

Cap.6 – Veneto's Model of Internationalisation

In a national comparison, Veneto enterprises' propensity for internationalisation is decidedly greater than the Italian average. In fact 13.9% of national exports originate from the region as well as 13.8% of Italian-based multinational enterprises, or enterprises that are active abroad through their own subsidiaries and/or joint ventures.

In terms of enterprise numbers, the incidence is 1.5 times that of the region; it can therefore be ascertained that the propensity for internationalisation among Veneto enterprises, whether commercial or through direct investments abroad, is over 50% greater than the national average. There are 1,200 enterprises from Veneto with at least one subsidiary enterprise abroad, while there are 3,374 subsidiary enterprises abroad, with over 134,000 employees and a revenue of a little under 18 billion euros.

In terms of direct investments abroad, at the end of 2014 there were 759 foreign-owned enterprises located in Veneto; these enterprises employ over 56 thousand employees and their aggregate turnover exceeds billion euros, with a regional GDP contribution of 4.3 billion euros. There are 604 multinational enterprises active in Veneto through at least related undertaking.

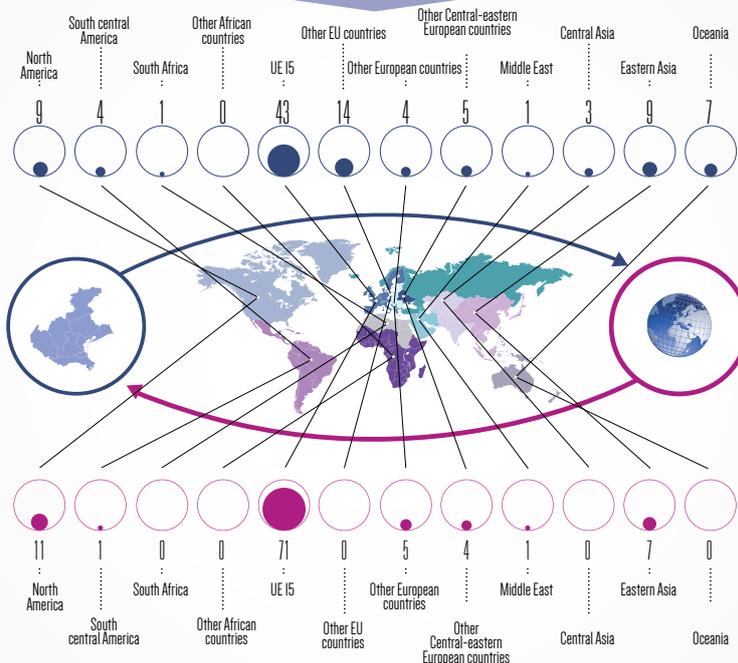
INTERNATIONAL CONNECTIONS

1,200

Veneto enterprises control at least one foreign enterprise

FOREIGN ENTERPRISES INVESTED IN BY VENETO ENTERPRISES

PERCENTAGE DISTRIBUTION OF REVENUE IN RELATION TO FDI



146,071

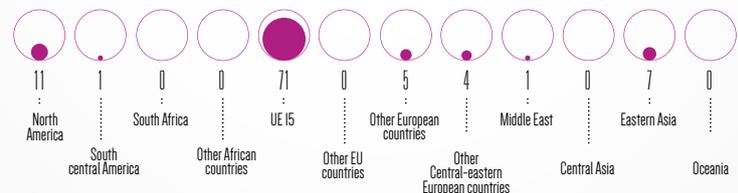
employees of foreign enterprises with Veneto investment

604

foreign multinationals have at least one holding in Veneto

VENETO ENTERPRISES INVESTED IN BY FOREIGN ENTERPRISES

PERCENTAGE DISTRIBUTION OF REVENUE IN RELATION TO ORIGIN OF THE CONTROL



56,494

employees of Veneto enterprises with foreign investment

A Report focused on the theme of “connections” cannot miss even a brief analysis of enterprises’ international connections, or rather their capacity to compete in the global economy. This chapter intends to analyse if and how the internationalisation model of Veneto enterprises has changed in the period of the major crisis, comparing the most recent data (referring to 2014 and 2015, depending on the indicators) with the situation in 2007, the year in which the crisis had not even minimally affected our economic system (it is appropriate to recall how its effects started to affect the Italian economy in the last quarter of 2008, to then “explode” during 2009). This analysis will inevitably be carried out succinctly not only with reference to exports, whose economic analysis can be found in the second chapter of this Report, but also and above all with reference to the multinational activities of the enterprises active in the region, whether based in Veneto (or Veneto enterprises with their subsidiaries and joint ventures abroad) or based abroad (or rather Veneto enterprises invested in by foreign multinational enterprises (MNC)). In the global economy of the third millennium the expansion and above all the quality of the MNC sector increasingly represent a decisive factor in terms of the competitiveness of a region and its potential for growth. In terms of “active”, or “outgoing”, internationalisation, the capacity of local enterprises to invest abroad is an essential indicator of their ability to permanently establish themselves on the sales markets and access privileged resources, making their enterprise structures more efficient and reactive to the continually changing economic conditions and the socio-political conditions of the international arena. In terms of “passive”, or “incoming”, internationalisation, the settling of MNCs in a territory is an obvious indicator of its attractiveness and competitiveness, on account of the cumulative effects related to the contribution of technological and managerial skills and the spill overs that are generated by the interactions of MNCs with the local economic structure.

In the next paragraph attention will be focused on the merchant internationalisation model of Veneto enterprises, or rather on the analysis of the sectoral and geographic structures of Veneto’s exports and the changes that have been made to these structures between 2007 and 2015.

Subsequently the focus will be moved onto the MNC sector. After a necessary placement of Italy in the international arena – the analysis may not

taking into account a fundamental assumption, or the lower degree of active and passive multinationalisation compared to that of other large European countries, our direct competitors – the sectoral and geographic structures of Veneto investments abroad and foreign investments in Veneto will be analysed in relation to national data and by comparing the latest available data (2014) with the situation in 2007. Some brief summary considerations will end the chapter.

6.1 The structure and trends of Veneto exports in the crisis period

An overall picture of the different variables related to the internationalisation of the economic system in Veneto, compared with certain demographic and economic variables, shows that Veneto houses 8.1% of the Italian resident population; the region’s burden increases to 9% of the national total in terms of the number of local units and to 10.1% in terms of the number of employees.

Tab. 6.1.1 – Demographic and internationalisation indicators for Veneto in terms of the national total – Various years

	Share %
Resident population in 2014	8.1
Active LUs in 2013	9.0
LU employees in 2013	10.1
Exports 2015	13.9
Imports 2015	11.4
Investee enterprises abroad in 2014	13.8
Employees to investee enterprises abroad in 2014	9.8
Employees to foreign investment enterprises in 2014	6.1
Foreign investment enterprises in 2014	6.0

Source: Veneto Region Processing - Directorate of Regional Statistical System on Istat data and Reprint Data Base, Agenzia ICE –R&P-Politecnico di Milano

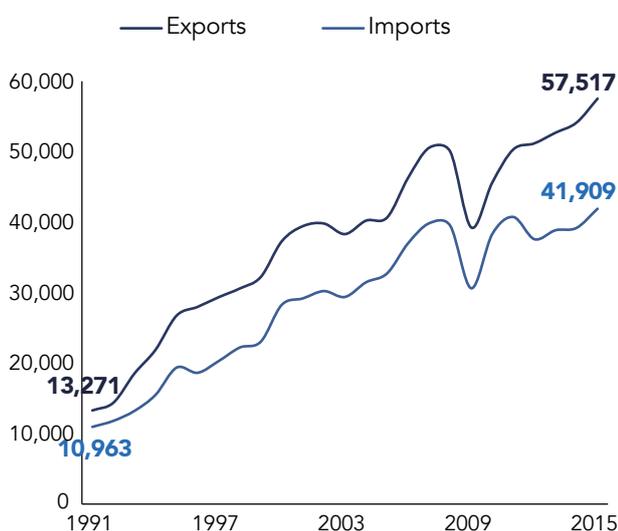
In the face of these figures, Veneto enterprises show a decidedly higher propensity for internationalisation than the national average. In fact 13.9% of national exports and 13.8% of Italian based multinational enterprises, or enterprises that are active abroad through their subsidiaries and/or joint ventures, originate from the region.

In terms of enterprise numbers, the incidence is 1.5 times that of the region; it can therefore be ascer-

Veneto has a large propensity for internationalisation

It is estimated that the propensity for internationalisation among Veneto enterprises, whether commercial or through direct investments abroad, is over 50% greater than the national average. In a long-term analysis of Veneto exports, after the veritable collapse recorded in 2009 due to the international financial crisis (-21.5% compared to 2008), since 2010 Veneto exports have shown an increase in the six consecutive years, already returning to pre-crisis values in 2011.

Fig. 6.1.1 Exports and imports. Values expressed in millions of euros at current value. Veneto – Years 1991:2015



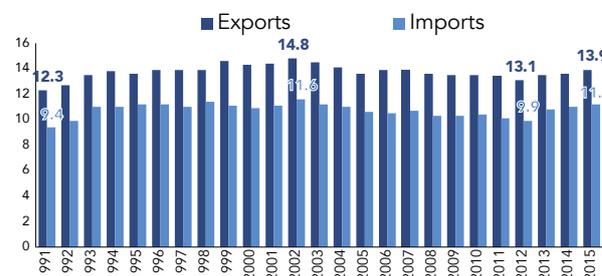
Source: Veneto Region Processing - Directorate of Regional Statistical System on Istat data

Veneto has fully recovered pre-crisis volumes in international trade

However, it should be noted that in relative terms the growth rate of Veneto

exports remained lower than the national average for the entire three year period 2010-2012, while in the three year period 2013-2015 this trend reversed, with growth rates higher than the national average which allowed Veneto to recover part of the share of national exports lost in the previous years. The general trend also underlies trends that are largely different between the various sectors.

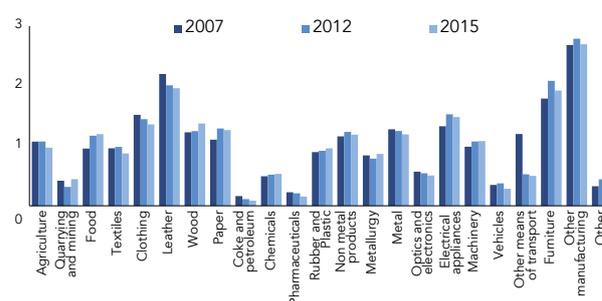
Fig. 6.1.2 Imports and exports: percentage incidence on the national total. Veneto – Years 1991:2015



Source: Veneto Region Processing - Directorate of Regional Statistical System on Istat data

Compared to 2007 exports of food, drink and tobacco products have almost doubled (second largest export sector for Veneto, with 8.7% of regional exports in 2015). Increases of over 30% were recorded for paper and printing and chemical products, while the export of agricultural, fishing and forestry products, pharmaceutical products, rubber and plastic products and mechanical machinery and equipment also increased by 20%, the latter being a sector that by far provides the largest contribution to Veneto exports, with a little under 20% of the total (a little under 11.4 billion euros). However exports of means of transport, petrol products and textile products are strongly declining.

Fig. 6.1.3 Index of sectoral specialisation (*) of exports compared to Italy. Veneto – Years 2007, 2012 and 2015



(*) Index of sectoral specialisation: Veneto's % share of Italian exports in the sector j / Veneto's % share of total Italian exports
Source: Veneto Region Processing - Directorate of Regional Statistical System on Istat data

Despite these variations, the specialisation model of Veneto exports did not undergo significant

THE STRUCTURE AND TRENDS OF VENETO EXPORTS IN THE CRISIS PERIOD



Veneto has maintained its specialisations

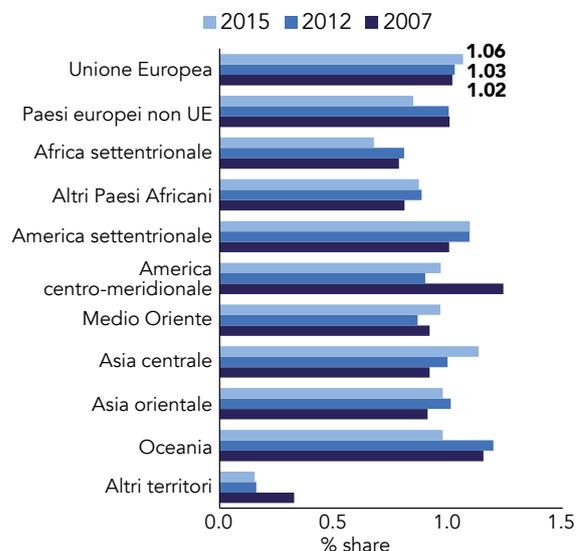
changes in the period considered¹. In

general, Veneto has maintained high specialisation in all sectors in which it was significantly specialised (index >1.2) and strong unspecialisation in all sectors where it was significantly unspecialised (index <0.8). The most significant exception is that of other means of transport (not on wheels) where in 2007 Veneto demonstrated a degree of specialisation and is now however highly unspecialised. Conversely, in the paper products and printing sector Veneto now shows a degree of specialisation, against a substantial alignment to the national average in 2007.

Significant changes are also present in the geographical direction of exports. Exports towards EU countries increased between 2007 and 2015 much less than the average and their incidence decreased by 5 percent, decreasing from 63.1% of the total in 2007 to 58.2% of the total in 2015. Conversely, exports towards central and eastern Asia increased by over 60 percent, whose overall percentage increased from 6.8% to 9.8%; trends for exports towards Africa (increasing by around 40 percent) and North America (+25%) were also rather positive.

¹ The index of sectoral specialisation of Veneto exports are calculated for each year as the ratio between the percentage of Veneto exports out of the national total in a certain sector and the total percentage of Veneto exports out of the national total.

Fig. 6.1.4 – Geographical index of specialisation of exports (*) from Veneto compared to Italy – Years 2007, 2012 and 2015



(*) Index of geographical specialisation: Veneto's % share of Italian exports in the area j / Veneto's % share of total Italian exports

Source: Veneto Region Processing - Directorate of Regional Statistical System on Istat data

As a result of these changes, to date Veneto exports are deemed to be specialised² with regard to North America and central Asia, while they continue to

² The index of geographical specialisation of Veneto exports are calculated for each year as the ratio between the percentage of Veneto exports out of the national total towards a certain

Tab. 6.1.2 – Geographical structure of exports from Veneto. Values expressed in millions of euros at current value – Years 2007 and 2015

	2007		2015		
	Value	%	Value	%	% var.
European Union	31,903	63.1	33,458	58.2	4.0
Non-EU European Countries	5,188	10.3	5,747	10.0	10.8
North Africa	985	1.9	1,365	2.4	38.6
Other African countries	540	1.1	781	1.4	44.6
North America	4,159	8.2	5,196	9.0	25.0
Central-South America	1,866	3.7	1,944	3.4	4.2
Middle East	1,894	3.7	2,767	4.8	46.1
Central Asia	524	1.0	838	1.5	59.9
Eastern Asia	2,916	5.8	4,786	8.3	64.1
Oceania	522	1.0	585	1.0	12.1
Other territories	60	0.1	47	0.1	-21.7
Total	50,577	100.0	57,517	100.0	13.8

Source: Veneto Region Processing - Directorate of Regional Statistical System and Agenzia ICE – R&P – Politecnico di Milano on Istat data

show a degree of unspecialisation with regard to the Mediterranean basin, Africa and the Middle East.

6.2 Active and passive multinationalisation: Italy's position on the international scene

Moving on to the analysis of internationalisation through foreign direct investments (FDI), we cannot but begin with the dispute that our country continues to be characterised by a significantly lower degree of multinational integration than that of its biggest European partners.

Italy is behind in terms of multinational integration

According to the most recent available data³, in 2014 the percentage ratio between outgoing FDI stocks

and GDP was equal to 25.5% in Italy, a figure less than half of the EU and United Kingdom average (56.5% and 53.8% respectively) and in any case also much lower than the average in Spain (47.9%), France (44.9%) and Germany (41%). It should be noted that the disparities between Italy and other European countries remain high, despite the fact that Italy has "benefited" from a significant reduction in GDP in recent years, which is the denominator of the indicator considered. In terms of investments from abroad, Italy's position also remains modest, as reflected by the country's persistent low international attractiveness. The ratio between incoming FDI stock and GDP (17.4%) remains significantly lower than the global (33.6%), European (37.4%) and EU (49.6%) average, as well as that of its main European competitors (United Kingdom 56.5%, Spain 51.3%, France 25.6% and Germany 19.3%). On the other hand, this positioning can be seen in the various competitiveness/attractiveness surveys and rankings conducted annually by international institutions, in which Italy is regularly and invariably relegated to positions that are rather far from the prominence that this country should have in the global economy. Limiting ourselves to citing the latest available

geographic area and the total percentage of Veneto exports out of the national total.

³ UNCTAD – United Nations Conference on Trade and Development, World Investment Report 2015. Reforming International Investment Governance, United Nations, New York and Geneva, 2015.

available sources, "The Global Competitiveness Report 2015/2016" from the World Economic Forum places Italy in 43rd position, bringing up the rear among industrialised countries and even behind countries such as Indonesia, Azerbaijan and Kazakhstan.

To assess the significance of MNCs in our economic system it is appropriate to look at the figures related to the structure of Italian-controlled enterprises resident abroad (or rather foreign subsidiaries of Italian enterprises) and foreign-controlled Italian enterprises (or rather Italian affiliates of foreign MNCs) provided by Istat. In terms of active internationalisation, at the end of 2013 Italian-based MNCs controlled around 22 thousand subsidiaries abroad located in 160 different countries; these enterprises employed almost 1.8 million employees, with a total revenue of 542 billion euros. Excluding the financial sector, there were 20,500 foreign branches of Italian enterprises, with 1.55 million employees and 445 billion in revenue⁴. Comparing these figures with those related to resident enterprises, it can be seen that Italian enterprises can count on one employee abroad for every 10 employees in Italy (employees of foreign subsidiaries in fact represent 9.9% of resident enterprises), while the ratio between the revenue of foreign branches and that of resident enterprises exceeds 15%.

In terms of passive internationalisation, at the end of 2013 there were 13,165 foreign-controlled enterprises resident in Italy, employing a little under 1.2 million employees; still in 2013 they generated a revenue of around 500 billion euros – net of financial and insurance activities – and an added value of over 92 billion euros⁵. Foreign-controlled enterprises represent only 0.3% of active enterprises in Italy, but their prominence increases to 7.1% in terms of number of employees, 13.6% in terms of added value and 16.7% for revenue. The contribution of enterprises with foreign capital increases further with reference to foreign trade (they are responsible for 26.2% of national exports and 46.2% of imports) and research and development, a context in which they represent over a quarter of total spending in R&D out of all Italian enterprises; investment in R&D per employee is almost four times that of nationally-controlled enterprises. Finally it should be noted

⁴ Istat, Structure, performance and new investments 2014-2015 of Italian multinationals, Roma, 15th December 2015.

⁵ Istat, Structure and activities of foreign multinationals in Italy – Year 2013, Rome, 15th December 2015.

shareholdings in at least one enterprise abroad, while there were 3,374 investee enterprises abroad with over 134,000 employees and a revenue of a little over 18 billion euros. In line with the national figure, for Veneto enterprises the incidence of controlling shareholdings also varies between 80 and 90% depending on the indicator considered, with a peak of 89% in terms of investor enterprises. Enterprises with minority and equal shareholdings involve 330 Veneto investors and 745 foreign enterprises, with almost 17 thousand employees and a turnover of over 2 billion euros⁸.

In terms of direct investments abroad, at the end of 2014 there were 749 foreign-investment enterprises located in Veneto⁹;

Nationally these account for over 3 thousand

⁸ The total number of Veneto investors (1,355) is lower than the sum of investors with controlling shareholdings (1,200) and investors with minority and equal shareholdings (330), as 175 Veneto enterprises are present abroad with both forms of shareholding.

⁹ It should be noted that foreign-investment enterprises which in the period considered never had employees and whose re-

venue never exceeded 100 thousand euros were excluded from the analysis.

foreign-investment enterprises in just the sectors considered by the Reprint database, largely recently established and mostly concentrated in the tertiary and renewable energy sectors (in particular these are investment holding enterprises, service enterprises to enterprises and photovoltaic field projects); many of these enterprises correspond to investment projects intended to never become operational; their exclusion therefore allows us to avoid important distortions in temporal analyses, with particular reference to sectoral and territorial variables.

These enterprises employ over 56 thousand employees and their aggregate turnover exceeds 24 billion euros, with a regional GDP contribution of 4.3 billion euros¹⁰.

There are 604 multinationals active in Veneto through at least one investee enterprise.

¹⁰ This contribution is measured by the sum of the added value of each foreign-investment enterprise

Tab. 6.3.1 - The multi-nationalisation of Veneto enterprises – Years 2007:2014

	Foreign enterprises with Veneto shareholding				Veneto enterprises with foreign shareholding			
	Enterprises	Employees		Revenue	Enterprises	Employees		Revenue
	N.	N.	% in Italy	Mln Euros	N.	N.	% in Italy	Mln Euros
Total shareholding (controlling, equal and minority)								
2007	3,491	161,209	10.6	23,141	634	46,387	5.0	23,563
2008	3,626	167,481	10.5	23,512	673	49,147	5.2	24,538
2009	3,830	157,743	10.1	22,354	682	47,961	5.1	20,577
2010	3,942	159,056	10.1	22,579	696	50,434	5.5	23,664
2011	4,039	153,392	9.7	21,689	723	53,896	5.8	26,848
2012	4,126	149,510	9.5	21,200	725	55,300	6.0	24,715
2013	4,277	155,470	10.1	21,582	716	52,992	5.7	22,813
2014(a)	4,119	146,071	9.8	20,664	749	56,494	6.0	24,493
Controlling shareholding								
2007	2,903	152,180	13.2	21,482	570	41,295	5.1	21,482
2008	3,017	156,822	12.9	22,072	603	41,381	5.1	21,763
2009	3,178	145,629	12.6	20,113	607	41,083	5.2	18,294
2010	3,256	146,617	12.3	20,213	623	43,509	5.6	20,944
2011	3,318	140,842	11.6	19,239	649	47,543	6.0	24,089
2012	3,382	137,168	11.2	18,754	651	48,749	6.2	21,997
2013	3,503	143,038	11.6	19,122	640	46,238	5.8	19,991
2014 (a)	3,374	134,391	11.3	18,309	674	50,401	6.1	21,480

(a) 2014: preliminary calculations

Source: Veneto Region Processing - Directorate of Regional Statistical System on Reprint database, Agenzia ICE – R&P – Politecnico di Milano

Once more in this case, and again in line with the rest of the country, in most cases the foreign investors have control of the investee enterprises. In

604 foreign multinationals have at least one investee enterprise in Veneto

Veneto foreign-investment enterprises represent almost 90% of shareholdings, with the remaining percentage made up enterprises whose capital involves foreign investors with equal or minority shareholdings, supported by Italian investors. There are 549 foreign multinationals with at least one investee enterprise in Veneto, while 79 multinationals are present in the region with only equal or minority shareholdings¹¹.

The dynamics of Veneto shareholdings abroad

Investors are increasing, but employees and revenue are falling

The dynamics of Veneto shareholdings abroad in the period of 2007-

2014 show diverse trends in relation to various indicators. Despite the crisis, the number of investor entities and the number of initiatives abroad have continued to grow over time, only the latter showing a decline in the most recent year, which may also be partially determined by the difficulty in immediately identifying all initiatives in which small and medium sized enterprises are protagonists.

Conversely, trends in the number of employees and the revenue of investee enterprises appear to be negative, determining a reduction of Veneto's contribution to the national total (in terms of number of employees of foreign investee enterprises, the region's portion decreased from 10.6% in 2007 to 9.8% in 2014). This decline is also mainly determined by the disappearance of foreign shareholdings in medium and medium-large Veneto enterprises which in the period considered were bought by foreign multinationals; in fact this event automatically determines the exclusion of foreign enterprises invested in by these investors from the

¹¹ The total number of investors (604) is lower than the sum of investors with controlling shareholdings (549) and investors with minority and equal shareholdings (79), as 24 foreign multinational enterprises are present in Veneto with both forms of shareholding.

group of shareholdings attributed to Veneto¹².

It can however be seen how, even against an overall negative trend, the three year period of 2012- 2014 saw a stop in the decline in Veneto's contribution to the national total; in other terms, the national dynamic remained, albeit slightly, more negative than that of Veneto. It should also be noted how the number of Veneto investors counted by the database continued to grow, going from 1,340 units in 2013 to 1355 in 2014.

Foreign shareholdings in Veneto

On the other hand, as regards foreign shareholdings in Veneto, in the period considered there was a slow but continuous growth in the amount of enterprises with foreign shareholdings: between 2007 and 2014 the number of investee enterprises increased by 18.1%, going from 634 to 749 units, while the relative number of employees increased

Growth is slow but continuous

by 21.8%, going from around 46,400 to

around 56,500 units.

This growth was mostly determined by M&A¹³ transactions, while the contribution in terms of numbers of additional employees of greenfield investments was rather modest, unfortunately in line with the rather reduced capacity of our economic system to attract significantly sized additional investments, both in the manufacturing sector, and in services (and particularly the most advanced ones).

In terms of number of employees of the investee enterprises, the Veneto's incidence on the national total increased from 5% in 2007 to 6% in 2014, but remains distinctly lower in terms of the region's contribution measured through other internationalisation, economic and demographic variables. This situation certainly depends on structural causes, such as the region's high level of specialisation in medium-low level technological sectors, which are intrinsically less involved than medium-high and high technological sectors in internationalisation processes through FDI and the

¹² The database follows the ultimate investor criteria; foreign shareholdings of Italian enterprises with foreign control are consequently excluded from the list of Italian shareholdings abroad, as they are attributed to the foreign controlling enterprise

¹³ M&A transactions (mergers & acquisitions) concern the acquisition of pre-existing assets and contrast greenfield investments, which consist of the start up of new assets.

high incidence on the regional economic structure of the family SME, certainly not easy targets for many reasons for M&A transactions by multinational enterprises.

The sectoral and geographic structure

Let's now analyse the evolution of the sectoral and

geographic structure of the internationalisation through FDI of Veneto enterprises, beginning with Veneto shareholdings abroad.

As regards the sectoral structure of businesses abroad with shareholdings held by Veneto enterprises, these continue to be concentrated into the two closely related sectors of the manufacturing

Tab. 6.3.2 - Foreign enterprises invested in by Veneto enterprises, by sector – Years 2007 and 2014

	2007				2014 (a)			
	Enterprises N.	Enterprises		Revenue Mln Euros	Enterprises N.	Enterprises		Revenue Mln Euros
		N.	% in Italy			N.	% in Italy	
Minin g indust ry	14	80	0.1	17	18	69	0.2	19
Manu factur ing indust ry	1,140	107,970	12.1	10,122	1,237	89,613	10.4	9,353
Food, drink and tobac co indust ry	56	3,039	4.2	367	66	2,906	6.1	474
Textil e indust ry	58	8,625	24.7	461	67	5,692	20.9	460
Clothi ng; leath er items	133	24,564	37.0	901	118	23,654	40.0	890
Produ ction of leath er items and simila r	101	11,461	40.8	469	115	8,112	36.9	440
Wood and wood en and cork produ cts indust ry	42	1,373	12.5	66	49	1,275	13.5	78
Paper and paper produ cts; editin g and publis	21	979	3.2	117	17	359	1.4	193
Coke and products from oil refine ment	2	84	1.0	9	2	62	0.6	7
Chem ical produ cts	13	621	2.7	39	20	521	2.1	43
Phar mace utical produ cts	7	517	3.1	145	10	491	2.3	298
Rubber and plasti c mater ials produ cts	65	3,129	6.5	413	70	2,860	5.7	323
Other produ cts from the proce ssing of non-metal miner als	87	7,384	11.9	685	91	4,664	10.9	337
Metal lurgy and metal produ cts	199	10,171	10.1	2,858	193	7,367	8.3	1,946
Comp uters, electr onic and optics products; instru ment ation	49	13,055	15.9	1,236	55	8,313	10.9	1,184
Electr ical and dome stic applia nces	77	10,910	19.2	982	90	10,919	17.9	1,095
Mech anical machi nery and appar atus	143	7,131	7.4	984	171	6,609	7.2	1,005
Vehicl es, trailer and semit railers	24	2,163	2.0	140	23	2,563	1.7	273
Other mean s of trans port	6	361	1.5	44	10	520	2.0	93
Furnit ure	22	1,326	9.8	86	29	1,493	14.0	90
Other manu factur ing indust ries	35	1,077	8.4	120	41	1,233	9.7	124
Energy, gas and water	37	571	1.0	57	44	34	1.1	78
Const ructio n	138	2,724	5.6	531	161	1,750	2.7	270
Whol esale com merce	1,783	41,811	19.6	11,420	2,200	54,933	17.0	9,632
Logist ics and trans port	74	1,518	3.2	210	100	1,402	4.4	385
IT and teleco mmu nicati ons servic es	21	86	0.1	28	39	189	0.4	123
Other prof ession al servic es	284	6,449	6.0	756	320	6,360	6.8	803
Total	3,491	161,209	10.6	23,141	4,119	146,071	9.8	20,664

(a) 2014: preliminary calculations

Source: Veneto Region Processing - Directorate of Regional Statistical System on Reprint database, Agenzia ICE - R&P - Politecnico di Milano

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industry (30% of enterprises and 61.3% of employees) and wholesale commerce (53.4% of enterprises and 37.6% of employees), the latter sector being mainly made up of pre- and post-sale commercial supply chains and technical assistance for manufacturing enterprises.

In the post-crisis period a rebalancing of the two sectors was recorded, with a decline in the incidence relating to shareholdings in the manufacturing sector more than offset by the increase in shareholdings in commercial activities.

This evidence seems to suggest a progressive strategic change in operations abroad, now less dictated by the motivation of reducing production (and particularly manual labour) costs than in the past and increasingly frequently aimed at enhancing marketing activities, commercial penetration and post-sales support towards foreign customers, both in the most important markets and in those furthest away or in any case less accessible.

In this context the conditions for the re-entry of certain relocations carried out in the past were also created, which didn't always achieve the objectives set¹⁴; this may partially explain the strong decline in employees of foreign shareholdings in the manufacturing sector (decreased from 108 thousand units in 2007 to less than 90 thousand in 2014).

The multinational projection of Veneto enterprises is modest in the remaining sectors covered by the database, with the only exception of "other professional services" (sector that includes, among other things, hire, consultancy, engineering and research and development services, but also operational holdings), where there are over 6,300 abroad in 320 investee enterprises, thanks in particular to the technical and engineering services sector. Activities abroad in the construction sector however appear to be in strong decline.

As regards the geographic structure, Europe continues to be the mean area for the location of foreign investee enterprises: the EU-28 countries house 52% of foreign affiliates and 46% of their employees; also considering the other European countries, the incidence of the old continent exceeds 62% of investee enterprises abroad and 56% of their employees. Over 17.4% of enterprises

¹⁴ This re-entry, in the absence of specific statistics on foreign disinvestments, would be corroborated by the decrease in imports of intermediate goods (generalised in Italy and also present in Veneto).

and 15% of employees are concentrated on the side of the Atlantic, with a more accentuated presence in the United States and in Canada (419 enterprises and almost 10,700 employees) compared to Latin America (296 enterprises and over 11,100 employees). Asia's contribution remains stable, housing almost 600 investee enterprises (14.5% of the total) with over 33 thousand employees (23%) thanks to the marked growth recorded in China in recent years.

For many aspects the sectoral and geographic structure of foreign shareholdings in Veneto appears to be symmetrical. From a sectoral point of view, the absolute prevalence of manufacturing and wholesale commerce activities are confirmed, which jointly represent 77.2% of Veneto enterprises with foreign investment and almost 86% of relative employees (almost 70% is related to just the manufacturing sector).

In absolute terms, the mechanical machinery and apparatus sector stands out with a little under 9,300 employees in 89 investee enterprises, followed by the electronics, optics and instrumentation sector (over 6,300 employees in 37 investee enterprises), metallurgy (almost 5,400 employees in 38 investee enterprises) and electrical appliances (little less than 4,400 employees in 23 investee enterprises). In these sectors Veneto contributes between 10 and 12% of the national total in terms of numbers of employees, against an overall average with reference to the sectors covered by the Reprint database of 6% and 7.9% with reference to the manufacturing sector.

Mechanics stands out in absolute terms; traditional products stand out in relative terms

However, in relative terms the traditional sectors of made in Italy stand out in which

Veneto shows a marked specialisation, such as clothing, leather, furniture and other manufacturing industries, which show a high incidence on the national average for the region, albeit being sectors in which multi-nationalisation through foreign direct investments is much less significant than most other manufacturing sectors in Italy, as in other developed countries.

In fact the clothing sector recorded the most significant variation in the post-crisis period, going from 1 to 10 investee enterprises, with an increase equal to six times the relative employees (from 200 to 1,200). The dynamics of the electronics,

Tab. 6.3.3 - Foreign enterprises invested in by Veneto enterprises by geographic area – Years 2007 and 2014

	2007				2014 (a)			
	Enterprises	Employees		Revenue	Enterprises	Employees		Revenue
	N.	N.	% in Italy	mln. Euro	N.	N.	% in Italy	mln. Euro
Count ries	1,243	40,164	8.5	10,689	1,341	33,834	8.3	8,983
Other EU	730	43,410	18,1	2,960	784	33,721	14,8	2,919
count ries	730	43,410	18.1	2,960	784	33,721	14.8	2,919
Other centr al- easte rn Europ ean	283	12,673	8.2	906	371	13,485	11.0	1,091
Other Europ ean count ries	72	1,864	8.3	795	74	1,108	6.0	735
North ern Africa	78	5,335	11.8	256	131	5,847	10.6	275
Other Africa n count ries	33	1,592	3.2	62	43	1,531	3.6	59
North Ameri ca	323	12,357	9.7	2,232	419	10,751	6.5	1,812
Latin America	201	8,342	3.8	743	296	11,108	4.5	874
Middl e East	38	434	5.8	113	58	397	3.0	120
Centr al Asia	79	14,283	38.7	484	114	17,788	37.4	543
Easte rn Asia	356	19,947	15.5	2,745	424	15,656	11.5	1,765
Ocea nia	55	808	8.8	1,158	64	845	12.8	1,487
Total	3,491	161,209	10.6	23,141	4,119	146,071	9.8	20,664

(a) 2014: preliminary calculations

Source: Veneto Region Processing - Directorate of Regional Statistical System on Reprint database, Agenzia ICE – R&P – Politecnico di Milano

optics and instrumentation sector should also be noted, which in the period considered saw both the number of employees of foreign investment enterprises and the incidence on the national total more than double.

As was recorded for the “outgoing” investments, in the case of “incoming” investments in the remaining sectors covered by the Reprint database the presence of MNC in Veneto remains rather modest overall.

Once more, the only sector in the tertiary industry – apart from wholesale commerce – in which the overall economic consistency of enterprises with foreign investment is not marginal, both in absolute terms and in relation to the national average, is that of “other professional services” (a sector that includes, among other things hire, consultancy, engineering and research and development services, but also operational holdings) with 78 enterprises with shares held by foreign investors, which employ over 4 thousand employees.

Finally, as regards the geographic origin of foreign investors who are active in Veneto, in the post-crisis period no particularly significant changes were recorded; the geographic structure of shareholdings in fact only undergoes slight changes.

In a little under two thirds of cases, the foreign investor continues to come from an EU country (and in particular an EU-15 country); for a further 7.3% of investee enterprises the investor comes from another country in Western Europe (mainly from Switzerland). Enterprises with north American holdings (mainly from the United States) represent a little under 15% of the total, while among the remaining geographic areas only eastern Asia is particularly significant (7.6% of enterprises), an area within which the share attributable to China is growing.

6.4 Conclusions

In brief, the analyses carried out in these pages have shown how the model of internationalisation of Veneto enterprises has undergone changes and adjustments in the post-crisis years, despite these being fundamentally coherent with the more general model of internationalisation of Italian enterprises.

Above all beginning from 2012 some positive signs have been seen, both in terms of exports, which have increased at higher rates than the

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ab. 6.3.4 - Veneto enterprises with foreign investment by sector – Years 2007 and 2014

	2007				2014 (a)			
	Enterprises	Employees		Revenue	Enterprises	Employees		Revenue
	N.	N.	% in Italy	mln. Euro	N.	N.	% in Italy	mln. Euro
Minin g industry	1	90	5.5	29	1	61	3.0	24
Manu factur ing industry	263	33,433	6.5	10,997	333	39,418	7.9	12,132
Food, drink and tobac co industry	7	600	1.8	516	18	878	2.6	915
Textil e industry	5	333	7.2	67	6	222	4.9	39
Clothi ng; leath er items	1	210	5.0	25	10	1,200	13.6	265
Produ ction of leath er items and similar	16	1,501	31.4	402	15	1,489	22.3	632
Wood and wood en and cork produ cts industry	3	90	20.8	30	3	79	16.2	46
Paper and paper produ cts; editin g and	13	1,129	5.3	320	10	1,494	7.7	465
Coke and produ cts from oil refine ment	0	0	0.0	0	1	35	0.5	11
Chem ical produ cts	16	2,148	5.2	1,098	16	1,372	3.9	639
Phar mace utical produ cts	4	1,175	3.0	513	5	1,407	4.0	330
Rubber and plasti c mater ials produ cts	31	3,244	9.7	853	27	2,639	8.0	740
Other produ cts from the proce ssing of non-metal miner als	9	718	3.3	198	8,499	2.1	133	133
Metal lurgy and metal products	32	4,793	10.0	1,938	38	5,369	12.8	2,204
Comp uters, electr onic and optics products; instrumentation	29	3,094	6.3	629	376,365	12.2	1,282	1.282
Electrical and dome stic appliances	21	3,654	7.2	1,192	23	4,372	9.6	1,168
Mechanical machi nery and appar atus	58	9,257	10.8	2,788	89	9,278	10.6	2,378
Vehicles, trailer and semit railers	5	635	1.5	157	6	646	1.7	225
Other means of trans port	2	45	0.3	34	5	340	2.1	196
Furniture	3	524	34.8	146	4	497	28.0	134
Othermanu factur ing indust ries	8	283	4.2	92	12	1,237	14.8	329
Energy, gas and water	12	327	2.5	506	11	406	3.1	1,742
Const ructio n	13	323	3.4	93	18	442	3.8	158
Whol esale com merc e	240	6,382	5.4	9,629	245	9,096	7.6	8,485
Logist ics and trans port	38	881	1.6	317	40	1,139	2.0	416
IT and telecommu nicati ons services	15	1,447	1.0	275	23	1,471	1.1	191
Other profe ssion al servic es	52	3,504	4.3	1,717	78	4,461	4.0	1,344
Total	634	46,387	5.0	23,563	749	56,494	6.0	24,493

(a) 2014: preliminary calculations

Source: Veneto Region Processing - Directorate of Regional Statistical System on Reprint database, Agenzia ICE – R&P – Politecnico di Milano

national average, and in terms of foreign direct investments, which showed a progressive increase in the investment base, even during the crisis, or rather the number of enterprises, albeit often small or extremely small, that are able to establish a direct presence abroad. This is a “weak” sign but

certainly an indicator of the renewed vitality of the region’s system of small and medium enterprises: also during 2014, as during the entire period of the big crisis, there was a certain number of small and medium enterprises from Veneto that invested outside of their borders for the first time, mostly

Tab. 6.3.5 - Veneto enterprises with foreign investment by geographic area – Years 2007 and 2014

	2007				2014 (a)			
	Enterprises N.	Employees		Revenue mln. Euro	Enterprises N.	Employees		Revenue mln. Euro
		N.	% in Italy			N.	% in Italy	
Count ries	417	29,316	5.5	17,223	480	34,934	6.8	17,414
Other EU countries	4	101	8.5	59	10	156	6.3	22
Other centr al- eastern	6	448	7.2	546	11	923	4.8	884
Europ ean countries	0	0	0.0	0	0	0	0.0	0
Other Europ ean countries	53	4,942	7.3	1,265	55	4,771	7.5	1,270
North ern Africa	0	0	0.0	0	0	0	0.0	0
Other Africa n countries	2	38	1.4	15	0	0	0.0	0
North America	95	6,921	2.7	2,660	109	8,272	3.3	2,643
Latin America	2	31	0.6	29	4	258	2.9	173
Middle East	4	180	2.8	74	13	1,512	13.9	332
Central Asia	7	567	13.3	100	7	422	6.9	110
Eastern Asia	39	3,316	8.0	1,490	57	5,132	8.0	1,613
Oceania	5	527	26.3	102	3	114	6.8	31
Total	634	46,387	5.0	23,563	749	56,494	6.0	24,493

(a) 2014: preliminary calculations

Source: Veneto Region Processing - Directorate of Regional Statistical System on Reprint database, Agenzia ICE – R&P – Politecnico di Milano

to consolidate their presence on the main sales markets (in most cases these are enterprises that have opened new commercial locations abroad) and more rarely to implement new production activities in neighbouring markets or to relocate production activities to countries with lower labour costs. It is hoped that this sign will be a prelude – as other recent initiatives also seem to confirm – of a recovery of the region's "multinational pursuit", which began in the Eighties by the (few) large and medium-large leading enterprises and was then pursued in the Nineties and the early Noughties with the vehement entrance of small and medium enterprises onto the international scene.

As recalled at the start of this chapter, the capacity of local enterprises to invest abroad in production, commercial and service activities is a fundamental indicator of their capacity to make their enterprise structures more efficient and reactive to the changing economic climate and the socio-political conditions of the international arena.

The increased presence of MNCs in the region should also be welcomed, which as well as signalling the attractiveness and competitiveness of our

region, may also contribute to increasing these factors, both due to the cumulative effects related to the contribution of technological and managerial skills and the spill-overs that are generated in the interaction between MNCs with the local economic fabric, as many studies have shown¹⁵.

¹⁵ With reference to Veneto, see the empirical evidence collected by M. Barzotto, I. Mariotti, M. Mutinelli, "Multinazionali estere nel Nord Est. Quali opportunità per il territorio?" in S. Micelli and S. Olivia "Nord Est 2016", Marsilio Editori, Venice, 2016. In this essay there is also a concise discussion of the main effects (direct and indirect) of the presence of MNCs in a determined territory.