

Embassies, the Trade Commission and Chambers of Commerce: three proposals for a fresh start

by Fabrizio Onida

It is almost too easy to fire indiscriminately at Italy's internationalisation support structures. While there are undoubtedly many changes to be made, not everything needs to be thrown out. The Trade Commission, for example, offers some interesting services that nobody uses. What is required to modernise and relaunch the support network?

There is nothing new about it. There is a widespread perception in Italy that the public support networks for corporate internationalisation are unsuitable and of not much use, especially as regards the passage from traditional promotional initiatives such as trade fairs and conventions to an offer of informative services and real and financial support with high added value.

This perception emerges afresh from the SWG survey, the relevance of which (100 replies from a total of 200 export companies contacted by telephone) does however give rise to some doubt. Compared with far more in-depth survey questionnaires, it is surprising, for example, to find such a high percentage of companies that define "not at all significant" their use of structures in support of their exports, such as banks (43%), the Trade Commission (46%) and embassies (67%), with a slightly less drastic judgement of the Chambers of Commerce (39%). Capitali's recent survey for the 2005 three-year Observatory on small and medium businesses (about 4,500 companies surveyed on a wide range of problems regarding the recent critical factors in their growth, with figures relating to 2003) supplies a substantially different picture of these subjects. Asked "Which of the Italian institutions has supplied assistance abroad to your company?" the percentage of responses is as follows: the Trade Commission 59.9%, the Chambers of Commerce 27.1%, embassies 14.5%, banks 8.4% and the regions 1.9%.

Comparisons of various opinion surveys aside, however, we should ask ourselves what are the objective elements at the root of this dissatisfaction with the role played by the various institutions in supporting the process of internationalisation of companies.

Let us begin with the embassies. Despite the gradual injection of young diplomatic staff whose training and interests are closer to market dynamics, the staff of the Ministry of External Affairs continues to have a culture of being far more attentive to political relations with the governments of host countries (and the Roman hinterland!) than with the variegated world of business, particularly the world of small and medium companies and the industrial micro-sectors in which they operate. The focus on ceremonial relations of diplomacy and the representative function and monitoring the local political environment takes precedence over the development of a culture oriented to companies, technology and trade. Of course,



diplomatic attention promptly goes into action when the interests of the few big Italian groups are at stake in international calls for tender and supply and/or their legal disputes with local governments on the implementation of contracts. However, with the obligatory admirable exceptions of a small section of diplomatic staff in foreign postings, medium and small to medium companies that propose to enter new markets – going up against significant language, bureaucratic, customs and cultural barriers – know they cannot count much on the embassies in practical areas such as choosing distribution networks, obtaining authorisations, settling sales disputes or locating professional contacts with specific expertise in their own particular business niche. At the start of the current legislature, Berlusconi had launched a strong appeal for ambassadors to be given responsibilities with a far more marked orientation towards the promotion of Italian exports: an excessive appeal and somewhat misleading in its substance that did not, in any case, really lead to any concrete and efficient initiatives of specific training and overall awareness-building on the subjects of economy and trade in line with the model that is firmly anchored in Anglo-Saxon diplomatic culture but totally new in ours.

If we look at the Trade Commission and its over 100 offices and liaison points worldwide, the dissatisfaction of companies certainly does not come from a lack of attention to the needs of small and medium businesses as regards basic information such as country guides and the organisation of traditional events such as trade fairs, markets, missions, seminars etc., but rather from the perception that these offices are not equipped with adequate skills to supply companies with value-added services such as the technical, commercial and financial consultancy that individual companies

_Italian companies abroad would like ambassadors to be more oriented to the promotion of Italian exports and, most of all, greater support on practical issues such as the selection of distribution channels, trade disputes and overcoming authorisation constraints. Above: the Farnesina, headquarters of the Ministry of External Affairs

require when they decide to expand their sales on the market or even draw up a strategy of commercial investment and production on site. While this perception is sometimes justified by the mediocre performance of the network's managers and middle management, it is often superficial and unfounded. In reality, the Trade Commission's staff members and far more numerous local staff of trade analysts who speak the local language and have an in-depth knowledge of the local institutions are (albeit obviously with varying levels of quality and experience) relatively well equipped to supply important information to companies as well as technical assistance on the most diverse subjects including market research, a careful selection of customers and partners, agreements with the organised retail network, contacts with the local administration and government offices, fiscal and bureaucratic assistance, contract disputes, counterfeiting and so on.

However, there is often a vicious circle of demand and supply.

On the one hand, as many excellent Trade Commission managers with overseas experience can testify, too many small companies go to Trade Commission offices with a minimalist approach, wanting only (besides the usual help to participate in trade fairs co-financed by the ministerial promotional programme) a list of "a few names" to which to try and propose their product catalogue, without any financial outlay or genuine market research. For example, for a modest fee the Trade Commission's foreign offices are generally in a position to offer a so-called "product survey" service, a genuine preliminary market research service based on widespread contacts with local importers and distributors once the characteristics of the product and the Italian export company have been properly identified. And yet there are only a few dozen requests every year for this service.

On the other hand, the Trade Commission staff itself (whether Italian or local) remains primarily occupied with routine tasks such as replying to faxes and e-mails, organising appointments for the frequent visits of state and local political representatives in the name of "promoting" various regions, organising the logistics of the numerous missions of small groups of companies, consortia and associations, running the complex bureaucratic and administrative apparatus imposed by Trade Commission headquarters on foreign offices and so on. The result is that the managers and their staff are left with very little time to dedicate to a genuine project of market intelligence, which includes market information, political and economic updates on the country, collaboration with consultants and merchant banks and visiting important cultural, technical and economic events that are useful for being in direct contact, to the greatest possible extent, with the country's economic and financial scenario.

The Italian Chambers of Commerce abroad have a network that is far less widespread than that of the Trade Commission and are obviously not present in the "marginal" markets where there is no significant direct presence of Italian companies already established on site. The services supplied by the Chambers are subject to more or less the same considerations as those of the Trade Commission (top level information and assistance, organisation of collective promotional events and meetings), although in some cases they can offer companies wanting to approach the market the direct



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experience of already-established firms. It should also be remembered that companies that are already present might not be particularly interested in promoting the entry into the local market of other companies that could directly compete in their sector. Moreover, the promotional initiatives created in Italy by the Chambers tend by nature to be horizontal, i.e. involving companies in diverse and heterogeneous sectors. The inter-sectorial approach can work in the case of big national missions involving industry and government leaders to form a “critical mass” able to convey a strong country image of Italy to the host country, as was the case recently with the direct involvement of the President alongside government and leading industry representatives in China and India. However, as regards initiatives directed at small and medium businesses with smaller country-image ambitions but concrete business expansion objectives, it is difficult to obtain a significant practical impact when the same mission puts together companies from a too-wide variety of sectors and divisions for each of which it is difficult to locally identify and select a large number of qualified interlocutors interested in the promotional event being organised by the Italians.

Can the situation be improved? Certainly, although the timeframe will be long whenever the behaviour of public administration has to be modified without the availability of a corporate-style reward structure and especially when subjected to the constraints of an administrative and union culture oriented to respect for civil rights rather than a meritocracy and formal respect of norms and acts rather than an evaluation of the efficiency of actions.

Without any pretensions to a justified analysis or an exhaustive inventory, here is short list of things to do: a) get closer to the model prevalently used in the OECD countries and continue to build the new “dedicated desks” abroad, usefully launched by the current government, with a focus on the embassies, Trade Commission offices and (where present) the Chambers of Commerce and efficient liaison with SACE, SIMEST and FINEST operations and, through them, with the network of private banks, subjecting these offices, with immediate effect, to strict monitoring of efficiency and efficacy by an evaluating structure independent of the bureaucracy of individual ministries and reporting directly to the Prime Minister’s office; b) a fresh review of Trade Commission norms; as a government agency for the promotion of trade and foreign investment, it requires a regulatory framework different from that of non-economic public bodies (as specified by the 1997 reform) and closer to that of a genuinely autonomous, organisationally flexible service agency; c) review the inertial mechanisms of the annual promotional programme, linking it far more closely to the (few) highest level inter-sectorial missions in addition to the long-term programmes of various sectors, severely evaluated as regards their coherence with the prospects of various market areas and the evolution of the competition.



_The embassies (above: the Berlin embassy) are moving closer to the needs of companies going abroad with the gradual introduction of young diplomatic staff whose training and interests are closer to market dynamics