



## **MEETING OF CHAIRPERSONS OF COMMITTEES SPECIALIZED IN AGRICULTURE, INDUSTRIAL DEVELOPMENT AND SMEs**

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**Senate of the Republic**

**Session II - The internationalization of SMEs**

The removal of trade barriers and the gradual decrease in the costs of communication, transportation and logistics have created ideal conditions for small and medium-sized enterprises (SMEs) to enter international markets. Business expansion to international markets, or "internationalization" as it is called, is a matter of necessity for SMEs that are keen to develop and enhance their competitiveness.

For Europe, exports have served as a major source of relief from the effects of the recent economic crisis, so much so that some observers suggest that external demand has been the only driver of economic growth. In the agricultural sector, too, the decline in domestic consumption along with an increase in production costs and the pressure of taxation have led agricultural concerns to increase their openness to foreign markets.

While at first the expansion to international markets was made necessary by the decline in the domestic market, according to experts in the field it has increasingly become an essential ingredient for survival.

In its recent Communication "For a European Industrial Renaissance" (COM(2014) 14), the European Commission also expressed the belief that market access to non-EU countries would remain a key element of Europe's competitiveness. It therefore concluded that "efforts to increase the internationalization of SMEs stand out as a particular priority."

With this in mind, the European Commission has organised a large number of actions tailored to be of benefit to small and medium-sized enterprises. These actions include, in particular, initiatives to:

- 1) build networks among European stakeholders or potential partners outside the EU (e.g. the Enterprise Europe Network or the Missions for Growth);
- 2) arrange support services, for example with the European Business and Commerce Associations in India, China, Thailand and Southeast Asia;
- 3) provide information relating to the regulatory framework or business environments of third countries, such through the intellectual property rights (IPR) helpdesks for China and the countries of the Asean and Mercosur trading blocs, and through the website [www.understandingchina.eu](http://www.understandingchina.eu);



- 4) implement Cosme (the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises for 2014-2020), which has allocated more than €61 million to support the internationalization of SMEs.

The international success of companies depends on the edge they achieve over their competitors. This competitive edge, whether it refers to cost, differentiation, focus or another quality, is obtained when the company carries out its strategically relevant activities more cheaply, more efficiently and to a higher level of quality than its rivals.

A crucial tool for understanding competitive advantage is the value chain, which breaks down strategically relevant activities so that cost trends and sources of possible differentiation can be comprehended. The individual activities that make up a value chain do not necessarily need to be carried out by the same company or in the same place: if distributed across national boundaries, they are known as "global value chains".

The importance of acquired competitive advantage was affirmed by the European Commission in its Communication "For a European Industrial Renaissance" and was reiterated in a report on the state of industry in 2013, titled *Competing in Global Value Chains* (February 2014).

Within the EU, discussions are ongoing concerning the possible extension of the labelling used for agricultural products and foodstuffs with a specific geographical origin to encompass non-agricultural products as well. The stated intention is to preserve traditions and particular production methods to keep alive the traditional know-how of some regions as handed down from generation to generation. By way of example, the European Commission cites Carrara marble and Bohemian crystal. The fear is that in the absence of adequate protection, the products may disappear, damaging "an important element of the historical, cultural and social heritage of Europe." This concern is part of a more general drive to upgrade the level of protection afforded to agricultural products with a specific origin compared with what is currently available under the terms of the TRIPS agreement. In respect of the foregoing, it should be noted that in the agricultural sector a significant proportion of the products with a label of guaranteed origin or quality – organic or otherwise – are marketed by medium-sized or small companies.

### **Talking points**

- How important is the process of internationalization for the hoped-for re-industrialisation of Europe? And what is its relevance to agricultural SMEs?
- Can the existing initiatives to support small and medium-sized enterprises be considered useful and sufficient? Which are the most effective, and what improvements might be suggested?



- Do we agree on the importance of value chains and, if so, how can their potential be leveraged?
- Would it be useful to extend the designation of origin label to non-agricultural products as an additional layer of protection for the cultural and historical heritage of Europe? Is it necessary to intensify actions for the protection of agricultural products with a specific geographical or quality designation in the course of bilateral and multilateral negotiations conducted by the European Union?