anything but sure to be successful if you take into account the increasing pressure from lower end market competitors (mainly Chinese enterprises). Therefore, it will be necessary to strengthen relationships with the wealthier consumer categories, in order to maintain interest in the ideal of style, essentiality and sophistication which form Italian (and Veneto's) fine quality products.

Russia remains Veneto's largest market but competition and weak logistics are the main hurdles.

Therefore, it will be necessary to strengthen relationships with the wealthier consumer categories, in order to maintain interest in the ideal of style, essentiality and sophistication which form Italian (and Veneto's) fine quality products.

Increased competition on the one hand, and market accessibility difficulties on the other, form the main obstacles to the expansion of BW&G clothing on the Russian market. Indeed, Veneto's enterprises have to deal with high non-price-related barriers and a still underdeveloped logistics system.

In 2014, Veneto's market share of Chinese demand for BW&G products was a significant 1.6%. In 2020, the region could end reach exports to China for 60 million Euros, an increase of 18 million over 6 years. The new wealthy Chinese middle class, which is set to continue to grow over the next few years, represents the ideal target market for beautiful, fine quality clothing. The preferences of 'nouveau riche' consumers are moving away from standard, mass-produced products, leaning more and more towards niche market goods, articles of clothing they perceive to be unique and original. Furthermore, the 'return to austerity' embodied by the President and his wife in their modest way of dressing with a style that is sober and devoid of ostentation of wealth, steers the wealthy classes towards purchases that are more informed and as personalised as possible. This consumer trend is extremely fertile ground for the distribution of fine quality Veneto products.

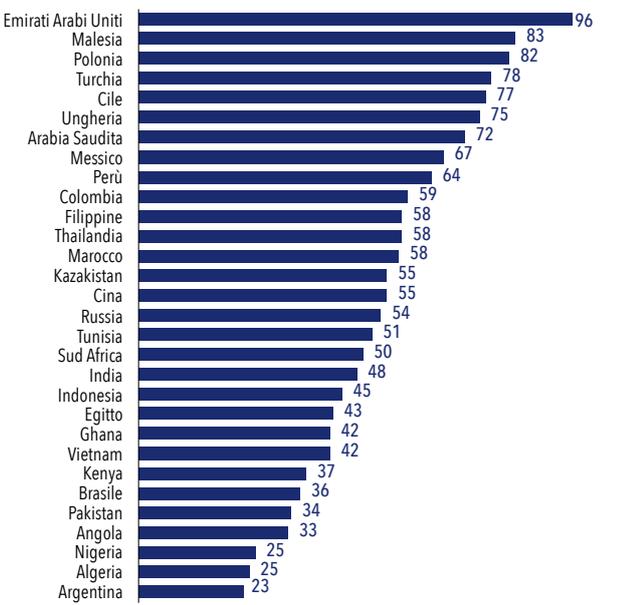
Whilst the potential market is there and is expanding, there is no lack of obstacles: China sits mid-way down in the rankings of the 30 countries analysed, due to

In 6 years, exports to China will increase by 18 million Euros, taking on board the changes in consumer trends and preferences among the wealthier social classes

weaknesses in logistics and burdensome non-price-related barriers. Furthermore, the country's manufacturing trends put Veneto's goods at a high risk of imitation¹⁰.

Among the countries that will undergo the most sustained development in demand, the United Arab Emirates offers some good opportunities for Veneto. In 2020, Veneto's exports in this sector could even reach 44 million Euros, facilitated by the country's high market accessibility and its role as a commercial hub. In 2020, after Russia, Turkey will be Veneto's most important export market, where the sector's regional exports should exceed 60 million Euros. The distribution of Veneto's products in this country is favoured by an expansion of the urban middle classes and high accessibility, thanks

Fig. 7.2.6 - BW&G clothing: Veneto's accessibility index (*) 2013

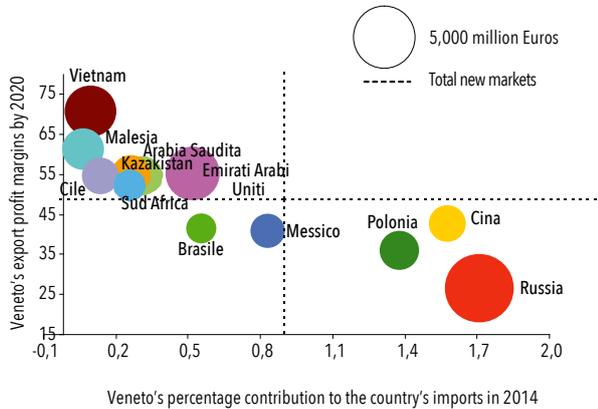


Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Istat, WTO, GTA, World Bank, Euro monitor and CBRE data

¹⁰ For more detailed information about the Chinese market, refer to Confindustria-Prometeia (2015), Chapter 3



Fig. 7.2.7 - BW&G clothing: Veneto's percentage contribution to the country's imports in 2014 and cumulative percentage increase of the 12 main markets 2014-2020 (*)



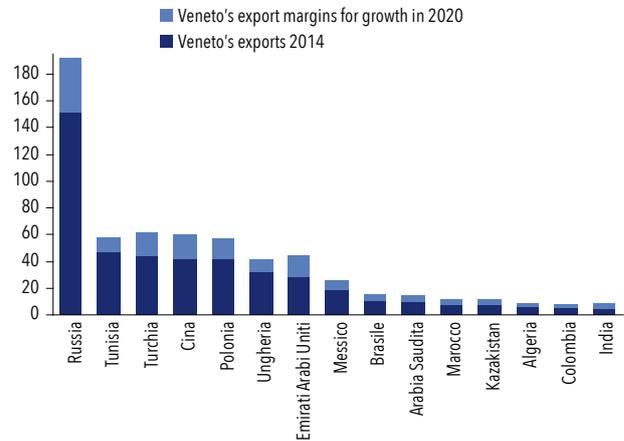
(*) The size of the dots is proportional to the importance of the country to BW&G global imports.
 Source: Veneto Region Processing - Regionale and Prometeia Statistical System Section on Eurostat, HIS, National Institute for Statistics data

in part to the Customs union. Despite being currently oriented towards cheaper products of inferior quality, China is the main competitor in this market.

Veneto's most important markets, after Russia, are Turkey and Poland

Poland's importance is confirmed by Veneto's market share in the country of 1.4% in 2014. Strong commercial relations, EU membership and geographical proximity make Poland a country that is more easily approached, but this does not guard against competition from other valid competitors, such as China and Germany. Between 2014 and 2020 the demand in BW&G clothing will increase the most in Malaysia and Vietnam, countries in which Veneto still does not figure heavily, either hindered by big international competitors or discouraged by the low accessibility, in the case of Vietnam (high non-price-related barriers, weak logistics and distribution network).

Fig. 7.2.8 - BW&G clothing: Veneto's exports by destination country and their growth margin by 2020 (2013 prices in millions euros) 2014



Source: Veneto Region Processing - Regionale and Prometeia Statistical System Section on Eurostat, HIS, National Institute for Statistics data

BW&G Footwear

In 2020, BW&G footwear imports by new markets will be close to a value of 25 billion Euros, of which 263 million Euros will come from Veneto. Russia will continue to have the largest potential consumer market, as well as being the most important for the region. This will happen despite the fact that the country's estimated future growth in demand (+40% in 6 years) is less than the average for new markets (63%). In fact, it is not just the contingent moment that slows down demand.

Even before the 2014 economic crisis, the number of lower priced competitors had increased; a phenomenon that should not be underestimated because it could herald a change in consumer preferences. Furthermore, as already highlighted by other sectors, Russia sits at the bottom end of the market accessibility rankings, following a worsening of non-price-related barriers as well as the weak logistics and distribution system.

Poland is Veneto's second main export market for footwear, where the region's market share stood at 2.5% in 2014. By 2020, Veneto's exports to the country could reach 32 million Euros, an in-

In 2020 Veneto's exports to Russia will reach a value of 109 million Euros...

... but lower priced competitors are on the up



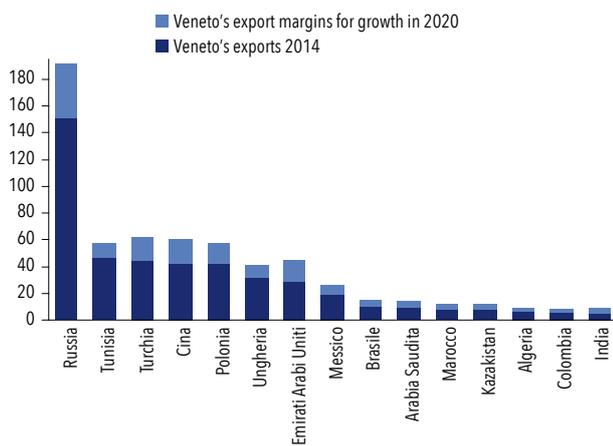
crease of 10 million Euros over 6 years. Growth is facilitated by the expansion of the middle classes, who are particularly sensitive to the style and quality of Italian products. Poland is also one of the most accessible of all the new markets and only has a few weaknesses in its distribution system.

China is still an extremely attractive new market: Veneto's exports to the country should reach 24 million Euros in 2020, an increase of 8 million from 2014. Monitoring the Chinese market, including by means of participating

in international trade fairs *in situ*, is important in order to keep up to date with wealthier consumer trends. Indeed, such trends tend to change rapidly, looking towards more mature tastes, less focused on brand awareness, due in part to the new austerity style introduced by President Xi Jinping, and more sensitive to the quality of material.

As far as the accessibility of Chinese markets is concerned, the major weak points are operational risk, as summarised by the Doing Business indicator, and the high non-price-related barriers.

Fig. 7.2.9 - BW&G footwear: Veneto's accessibility index (*) 2013



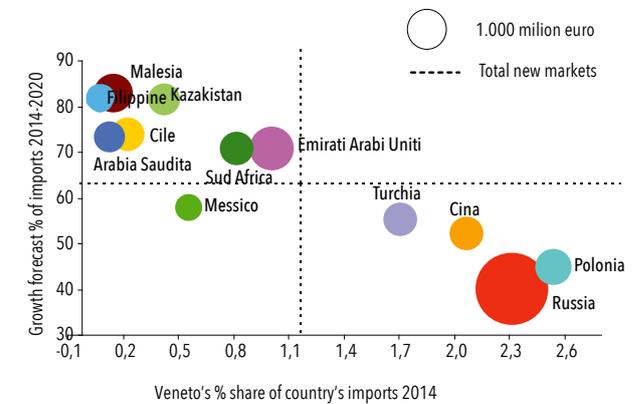
(*) accessibility index: maximum accessibility=100 Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Istat, WTO, GTA, World Bank data

Veneto's fourth most important country for exports are the United Arab Emirate, who also feature among the

most dynamic emerging markets in terms of demand prospects. The preferences of the country's local wealthy population and the many international tourists contribute to the increased demand for high range products. Veneto's market share in the United Arab Emirates stands at 1% and Veneto's exports could reach a value of 22 million Euros by 2020, facilitated by the high degree of market accessibility.

South Africa too finds itself among the most attractive markets, where demand for quality consumer goods is supported by growth of the wealthier social classes, as well as by more advanced urbanisation compared to other African countries. By 2020, Veneto will export footwear worth 11 million Euros to South Africa, the equivalent of 0.8% of the country's imports. Although more accessible than other African markets, there are still some difficulties in the distribution of Veneto's products in terms of commercial barriers and the distribution system.

Fig. 7.2.10 - BW&G Footwear: Veneto's percentage quota of country's imports in 2014 and cumulative percentage increase of imports 2014-2020 of the main 12 markets.



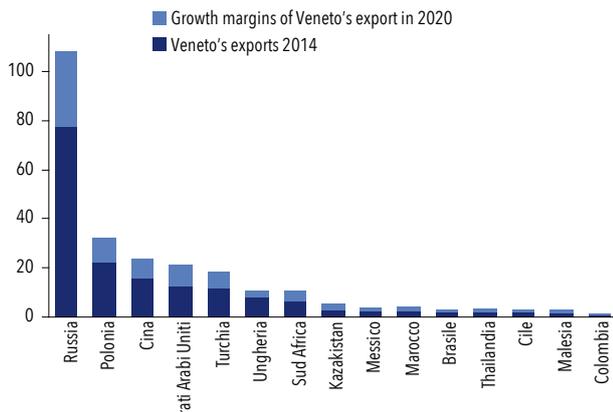
(*) The size of the dots is proportional to the importance of the country to BW&G global imports. Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Eurostat, HIS, National Institute for Statistics data

Among the new markets, Kazakhstan comes second only to Malaysia in terms of import growth prospects for (+80% between 2014 and 2020). Compared to Malaysia, however, it has a decidedly lower accessibility level, largely due to a poor logistics and distribution system. Veneto's market share in Kazakhstan is still modest but, thanks to the free trade agreement signed with Russia



and Belarus, the country could become an important bridge for commercial flows to such countries. Italian producer interest in Kazakhstan is confirmed by the organisation of in situ trade fairs, such as the 'Shoes from Italy' fair held in Almaty at the beginning of April.

Fig. 7.2.11 - BW&G footwear: Veneto's exports by destination market and their growth margins in 2020 (expressed in millions of euros using 2013 prices) -2014



Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Eurostat, HIS, National Institute for Statistics data

BW&G Furnishings

In 6 years BW&G furnishings exports to new markets could increase by 300 million Euros, reaching 876 million Euros in 2020.

By the end of this period, 262 million Euros worth of exports, 47 million higher than in 2014, will be exported to Russia, Veneto's most important market. The country's estimated increase in demand will be disappointing if compared to the new market average (22%, compared to 69%).

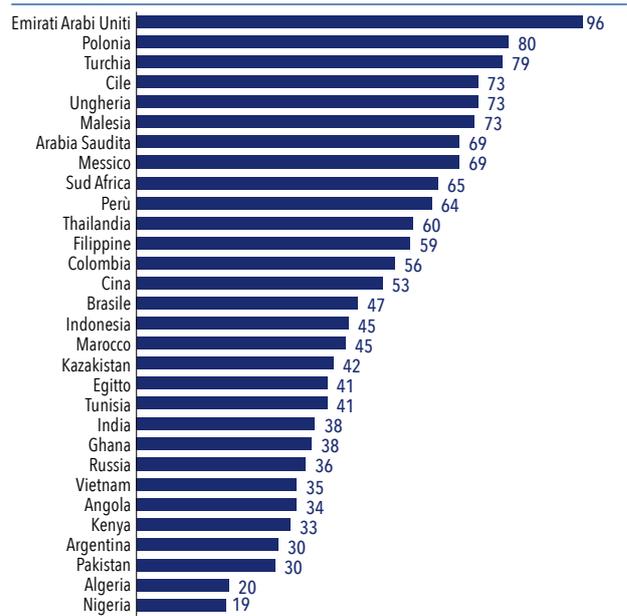
Therefore, if, on the one hand, customer loyalty supports Veneto's exports because Russian consumers have been aware of the quality and reliability of the Veneto products for considerable time, on the other hand, the decrease in expected growth suggests the need to further diversify supply in a geographical sense by targeting other markets too. In addition, market accessibility is amongst the poorest, with the greatest weaknesses found in the logistics system and a considerable operational risk.

Not just Russia: more limited predictions of growth in demand and poor accessibility levels force Veneto's enterprises to diversify their exports geographically

The United Arab Emirates and Saudi Arabia are among the markets that offer the best export opportunities to Veneto. In both cases, there is

a considerable predicted increase in demand of over 80% in 6 years. In these countries, consumers are happy to pay a premium for the quality and reliability of Veneto (and Italian) goods, both those adapted to suit the highly detailed, sumptuous Arab style and those offering typically simple, Western designs. In terms of accessibility, the two countries find themselves well placed in 1st and 7th position out of the 30 new markets in the rankings.

Fig. 7.2.12 - BW&G furnishings: Veneto's accessibility index (*) 2013



(*) index of market access: maximum access=100 Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Istat, WTO, GTA, World Bank, Euro monitor, CBRE data

Veneto's BW&G furnishings enterprises are aware of the opportunities offered by the United Arab Emirates and Saudi Arabia, confirmed by the increase in exports recorded between 2013 and 2014 (+16% and +30% respectively¹¹) and, by 2020, Veneto's sector exports to the two countries could reach a total value of 236



million Euros, that is to say, over a quarter of exports to new market.

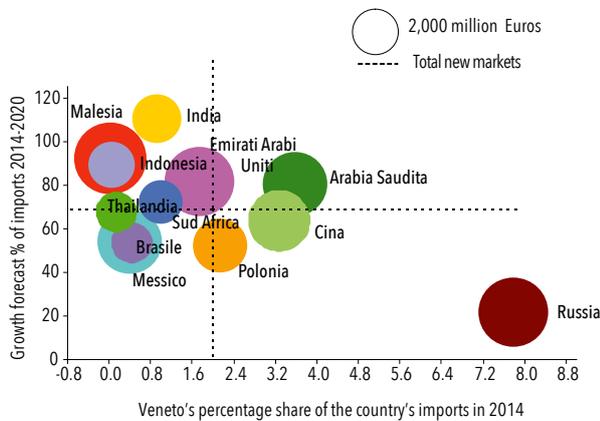
Considerable opportunities from the United Arab Emirates, Saudi Arabia and China

Veneto's impact on Chinese imports from this sector stands at 3.3%. Increase in the country's demand will continue in the mid-term: urbanisation, still fully underway, together with an increasingly consistent influx of foreign tourists, facilitates the development of demand by residential and hospitality sectors demand. Moreover, the upper middle classes who live in urban centres are gaining a better understanding of their consumer preferences and there has been a rapid increase in interest in designer furnishing over the last few years. Based on its current position, Veneto could reach exports to China of BW&G furnishings for a value of over 120 million Euros.

the Veneto product as superior in quality, innovation and reliability.

Malaysia and India will be among the sector's largest new markets with the highest increase in demand. Malaysia's imports are predicted to be 5.8 billion Euros by 2020, but Veneto's market share in the country is very low. Between 2014 and 2020, Indian BW&G furnishings imports are expected to more than double and Veneto, with a market share of around 1%, will benefit from this despite the fact that the distribution of its products comes up against an inadequate distribution system and operational hurdles.

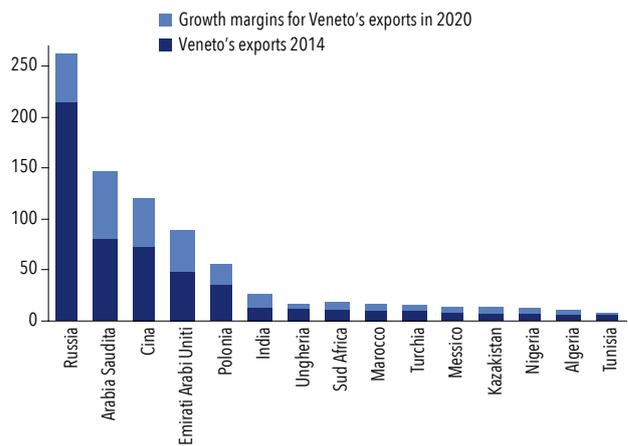
Fig. 7.2.13 - BW&G furnishings: Veneto's percentage share of country's imports in 2014 and cumulative growth percentage of imports 2014-2020 in the main 12 markets (*)



(*) The size of the dots is proportional to the importance of the country to BW&G global imports. Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Eurostat, HIS, National Institute for Statistics data

In the next few years, Poland too will remain an important target market for Veneto, as well as being the most accessible, after the United Arab Emirates. The main risk is impact by Chinese competitors, who position themselves at a lower price range. Therefore, it is essential that the Polish consumer continue to view

Fig. 7.2.14 - BW&G furnishings: Veneto's exports by destination country by their growth margins in 2020 (calculated in millions of euros using 2013 prices) - 2014



Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Eurostat, HIS, National Institute for Statistics data

BW&G Eyewear

International demand in BW&G eyewear shows no sign of abating: between 2014 and 2020 the predicted increase for new markets is 64%, for a value of 1.5 billion Euros in more than 6 years. Over a fifth of this additional demand will be met by Veneto exports. The region has the highest market share in most of the countries analysed, with peaks of 40% and over in Turkey, the United Arab Emirates, South Africa and Brazil. After all, Veneto enjoys the reputation of undisputed international sector leader: never was there a truer case made for the made in Veneto brand as a guarantor of beauty, attention to

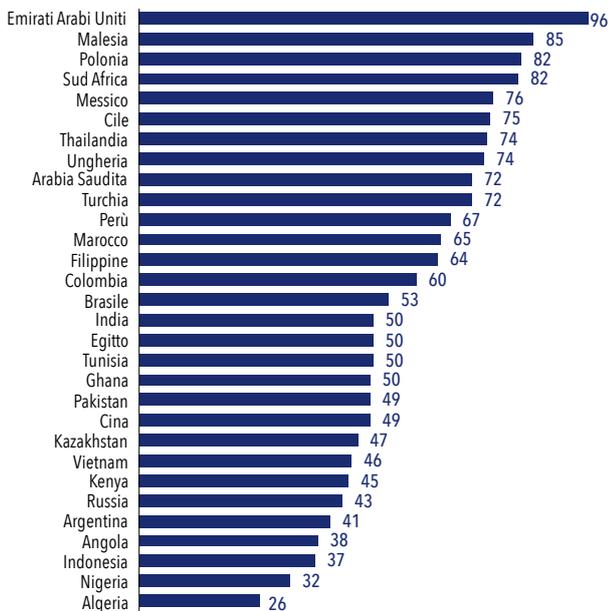


detail and professionalism, the result of original and irreplaceable expertise.

Veneto is confirmed as sector leader even in new markets

In new markets too, Veneto is the sector leader, making the region an emblematic case of re-shoring, as new consumers are becoming more demanding and willing to pay a premium for products that are actually made in Veneto. Among the new markets, Brazil and China compete for first place in Veneto's BW&G eyewear exports with values, net of inflation, expected to reach 115-117 million Euros by 2020. Brazil's market share stands at 40%, further testament to the level of recognition and appreciation of Veneto's products. However, there is the risk that, given the challenging economic climate that the country is experiencing, consumers may choose cheaper products, making competition from China a more pressing concern. Furthermore, Brazil does not have a particularly accessible market: duties are high; the Doing Business indicator reports a significant operational risk; and the distribution system is overly fragmented.

Fig. 7.2.15 - BW&G eyewear: Veneto's accessibility index (*) 2013

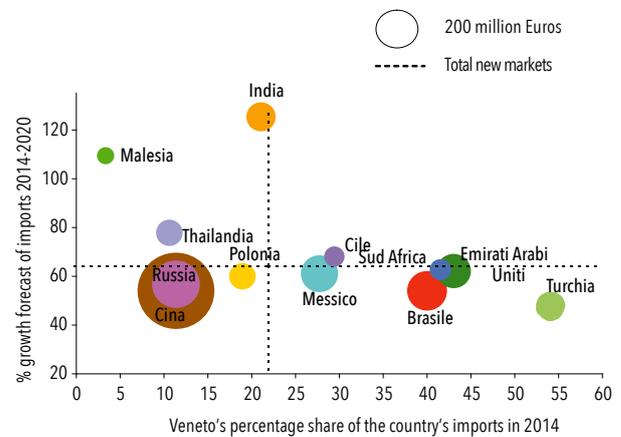


(*) accessibility index: maximum accessibility=100 Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Istat, WTO, GTA, World Bank, euromonitor, CBRE data

China is the biggest potential market but there are increasing attempts to upgrade local production

China has the potential of being a very large market (the largest out of the 30 countries analysed), but Veneto's eyewear expansion is hindered by competition from local manufacturers. Veneto's product is located within the medium-high market segment but there are increasing attempts being made to upgrade local production. In addition to this, market accessibility is low, especially due to high entry barriers (price-related and non) and legislation aimed at protecting local manufacturing. Another market of interest for Veneto is the United Arab Emirates, where the region's exports meet over 40% of demand and could reach 95 million Euros by 2020. Here, the Veneto product par excellence are designer glasses, produced using cutting edge technology and materials; a product that is known and appreciated by both the local population and international tourists.

Fig. 7.2.16 - BW&G eyewear: Veneto's percentage share of the country's imports in 2014 and cumulative percentage increase of imports of the main 12 new markets (*) 2014-2020



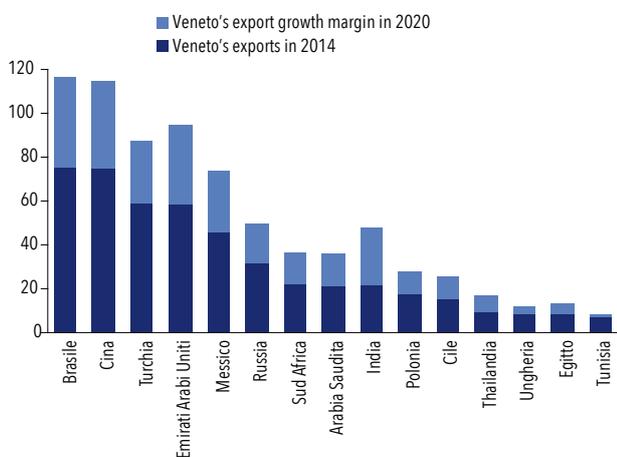
(*) The size of the dots is proportional to the importance of the country to BW&G global imports. Source: Veneto Region Processing - Regionale and Prometeia Statistical System Section on Eurostat, IHS, National Institute for Statistics data

Veneto meets over 50% of Turkey's BW&G eyewear demand, a country characterised by its good market accessibility, especially thanks to its close proximity and to its customs agreement with the European Union. The region's market share is also significant in Mexico (28%), the most accessible market in Latin America, thanks to



lower trade barriers (price-related and non) and to a modern distribution network. India looks to have the greatest growth prospects of all the new markets, as demand is set to more than double in the next 6 years; however, the main hurdles for Veneto's enterprises are the weak distribution network and the operational risk reported by the Doing Business indicator.

Fig. 7.2.17 - BW&G eyewear: Veneto's exports by destination country and their growth margin in 2020 (calculated in millions of euros using 2013 prices) - 2014



Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Eurostat, IHS, National Institute for Statistics data

BW&G Goldsmiths-Jewellery

In 2020, new markets could reach import values of 15 billion Euros, around half the demand from established markets in the same year. Veneto has a market share of 8% in new markets and a constant position would lead the region's exports to these countries to exceed 1 billion Euros by 2020.

Maintaining a constant market share depends on a highly respected international reputation: new consumers recognise, in Venetian (and Italian) jewellery, uniqueness

The work of Venetian goldsmiths is recognised and appreciated but competition, duties and fragmented distribution channels limit its expansion in some new markets.

in terms of quality, but also the versatility to adapt to their specific needs. However, the opportunities that are opening up for Veneto's¹¹ enterprises are not without obstacles. Firstly, competition: starting from a good position does not safeguard from those competitors, such as India, who have access to raw materials and boast of ancient goldsmith traditions. Moreover, the sector is affected by historically high price-related barriers and, in new markets, has to deal with underdeveloped and fragmented distribution channels. In cases such as these, the necessity of enlisting the help of local intermediaries puts the country at risk of counterfeiting and, more generally, of unfair behaviour by local partners. The United Arab Emirates is the market with the largest demand and is also the most important for Veneto's exports of the sector. The region could reach exports for a value of over 570 million Euros by 2020, around 6% of the country's imports. Market demand from the United Arab Emirates is significant in many ways. Firstly, it serves as a commercial hub through which gold exports to the rest of Asia flow; this is thanks to its key position but also to its high market accessibility, in terms of both logistics and customs clearance and forward shipping of goods.

Direct demand from the country is also high: the appeal of stylish jewellery of craftsmanship and appeals to both the wealthier parts of the local population and international tourists. It is precisely the ever increasing influx of tourists that makes the country an ideal showcase to promote the position that Italian jewellery occupies on the world stage, prompting the organisation of Vicenzaoro Dubai, an exhibition devoted to gold and jewellery whose first edition was held last April.

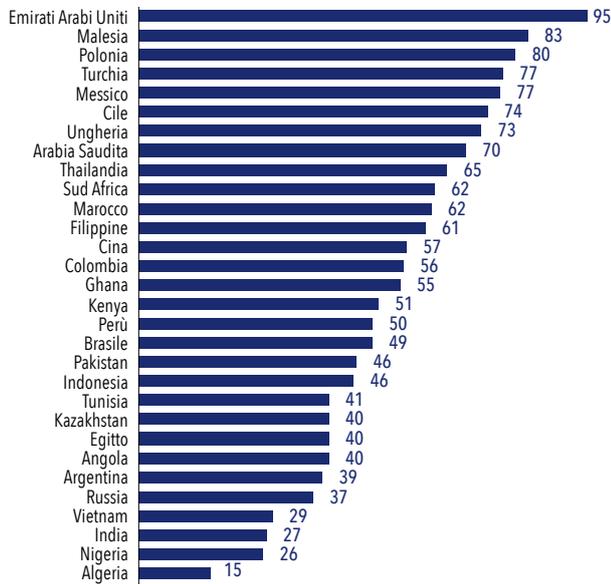
As part of the event, there was also The Italian Beauty exhibition, which comprised a selection of precious necklaces from the Vicenza Jewellery Museum, and presented an important opportunity to present and highlight the beauty and sophistication of Venetian and Italian jewellery.

Second to the United Arab Emirates as Veneto's largest market for gold and jewellery is China, which according to the most recent rankings, could reach exports worth around 230 million Euros by 2020. In this market, the main hurdles are due to the rather low market accessibility, disadvantaged above all by onerous customs duties. In addition, as previously mentioned, the anti-corruption measures adopted by the government could, at least in part, affect jewellery purchasing.

¹¹ Variation in current values A good example is the American eyewear giant, Marchon, which has chosen to transfer some of its manufacturing to Belluno from China, in response to increased competition by Veneto production, especially in the medium to high and luxury segments



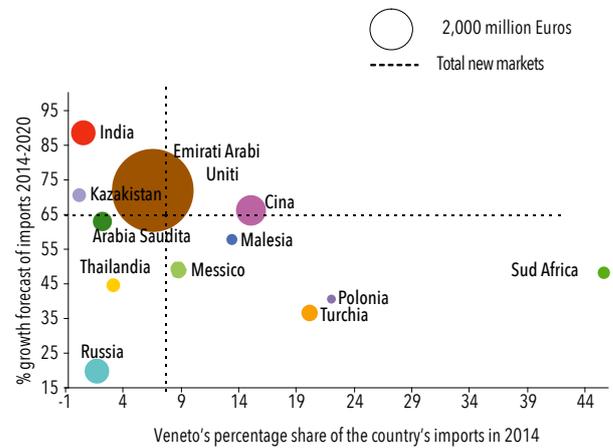
Fig. 7.2.18 - BW&G jewellery: index for Veneto's market access (*) - 2013



(*) index of market access: maximum=100
 Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Istat, WTO, GTA, World Bank, Euro monitor, CBRE data

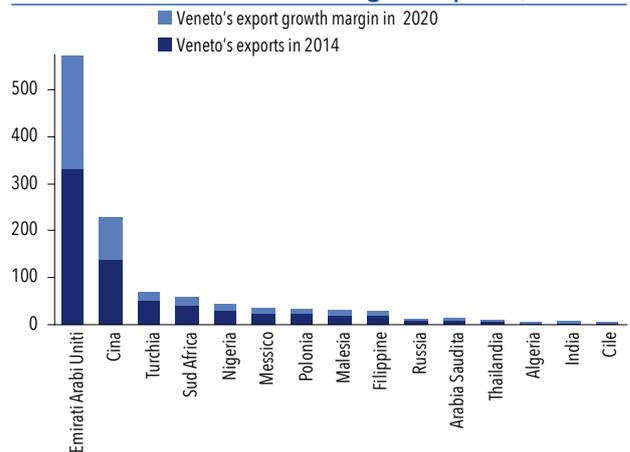
The United Arab Emirates and China cover 70% of Veneto's exports to new markets but Turkey also holds an important position, not only due to its geographical proximity but also because it also functions as a bridge towards other new markets (including Russia). Turkey has high market accessibility, although there are some weaknesses in the distribution system. There are interesting market prospects for India, where it is expected that the sector's imports will increase by 90% in the next 6 years. Veneto's market share in the country is modest: on the one hand, competition from local manufacturers is very strong and, on the other, India is one of the least accessible markets, with wide-ranging, significant problems, stemming from an underdeveloped logistics and distribution system to high price-related barriers as well as difficulties related to the business environment.

Fig. 7.2.19 - BW&G jewellery: Veneto's percentage share of the country's imports in 2014 and cumulative percentage increase of imports to the main 12 new markets 2014-2020(*)



(*) The size of the dots is proportional to the importance of the country to BW&G global imports. Source: Veneto Region Processing - Regionale and Prometeia Statistical System Section on Eurostat, IHS, National Institute for Statistics data

Fig. 7.2.20 - BW&G jewellery: Veneto's exports by destination country and their growth margin in 2020 (calculated in millions of Euros using 2013 prices) - 2014



Source: Veneto Region Processing - Regionale and Prometeia Statistical System Section on Eurostat, IHS, National Institute for Statistics data



Tab,7,2,1 -new BW&G markets : percentage of global demand (*) and import growth forecasts (**), Calculated in millions euros using 2013

	Percentage of global imports 2013	Imports 2020		Cumulative increase 2014-2020	
		World	Veneto	World	Veneto
- Russia	3,8	26,183	688	5,328	146
- Polonia	1.5	12,876	251	3,437	73
- Kazakistan	0.8	7,094	35	2,728	15
- Turchia	0.7	6,112	260	1,780	77
- Ungheria	0.4	3,306	104	721	24
Total East Europe	7.2	55,572	1,340	13,994	337
- Emirati Arabi Uniti	2.7	27,532	836	10,707	343
- Arabia Saudita	1.3	13,658	222	4,988	94
- Egitto	0.4	3,401	25	1,174	9
- Algeria	0.3	2,443	31	729	11
- Marocco	0.2	2,236	43	783	16
- Tunisia	0.1	695	75	135	14
Total North Africa and Middle East	5.0	49,965	1,232	18,515	487
- Sud Africa	0.8	7,510	136	2,669	49
- Angola	0.3	2,966	3	1,031	1
- Nigeria	0.2	2,431	62	909	22
- Ghana	0.1	1,218	5	466	2
- Kenya	0.1	997	14	431	4
Total Sub-Saharan Africa	1.6	15,121	220	5,505	79
- Cina	2.0	18,850	590	6,191	217
- Malesia	1.5	15,803	43	6,558	17
- Vietnam	1.2	12,469	14	5,117	6
- Thailandia	0.7	6,577	41	2,215	15
- Indonesia	0.6	6,752	4	2,753	2
- India	0.6	7,492	95	3,574	49
- Filippine	0.6	5,661	35	2,095	12
- Pakistan	0.1	1,017	8	414	3
Total Asia	7.3	74,621	830	28,917	321
- Messico	1.6	13,347	161	3,896	55
- Brasile	0.9	7,487	157	2,004	52
- Cile	0.8	7,256	47	2,586	18
- Colombia	0.3	2,409	30	775	11
- Perù	0.2	2,248	19	813	7
- Argentina	0.2	1,679	5	496	2
Total Latin America	4.0	34,426	419	10,569	145
Total new markets	25.1	229,706	4,041	77,500	1,369
Total existing	74.9	583,673	12,571	139,191	3,339

(*) 38 exporting countries that represent 85% of total global exports. Available data up to 2013 For 2014 the figures have been partially estimated, the following are expected (**) annual import data should not be accepted as a definite forecast but as referring to potential market absorption. In particular, Veneto's data has been obtained by giving each BW&G sector a constant market share in each country with the aim of calculating future growth from its most recent position Source: Veneto Region Data Processing. Regional and Prometeia Statistical System Section on Eurostat data, IHS, National Institute for Statistics data



Tab.7.2.2 - New markets for BW&G food: percentage of global demand (*) import growth forecast (**). Calculated in millions euro using 2013 prices

	Percentage of global imports 2013	Imports 2020		Cumulative increase 2014-2020	
		World	Veneto	World	Veneto
- Russia	2.7	5,746	64	720	8
- Polonia	1.7	4,505	46	914	9
- Kazakistan	0.1	282	0	80	0
- Turchia	0.5	1,283	7	264	1
- Ungheria	0.6	1,379	22	247	4
Total East Europe	5.7	13,195	139	2,225	23
- Emirati Arabi Uniti	1.0	2,468	15	620	4
- Arabia Saudita	1.1	3,264	10	853	3
- Egitto	0.3	655	2	154	0
- Algeria	0.3	819	3	168	1
- Marocco	0.2	457	1	108	0
- Tunisia	0.0	94	1	14	0
Total North Africa and Middle East	2.9	7,758	31	1,916	8
- Sud Africa	0.5	1,275	4	292	1
- Angola	0.5	1,342	0	352	0
- Nigeria	0.3	730	2	202	1
- Ghana	0.2	462	2	132	0
- Kenya	0.1	162	11	48	3
Total Sub-Saharan Africa	1.6	3,970	19	1,026	5
- Cina	2.8	7,693	41	2,306	12
- Malesia	0.9	2,498	2	785	1
- Vietnam	0.9	2,892	2	1,036	1
- Thailandia	1.0	2,624	3	723	1
- Indonesia	0.5	1,454	0	452	0
- India	0.2	590	4	199	1
- Filippine	0.7	2,081	2	625	0
- Pakistan	0.1	195	2	59	0
Total Asia	7.1	20,027	55	6,185	17
- Messico	2.1	5,171	7	1,208	2
- Brasile	1.2	2,758	16	489	3
- Cile	0.5	1,133	3	274	1
- Colombia	0.4	963	1	243	0
- Perù	0.2	613	1	166	0
- Argentina	0.2	451	0	91	0
Total Latin America	4.6	11,089	29	2,471	6
Total new markets	21.9	56,039	273	13,823	58
Total existing	78.1	172,284	2,767	26,846	431

(*) 38 exporting countries that represent 85% of total global exports. Available data up to 2013 For 2014 the figures have been partially estimated, the following are expected (**) annual import data should not be accepted as a definite forecast but as referring to potential market absorption. In particular, Veneto's data has been obtained by giving each BW&G sector a constant market share in each country with the aim of calculating future growth from its most recent position Source: Veneto Region Data Processing. Regional and Prometeia Statistical System Section on Eurostat data, IHS, National Institute for Statistics data



Tab,7,2,3 - – New markets for BB&B clothing: percentage of global demand (*) and import growth forecasts (**), Calculated in millions Euros using 2013

	Percentage of global imports 2013	Imports 2020		Cumulative increase 2014-2020	
		World	Veneto	World	Veneto
- Russia	5,0	11,229	192	2,367	40
- Polonia	1.5	4,165	57	1,104	15
- Kazakistan	1.5	4,485	12	1,588	4
- Turchia	0.6	1,912	61	521	17
- Ungheria	0.3	888	41	195	9
Total East Europe	8.9	22,678	363	5,774	86
- Emirati Arabi Uniti	2.6	8,534	44	3,034	16
- Arabia Saudita	1.3	4,555	14	1,607	5
- Egitto	0.6	2,013	2	715	1
- Algeria	0.3	1,003	9	328	3
- Marocco	0.2	613	12	193	4
- Tunisia	0.2	383	58	73	11
Total North Africa and Middle East	5.1	17,101	138	5,950	39
- Sud Africa	0.9	2,799	7	959	2
- Angola	0.1	460	0	171	0
- Nigeria	0.2	727	1	276	0
- Ghana	0.1	261	1	103	0
- Kenya	0.1	354	1	147	0
Total Sub-Saharan Africa	1.4	4,601	11	1,655	4
- Cina	1.3	3,830	60	1,146	18
- Malesia	1.5	5,410	3	2,057	1
- Vietnam	2.2	8,191	8	3,392	3
- Thailandia	0.4	1,273	5	423	2
- Indonesia	0.6	2,276	1	878	0
- India	0.5	1,814	9	783	4
- Filippine	0.5	1,812	1	684	0
- Pakistan	0.1	370	2	144	1
Total Asia	7.2	24,976	88	9,507	29
- Messico	1.1	3,159	26	917	8
- Brasile	0.9	2,567	15	770	4
- Cile	1.2	3,762	5	1,330	2
- Colombia	0.2	632	8	207	3
- Perù	0.2	672	7	239	2
- Argentina	0.1	428	1	130	0
Total Latin America	3.6	11,220	62	3,594	19
Total new markets	26.3	80,577	663	26,480	177
Total existing	73.7	200,338	2,262	48,357	546

(*) 38 exporting countries that represent 85% of total global exports, Available data up to 2013 For 2014 the figures have been partially estimated, the following are expected (**) annual import data should not be accepted as a definite forecast but as referring to potential market absorption, In particular, Veneto's data has been obtained by giving each BW&G sector a constant market share in each country with the aim of calculating future growth from its most recent position Source: Veneto Region Data Processing, Regional and Prometeia Statistical System Section on Eurostat data, IHS, National Institute for Statistics data



Tab.7,2,4 - - New Markets for BB&B footwear: percentage of global demand (*) import growth forecast (**), Calculated in millions euros using 2013 prices

	Percentage of global imports 2013	Imports 2020		Cumulative increase 2014-2020	
		World	Veneto	World	Veneto
- Russia	6,4	4,700	109	1,346	31
- Polonia	1.7	1,274	32	396	10
- Kazakistan	1.7	1,374	5	613	2
- Turchia	0.9	1,077	18	383	7
- Ungheria	0.4	249	11	64	3
Total East Europe	11.0	8,673	175	2,802	53
- Emirati Arabi Uniti	2.3	2,146	22	891	9
- Arabia Saudita	0.8	1,056	1	447	1
- Egitto	0.3	256	2	110	1
- Algeria	0.2	197	0	77	0
- Marocco	0.4	363	4	158	2
- Tunisia	0.1	55	1	19	0
Total North Africa and Middle East	4.0	4,074	30	1,703	12
- Sud Africa	1.5	1,338	11	555	5
- Angola	0.4	335	0	143	0
- Nigeria	0.4	374	1	167	0
- Ghana	0.2	243	0	113	0
- Kenya	0.2	233	0	113	0
Total Sub-Saharan Africa	2.6	2,523	12	1,091	5
- Cina	1.4	1,159	24	398	8
- Malesia	1.7	1,764	3	799	1
- Vietnam	0.3	302	1	145	0
- Thailandia	0.6	559	3	230	1
- Indonesia	0.6	599	1	274	0
- India	0.6	715	2	356	1
- Filippine	0.9	894	1	403	0
- Pakistan	0.2	248	0	115	0
Total Asia	6.4	6,241	34	2,721	13
- Messico	0.9	735	4	269	1
- Brasile	0.3	271	3	95	1
- Cile	1.4	1,322	3	562	1
- Colombia	0.3	232	2	90	1
- Perù	0.4	330	1	139	0
- Argentina	0.3	240	1	73	0
Total Latin America	3.6	3,129	13	1,228	5
Total new markets	27.6	24,640	263	9,545	88
Total existing	72.4	55,273	2,170	17,128	673

(*) 38 exporting countries that represent 85% of total global exports, Available data up to 2013 For 2014 the figures have been partially estimated, the following are expected (**) annual import data should not be accepted as a definite forecast but as referring to potential market absorption, In particular, Veneto's data has been obtained by giving each BW&G sector a constant market share in each country with the aim of calculating future growth from its most recent position Source: Veneto Region Data Processing, Regional and Prometeia Statistical System Section on Eurostat data, IHS, National Institute for Statistics data



Tab,7,2,5 - New markets for BB&B furniture: percentage of global demand (*) and import growth forecasts (**), Calculated in millions euros using 2013 prices

	Percentage of global imports 2013	Imports 2020		Cumulative increase 2014-2020	
		World	Veneto	World	Veneto
- Russia	2,8	3,369	262	601	47
- Polonia	1.5	2,610	56	896	19
- Kazakistan	0.3	599	14	285	7
- Turchia	0.8	1,351	15	492	6
- Ungheria	0.5	717	16	194	4
Total East Europe	6.0	8,646	364	2,467	83
- Emirati Arabi Uniti	2.4	5,087	89	2,287	40
- Arabia Saudita	1.9	4,100	147	1,831	66
- Egitto	0.2	449	5	184	2
- Algeria	0.2	381	11	149	4
- Marocco	0.4	707	17	293	7
- Tunisia	0.1	130	8	27	2
Total North Africa and Middle East	5.2	10,853	276	4,770	120
- Sud Africa	1.0	1,883	19	788	8
- Angola	0.4	812	2	358	1
- Nigeria	0.3	542	13	240	6
- Ghana	0.1	241	3	112	1
- Kenya	0.1	239	1	118	0
Total Sub-Saharan Africa	1.9	3,718	38	1,617	16
- Cina	1.8	3,681	120	1,431	47
- Malesia	2.6	5,798	2	2,779	1
- Vietnam	0.4	1,025	2	516	1
- Thailandia	0.9	1,626	2	654	1
- Indonesia	1.0	2,304	1	1,088	1
- India	1.2	2,946	27	1,544	14
- Filippine	0.4	785	2	347	1
- Pakistan	0.1	169	2	81	1
Total Asia	8.4	18,334	159	8,440	66
- Messico	2.1	3,620	14	1,271	5
- Brasile	0.9	1,532	7	532	2
- Cile	0.5	936	6	380	3
- Colombia	0.3	509	8	207	3
- Perù	0.3	575	2	246	1
- Argentina	0.3	523	1	187	0
Total Latin America	4.4	7,695	39	2,822	14
Total new markets	25.9	49,247	876	20,116	300
Total existing	74.1	116,807	2,284	35,472	694

(*) 38 exporting countries that represent 85% of total global exports, Available data up to 2013 For 2014 the figures have been partially estimated, the following are expected (**) annual import data should not be accepted as a definite forecast but as referring to potential market absorption, In particular, Veneto's data has been obtained by giving each BW&G sector a constant market share in each country with the aim of calculating future growth from its most recent position Source: Veneto Region Data Processing, Regional and Prometeia Statistical System Section on Eurostat data, IHS, National Institute for Statistics data



Tab,7,2,6 - New markets for BW&G eyewear: percentage of global demand (*) and import growth forecasts (**), Calculated in millions Euros using 2013 prices

	Percentage of global imports 2013	Imports 2020		Cumulative increase 2014-2020	
		World	Veneto	World	Veneto
- Russia	4,2	439	50	159	18
- Polonia	1.0	147	28	55	10
- Kazakistan	0.2	41	2	22	1
- Turchia	1.4	161	87	52	28
- Ungheria	0.5	51	12	15	4
Total East Europe	7.2	839	179	302	61
- Emirati Arabi Uniti	1.7	220	95	84	36
- Arabia Saudita	0.5	71	36	28	14
- Egitto	0.2	24	13	9	5
- Algeria	0.1	11	4	5	2
- Marocco	0.1	18	8	6	3
- Tunisia	0.2	14	8	2	1
Total North Africa and Middle East	2.8	358	164	135	61
- Sud Africa	0.7	88	37	34	14
- Angola	0.1	10	0	4	0
- Nigeria	0.1	22	0	12	0
- Ghana	0.1	10	0	5	0
- Kenya	0.0	8	1	4	0
Total Sub-Saharan Africa	1.0	138	38	59	15
- Cina	3.2	1,018	114	354	40
- Malesia	0.6	106	3	56	2
- Vietnam	0.2	33	2	18	1
- Thailandia	1.8	156	17	68	7
- Indonesia	0.5	91	1	49	0
- India	1.2	227	48	126	27
- Filippine	0.3	46	3	23	2
- Pakistan	0.1	22	2	11	1
Total Asia	7.9	1,699	190	705	80
- Messico	2.1	266	74	101	28
- Brasile	2.4	292	117	103	41
- Cile	0.7	86	25	34	10
- Colombia	0.4	49	10	20	4
- Perù	0.3	42	7	17	3
- Argentina	0.2	30	2	13	1
Total Latin America	6.1	765	235	288	87
Total new markets	25.1	3,800	807	1,489	304
Total existing	74.9	8,823	2,296	2,979	775

(*) 38 exporting countries that represent 85% of total global exports, Available data up to 2013 For 2014 the figures have been partially estimated, the following are expected (**) annual import data should not be accepted as a definite forecast but as referring to potential market absorption, In particular, Veneto's data has been obtained by giving each BW&G sector a constant market share in each country with the aim of calculating future growth from its most recent position Source: Veneto Region Data Processing, Regional and Prometeia Statistical System Section on Eurostat data, IHS, National Institute for Statistics data



Tab,7,2,7 - New markets for BW&G jewellery: percentage of global demand (*) and import growth forecasts (**), Calculated in millions Euros using 2013 prices

	Percentage of global imports 2013	Imports 2020		Cumulative increase 2014-2020	
		World	Veneto	World	Veneto
- Russia	1,8	678	12	113	2
- Polonia	0.3	143	32	42	9
- Kazakistan	0.5	295	1	122	0
- Turchia	0.9	354	71	95	19
- Ungheria	0.1	23	3	6	1
Total East Europe	3.6	1,492	119	377	31
- Emirati Arabi Uniti	16.3	9,077	572	3,790	239
- Arabia Saudita	1.2	634	14	244	5
- Egitto	0.0	5	1	2	0
- Algeria	0.9	41	5	11	1
- Marocco	0.2	79	1	25	0
- Tunisia	0.1	19	0	1	0
Total North Africa and Middle East	18.7	9,854	593	4,074	246
- Sud Africa	0.3	127	58	41	19
- Angola	0.0	7	0	3	0
- Nigeria	0.1	34	45	12	15
- Ghana	0.0	1	0	0	0
- Kenya	0.0	1	0	0	0
Total Sub-Saharan Africa	0.4	170	103	56	34
- Cina	2.9	1,517	229	605	91
- Malesia	0.4	226	30	83	11
- Vietnam	0.1	26	0	10	0
- Thailandia	0.7	324	10	100	3
- Indonesia	0.0	29	1	13	0
- India	1.4	1,194	6	560	3
- Filippine	0.1	43	27	13	8
- Pakistan	0.0	11	0	5	0
Total Asia	5.7	3,370	304	1,388	117
- Messico	0.9	397	35	131	12
- Brasile	0.2	68	0	15	0
- Cile	0.0	18	4	5	1
- Colombia	0.1	24	1	8	0
- Perù	0.0	16	1	5	0
- Argentina	0.0	7	0	2	0
Total Latin America	1.2	529	42	166	14
Total new markets	29.5	15,417	1,160	6,060	442
Total existing	70.5	30,147	791	8,408	221

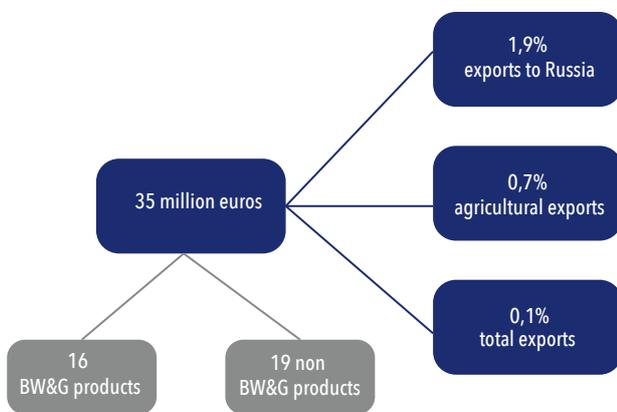
(*) 38 exporting countries that represent 85% of total global exports, Available data up to 2013 For 2014 the figures have been partially estimated, the following are expected (**) annual import data should not be accepted as a definite forecast but as referring to potential market absorption, In particular, Veneto's data has been obtained by giving each BW&G sector a constant market share in each country with the aim of calculating future growth from its most recent position Source: Veneto Region Data Processing, Regional and Prometeia Statistical System Section on Eurostat data, IHS, National Institute for Statistics data



7.3 The Russian Crisis: lost opportunities and short and medium-term effects

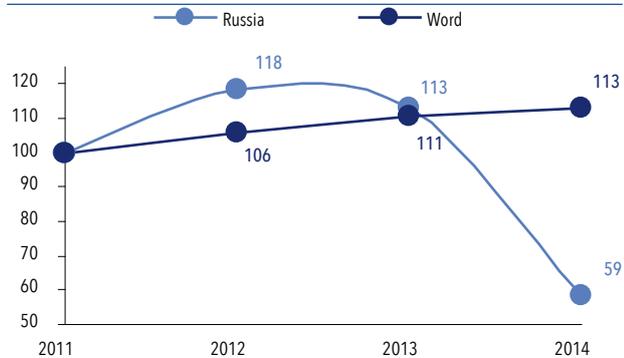
In response to the sanctions imposed on Russia by the EU, the country blocked EU imports of certain agro-industrial products. In 2013, Veneto's exports of these products stood at 35 million Euros, 16 million of which were BW&G products.

Fig. 7.3.1 - Number of embargoes: Veneto's exports to Russia of banned imports - 2013



Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Istat data

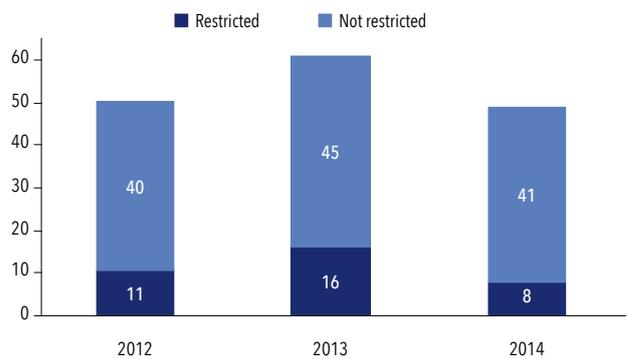
Fig. 7.3.2 - Veneto's exports of banned goods (BW&G and non BW&G) to Russia and to the rest of the world (2011=100) -2011:2014



Source: Veneto Region Processing - Regionale and Prometeia Statistical System Section on Istat data

In 2014, Veneto's exports to Russia of agro-industrial products under embargo (BW&G and non BW&G) were halved; whilst exports to the rest of world continued to grow. As previously mentioned, only a part of BW&G products were placed under embargo: around 2.3% of total BW&G exports to Russia in 2013 (27% if only considering BW&G food).

Fig. 7.3.3 - II BW&G food exports to Russia (millions euros). Veneto - 2012:2014



Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Istat data

Although the ban began in the latter part of 2014, exports to the country of products later placed under embargo had already begun to contract, confirming that the effects of the embargo on BW&G are just a small part of a much bigger picture, and should therefore be considered as part of this wider context other words, the political and economic situation that Russia is experiencing and the short and long term repercussions that this could have on Veneto's BW&G export businesses need to be taken into account.

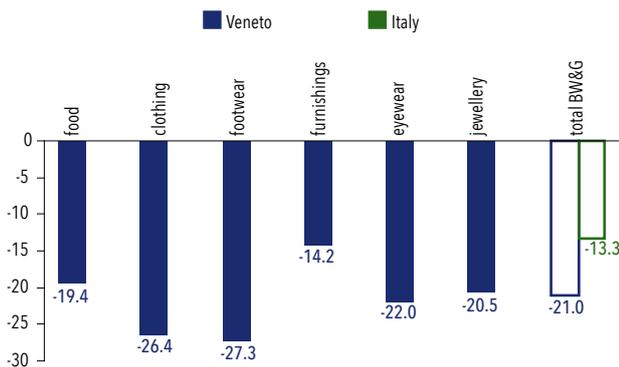
In 2014, the Russian economy slowed significantly (from 1.3% in 2013 to 0.6%). Demand for overseas products lost its momentum: as compared to the marked increases of previous years (excluding 2009), import of goods in 2014 fell by 6.7% in volume. Weaknesses in the country's development model emerged clearly: in particular, an unbalanced economy that relies heavily on exploiting raw materials is overly exposed to fluctuations in energy prices. Indeed, the fall in oil prices was very quickly reflected in the country's economic growth. To this is added the impact of political tensions related to the Ukraine crisis which resulted in EU sanctions being



imposed on Russia, to which the country responded, as previously mentioned, with a ban on imports of certain agricultural products from the EU (as well as from the USA, Canada, Australia and Norway). The fall in oil prices and an interruption in the influx of foreign capital (due to sanctions and political instability) led to a significant devaluation of the ruble. This all weighed heavily on the country's internal prices, with a considerable rise in inflation.

The issues outlined above were also reflected in the international demand for medium to high range goods as analysed in our study. In 2014, Veneto's BW&G exports to Russia fell by 21%, more than the fall suffered by Italian exports (-13%). Although all BW&G areas were affected, there was a more significant reduction in clothing (-26%) and footwear (-27%) and relatively less in furnishings (-14%).

Fig. 7.3.4 - Export trends of BW&G products to Russia. Veneto and Italy - 2014

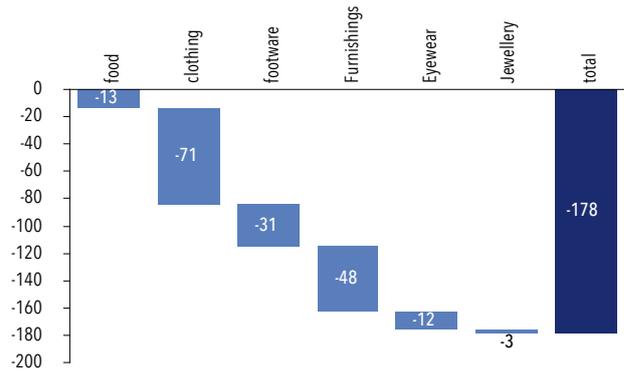


Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Istat data

To quantify the loss suffered by Veneto BW&G due to the worsening of the situation in Russia in 2014, the actual export value was compared with the value predicted by the econometric model which, having the objective of predicting international demand in the medium term, does not include short-term economic shocks. The results of the simulation show a loss of nearly 180 million Euros for the entire BW&G sector. There were sizeable losses in clothing (-71 million Euros), furnishings (-48 million), footwear (-31 million), whilst the Russian crisis had a lesser relative effect on the food and eyewear sectors, with a loss of 13 million and 12

million Euros respectively, as well as the jewellery sector (-3 million).

Fig. 7.3.5 - The impact on BW&G products from the restructuring of the Russian market: absolute change in Veneto's exports in million euros. 2014



Source: Veneto Region Processing - Regional and Prometeia Statistical System Section on Eurostat, HIS and National Institute for Statistics data

In addition to the negative effects suffered in 2014, the situation in Russia could also have an impact on demand for Veneto BW&G in the long term. Over more than a decade, a particularly positive relationship has developed between the Russian upper-middle classes and Veneto's enterprises, which have conquered the market with expertly-made, quality products that embody the excellence of products made in Italy. Tensions with western countries may weaken this relationship, with the risk that BW&G loses part of its appeal. In this case, the effect would be a weakening in demand even in the long term. Furthermore, this closed attitude towards western countries favours supplier substitution. Taking the example of food, the ban on products from the EU could benefit other competitors, primarily bordering countries, such as Turkey and Kazakhstan, for whom the advantage could be maintained over time¹⁵. However, suppliers from further afield could substitute those from Europe too, such as the case of Latin America for food and Asia for fashion. Should these new business relations become established, repositioning in the Russian market could become difficult for Veneto's enterprises.

¹⁵ See INEA (2014). The impact of the Russian embargo on Italian agriculture, page 41



¹² As already mentioned, market flows to China are estimated including exports that arrive indirectly via passage through Hong Kong.