UNIVERSIDAD DE CANTABRIA

INTERNATIONAL BUSINESS ECONOMICS

Jean Monnet Seminars

Seminar 3
Doing business in an international context: the case of Cantabria

Co-funded by the Erasmus+ Programme of the European Union

Introduction

- **Diagnostic of**
  - Levels of business internationalisation in Cantabria
    - Comparative analysis with other Spanish and European regions
  - Barriers to internationalisation and mechanisms to support internationalisation
    - Base for a further and deeper evaluation of these barriers and these mechanisms

The productive and business structure of Cantabria

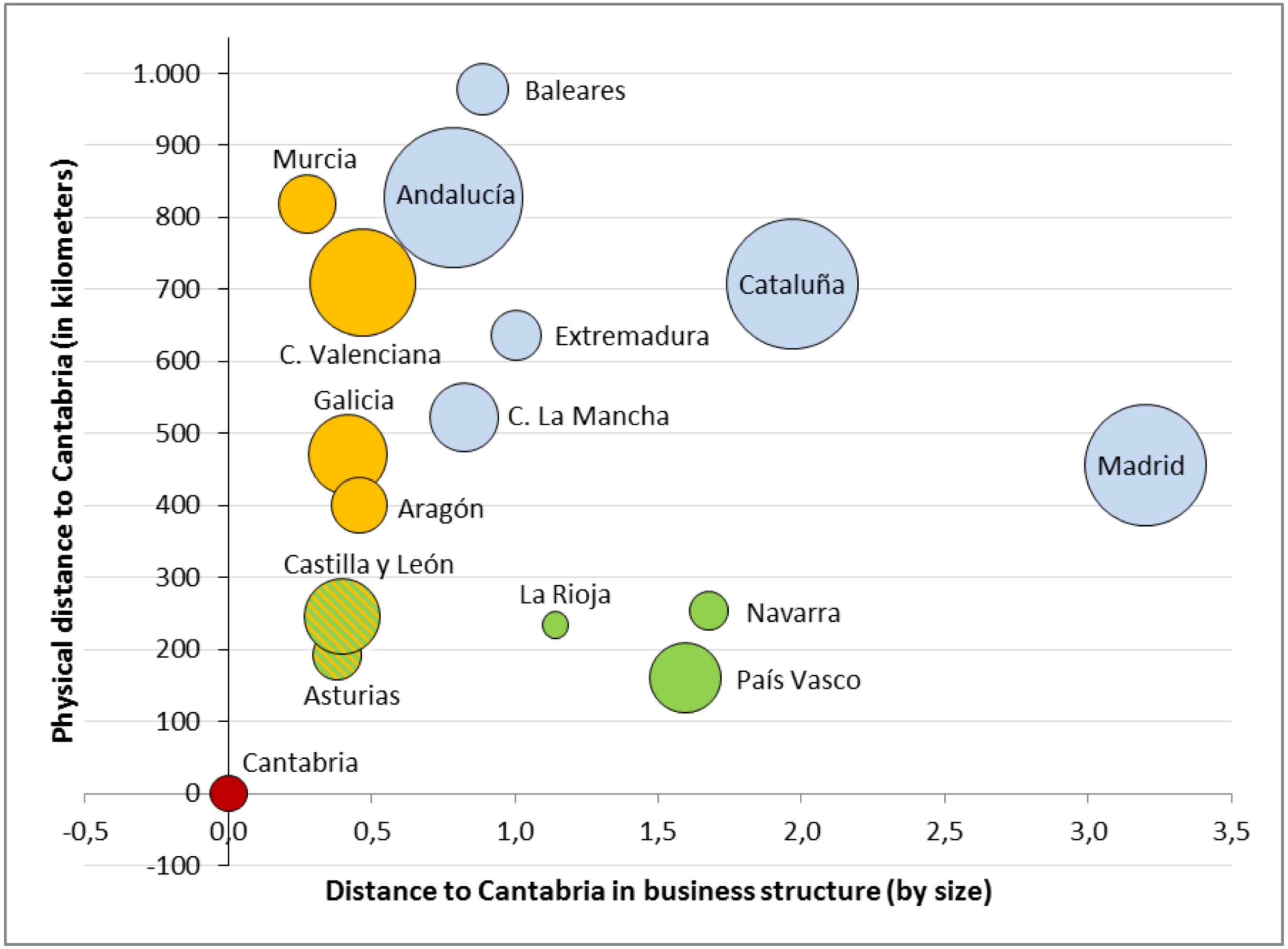
The heterogeneity of the Spanish regions

Ranking according to number of enterprises per 1,000 inhabitants, by size of the enterprises

No employees	**Micro 1-9 emp.**	**Small 10-49 emp.**	**Medium 50-249 emp.**	**Large >249 emp.**
Madrid	I. Baleares	País Vasco	Madrid	Madrid
Cataluña	País Vasco	La Rioja	Navarra	Cataluña
I. Baleares	Galicia	Cataluña	País Vasco	Navarra
La Rioja	Cataluña	Madrid	Cataluña	País Vasco
Galicia	La Rioja	Navarra	La Rioja	**SPAIN**
Navarra	C. Valenciana	I. Baleares	**SPAIN**	Aragón
SPAIN	Madrid	Aragón	I. Baleares	I. Baleares
C. Valenciana	Aragón	C. Valenciana	Aragón	C. Valenciana
Castilla y León	**SPAIN**	**SPAIN**	Canarias	**CANTABRIA**
Asturias	**CANTABRIA**	Murcia	C. Valenciana	Canarias
Canarias	Castilla y León	Canarias	Murcia	Murcia
País Vasco	Asturias	Galicia	Galicia	Galicia
Aragón	Navarra	**CANTABRIA**	**CANTABRIA**	Asturias
CANTABRIA	C.-La Mancha	Castilla y León	Asturias	Castilla y León
Murcia	Murcia	C.-La Mancha	Castilla y León	La Rioja
Extremadura	Canarias	Asturias	Andalucía	Andalucía
C.-La Mancha	Extremadura	Andalucía	Extremadura	C.-La Mancha
Andalucía	Andalucía	Extremadura	C.-La Mancha	Extremadura

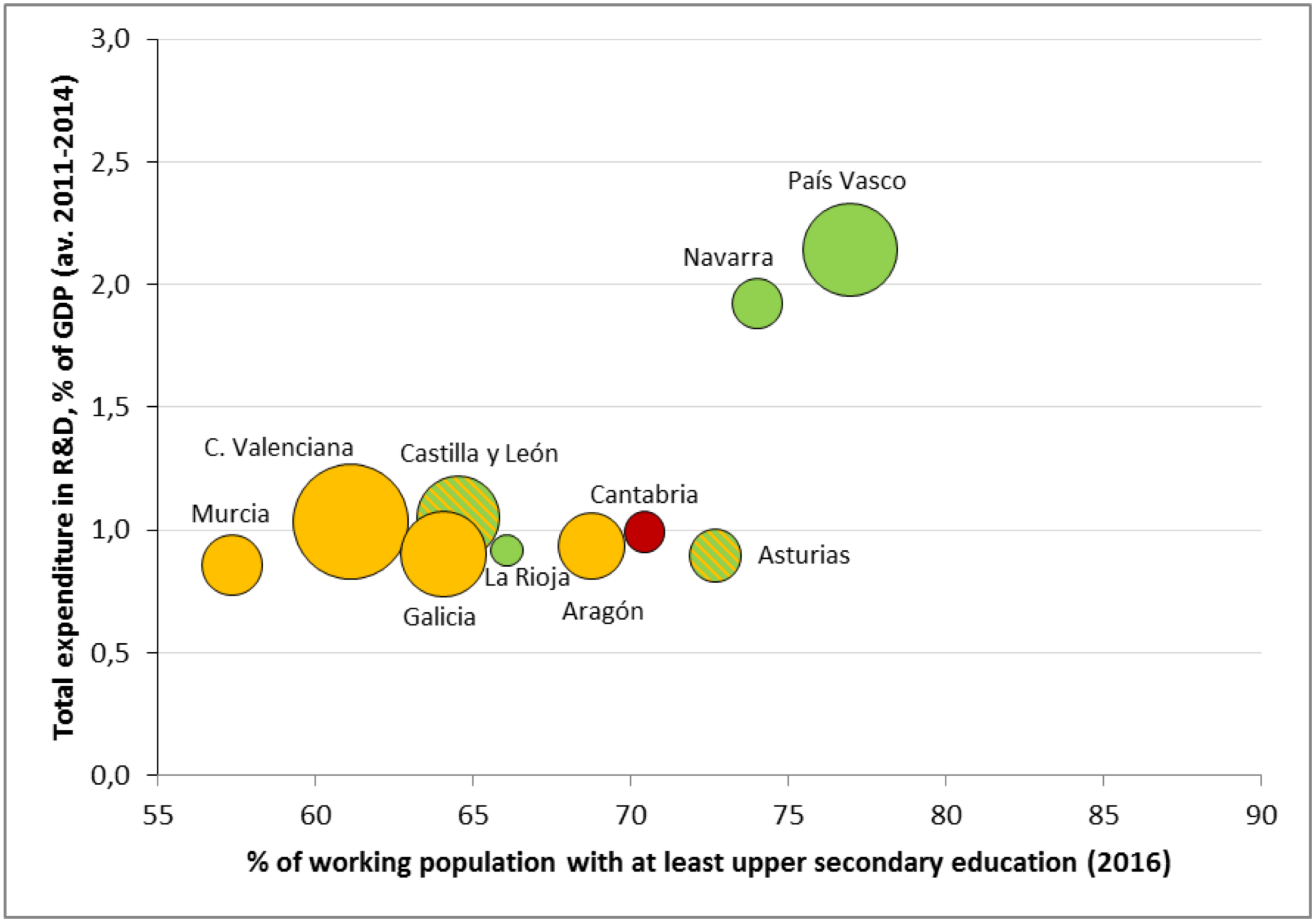
The productive and business structure of Cantabria

Close regions (CR, in green) and Similar regions (SR, in orange)



2. The productive and business structure of Cantabria

Cantabria: low specialization in Innovation
and medium specialization in Human capital



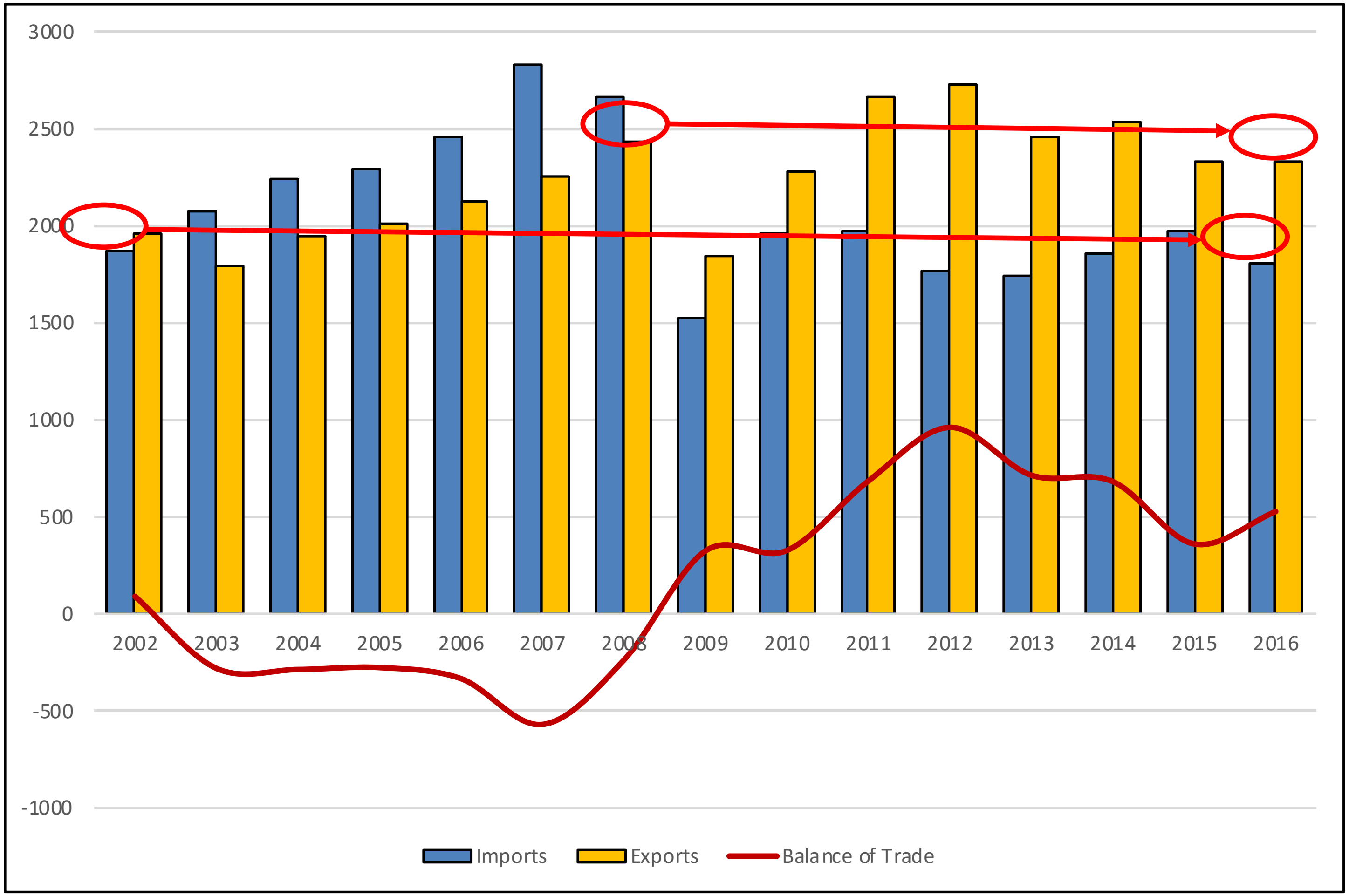
The productive and business structure of Cantabria

	High in Cantabria & in the regions of reference	Higher in Cantabria than in the regions of reference	Lower in Cantabria than in the regions of reference
Micro enterprises (1-9 employees)	Retail trade, Construction of buildings, Spec. construction act., Land transport, Legal and accounting act., Trade of vehicles, Real estate act.	Food and beverage serv., Other personal services, Accommodation	Wholesale trade, Manufacture (miscellaneous), Other activities
Small enterprises (10-49 empl.)	**Manuf. metal products, Spec. construction act., Retail trade, Education**	**Food and beverage serv., Land transport, Manuf. food products, Construction of buildings, Trade of vehicles**	**Other manufacture, Wholesale trade, Other activities**
Medium-sized enterprises (50-199 empl)	**Education, Services to buildings**, Retail trade, Land transp., Manuf. of mineral prod., Spec. construction act., Health act., Sports and recreation act.	**Manuf. of metal products, Manuf. of food products, Residential care act**., Trade of vehicles, Construction of buildings, Manuf. of chemicals, Warehousing act.,	**Wholesale trade, Other manufacture**
Large enterprises (> 199 empl.)	Manuf. of food products, Education, Manuf. of plastic, Manuf. machinery and eq., Wholesale trade, Warehousing act., Employment act., Admin. and support act., Social work	Retail trade, Health act., Manuf. of basic metals, Land transport, Manuf. of motor vehicles, Electricity and gas, Manuf. of metal prod.,	Wholesale trade, Manuf. of mineral prod., Manuf. of chemicals, Other manufacture, Food and beverage serv., Architect and engin. act., Residential care act.

The internationalisation of business in Cantabria

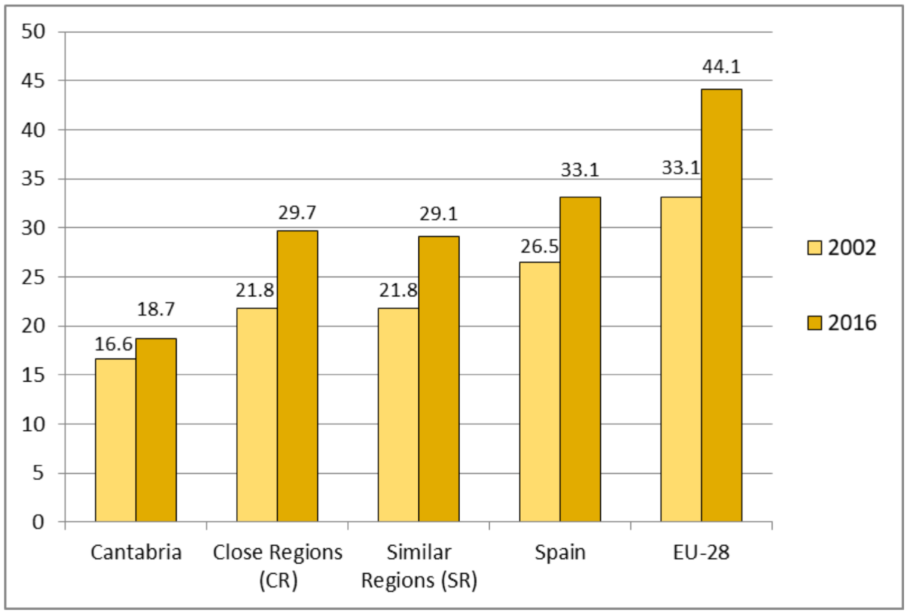
Economic crisis, significant effect on international trade in Cantabria.

Trade deficit until 2008. Since then, trade surplus

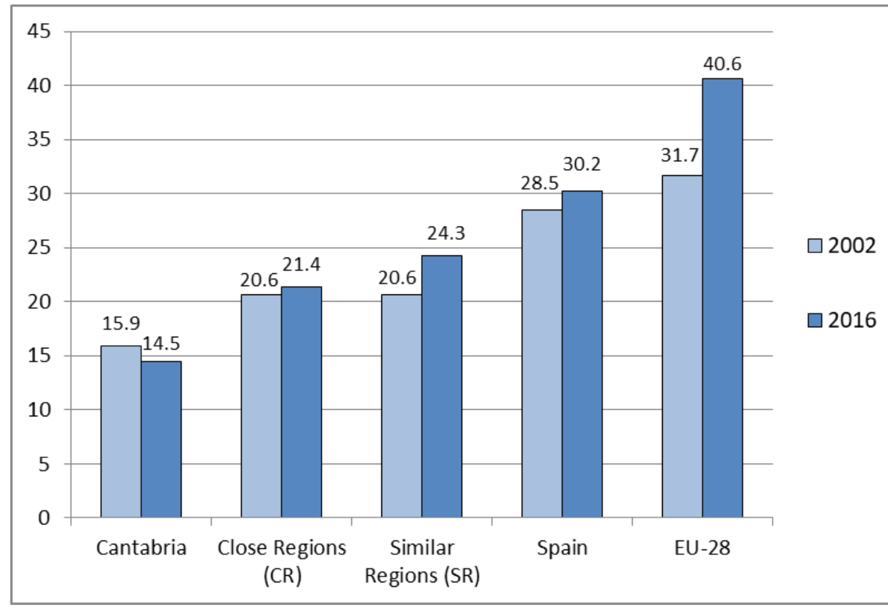


The internationalisation of business in Cantabria

Exports (% of GDP)



Imports (% of GDP)



Cantabria: <u>lower trade openness</u>

And process of <u>divergence: Increasing differences</u>

The internationalisation of business in Cantabria

- Cantabrian exports and imports, concentrated in a small number of sectors (some manufacturing activities)

    - The sum of manufacturing of motor vehicles, basic metals, chemical products, food products, fabricated metals, rubber and plastic, machinery and equipment and electrical equipment accounts for 80% of exports and 66% of imports in the region

- Pattern: Intra-industrial trade

- Lower technological intensity than other developed countries/regions.

The internationalisation of business in Cantabria

Number of companies in Cantabria (by value of exports in euros), 2012-2016

	< 50,000	50.000 – 0.5 Mill.	0.5 Mill. – 2.5 Mill.	2.5 Mill. - 10 Mill.	10 Mill. - 50 Mill.
2012	702	192	95	60	29
2013	846	198	100	55	32
2014	747	204	91	50	29
2015	728	167	78	62	35
2016	835	149	82	60	31

Exports in Cantabria, very **concentrated in a small number of companies**:
top 5 exporters, 36.2% of total exports; top 10 exporters, 53.2% of total exports.

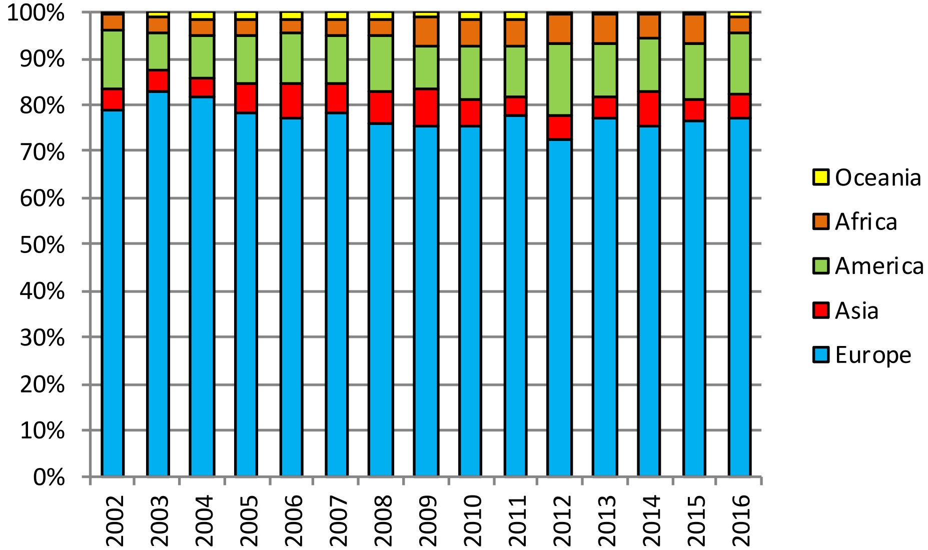
Only 3.1% of the enterprises in the region are exporters. In Spain, 4.6%.

This difference has increased from 2008.

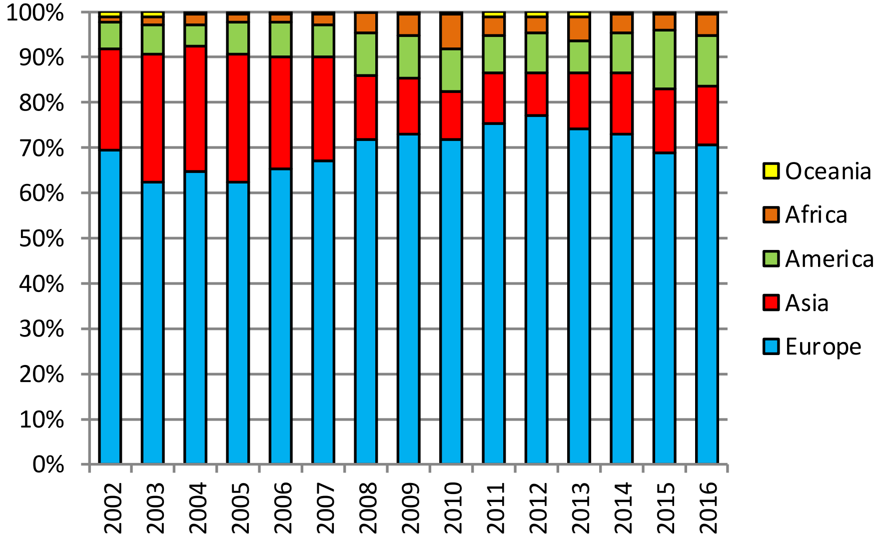
The internationalisation of business in Cantabria

International trade in Cantabria, oriented towards the rest of the EU: more than 2/3 of exports and around 2/3 of imports.

Exports of Cantabria, by destination (as % of total exports), 2002-2016



Imports of Cantabria, by destination (as % of total exports), 2002-2016



Road transport, around 2/3 of exports and imports.

Maritime transport, less than 1/3. Other modes are residual.

The internationalisation of business in Cantabria

Inward flows of Foreign Direct Investment (IFDI), very low in Cantabria, in comparison with regions of reference and the Spanish average.

Outwards flows of FDI (OFDI), discontinuous and concentrated in certain years. Dominance of large projects by a single multinational company (Banco Santander).

The most important destinations of OFDI and origins of IFDI are European and American countries.

Flows of Inward Foreign Direct Investment (IFDI) and Outward Foreign Direct Investment (OFDI) in Cantabria (in million euros of 2010, constant prices), 2002-2016

	OFDI (total)	OFDI (without financial and related services)	IFDI (total)	IFDI (without financial and related services)
2002	1,686.9	206.5	20.2	2.5
2003	849.3	185.1	2.3	2.1
2004	15,389.6	85.1	29.1	29.1
2005	191.9	76.1	8.6	8.6
2006	4,984.0	104.7	9.6	9.6
2007	21,988.5	89.5	61.5	60.6
2008	5,273.7	87.3	73.6	19.7
2009	4,601.8	12.4	13.0	13.0
2010	1,486.6	31.1	3.9	3.9
2011	4,946.5	45.2	20.0	20.0
2012	1,630.4	952.7	22.1	22.1
2013	448.7	14.3	15.5	3.5
2014	6,039.7	103.3	8.7	3.6
2015	565.5	12.0	8.9	8.9
2016	56.6	2.5	20.2	20.2

Barriers to SME internationalisation in Cantabria

Results of **Survey on the barriers to internationalization faced by enterprises in Cantabria, conducted by the Chamber of Commerce** of the region:

Internal barriers (capacity and capabilities of the enterprises):

- Lack of funding (67%)
- Insufficient language skills (53.6%)
- Small staff structure or size (50%)
- Lack of qualified personnel (43.1%).
- Lack of productive capacity, only for 20.4%.

Barriers to SME internationalisation in Cantabria

External barriers to internationalisation (information and uncertainty in international markets):

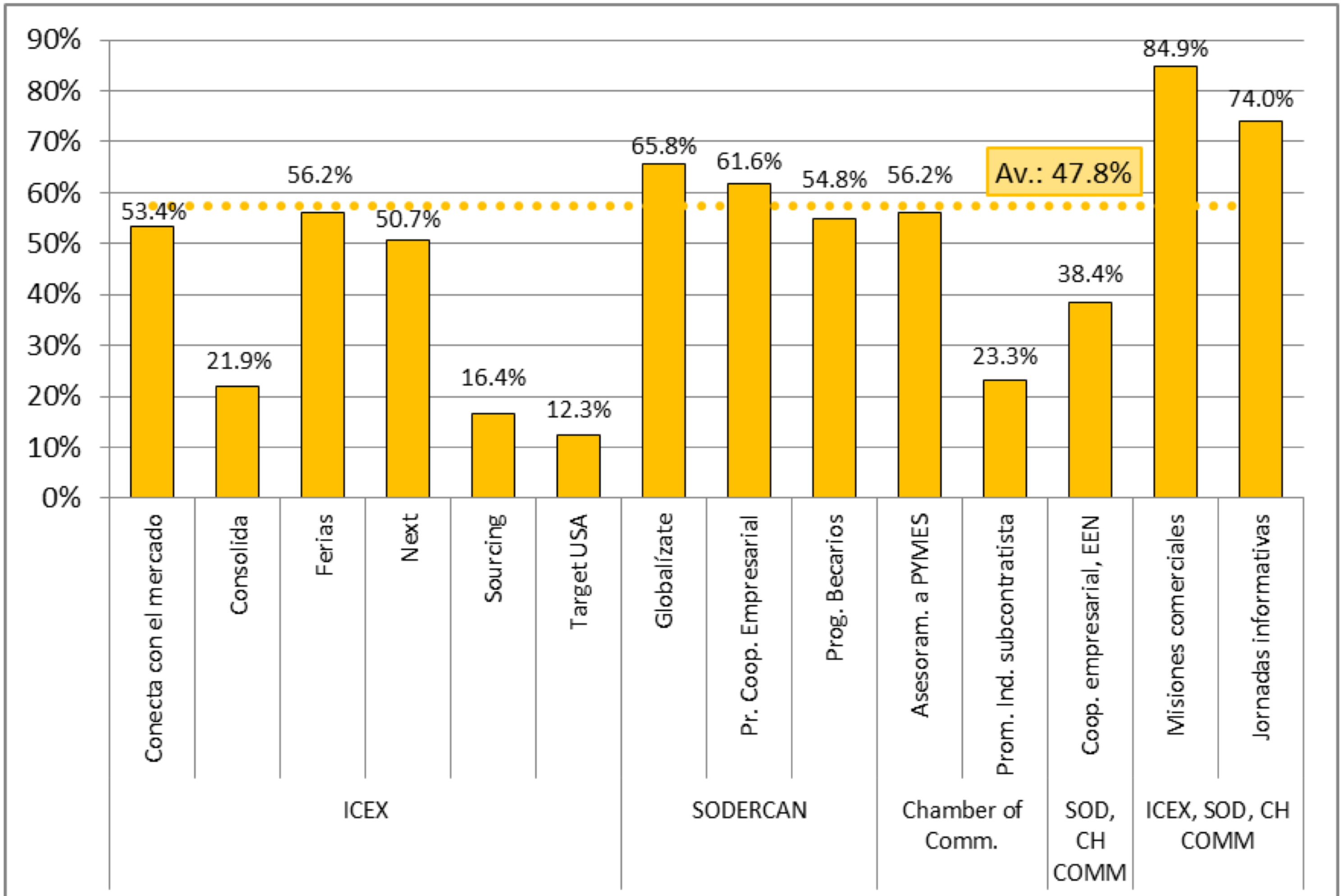
- Lack of knowledge about international markets regulations (65.8%)
- Lack of awareness of international trade operations (65.5%)
- Export procedures (62.6%)
- Lack of knowledge of the techniques to identify markets to internationalise (51.8%)
- Lack of appropriate information on foreign markets (49.1%)
- Problems to identify customers in international markets (45%)
- Higher risk of default perceived in international markets (34.5%)
- 68.1% consider new barriers will be created derived from environmental or social regulations; 25.7% think the same as regards barriers derived from the implementation of new technologies.

The mechanisms of support to enterprise internationalisation in Cantabria

Name of the programme	Responsible entity	Aims of the programme
ICEX CONECTA con el mercado	ICEX (Spanish Institute for Foreign Trade)	- Contact with Spanish Foreign Trade Office in a specific country
ICEX CONSOLIDA		- Support to projects of internationalization among SMEs (projects already started)
ICEX FERIAS		- Funding of participation of Spanish companies in international trade fairs
ICEX NEXT		- Technical support to companies for initiating international activities or for consolidating their international act.
ICEX SOURCING		- Market prospection and analysis of business opportunities in international markets
ICEX TARGET USA		- Support of SMEs in existing projects of internationalization in the US, or to new projects in specific sectors
ICEX Capacitación Empresarial		- Sessions on information and training about priority markets for the Spanish commercial policy
Programa de Ayudas GLOBALÍZATE	SODERCAN (Society for the Regional Development of Cantabria)	- Support to internationalization plans
Proy. Cooperación Empresarial		- Support to the creation of new clusters of enterprises for internationalisation projects
Prog. becarios en el exterior		- Training /Scholarhips for young professionals on the support of internationalisation
Asesoramiento a PYMES en Comercio Exterior	Chamber of Commerce of Cantabria	- Technical support to SMEs without experience in exporting - Technical support to SMEs with previous experience in exporting
Programa de Promoción de la Industria Subcontratista		- Joint participation of subcontracting companies in European fairs - Dissemination of demands for subcontracting
P. Cooperación Empresarial, European Enterprise Network	SODERCAN and Chamber of Commerce	- Support to the participation in European projects - Information on European policies and market opportunities
Prog. de Promoción Internacional – Misiones Comerciales	ICEX, SODERCAN and Chamber of Commerce	- Joint organization of commercial missions in specific countries
Jornadas informativas de internacionalización		- Organization of events and workshops on potential objective countries

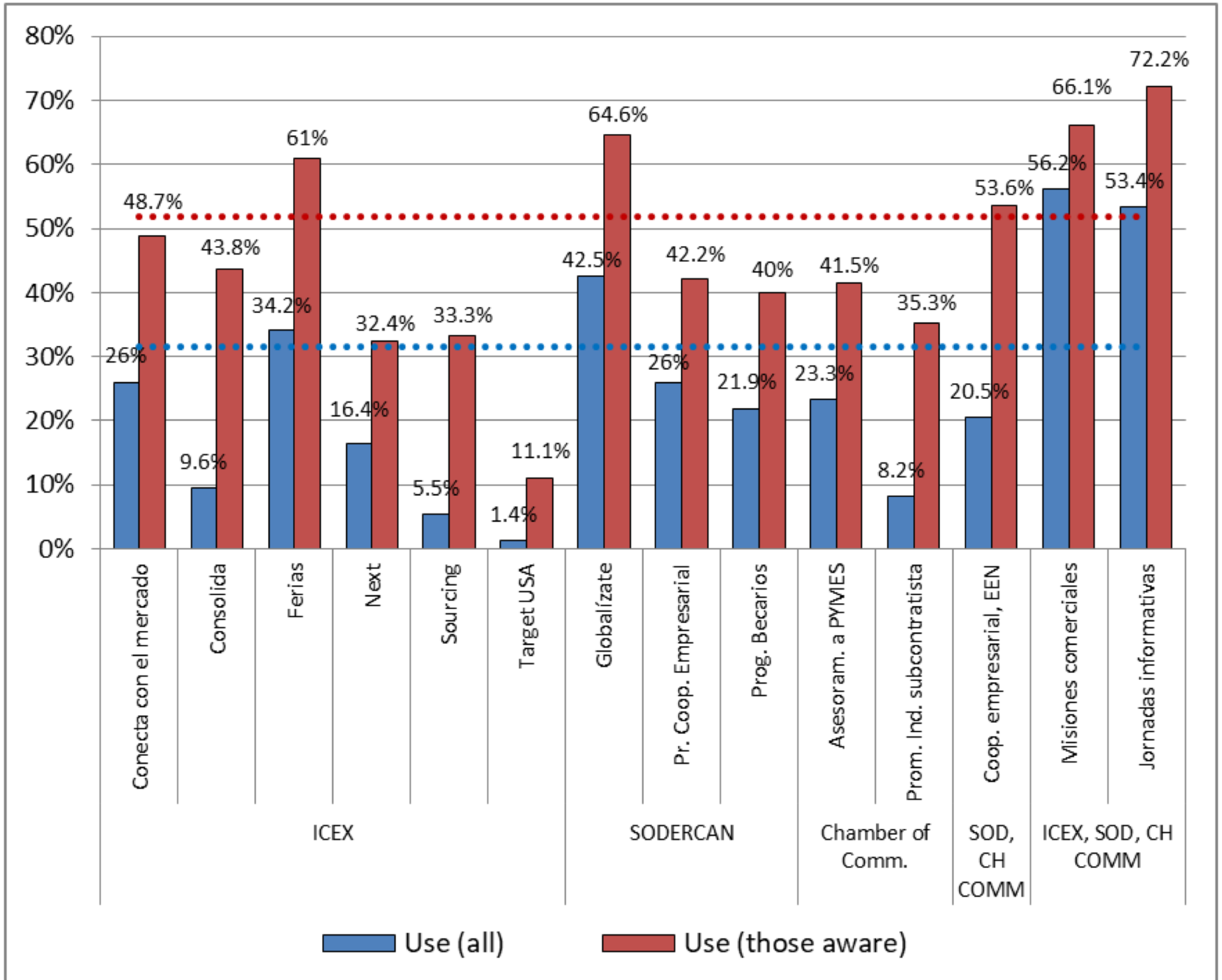
The mechanisms of support to enterprise internationalisation in Cantabria

Awareness (%) of the mechanisms of support to internationalisation in Cantabria



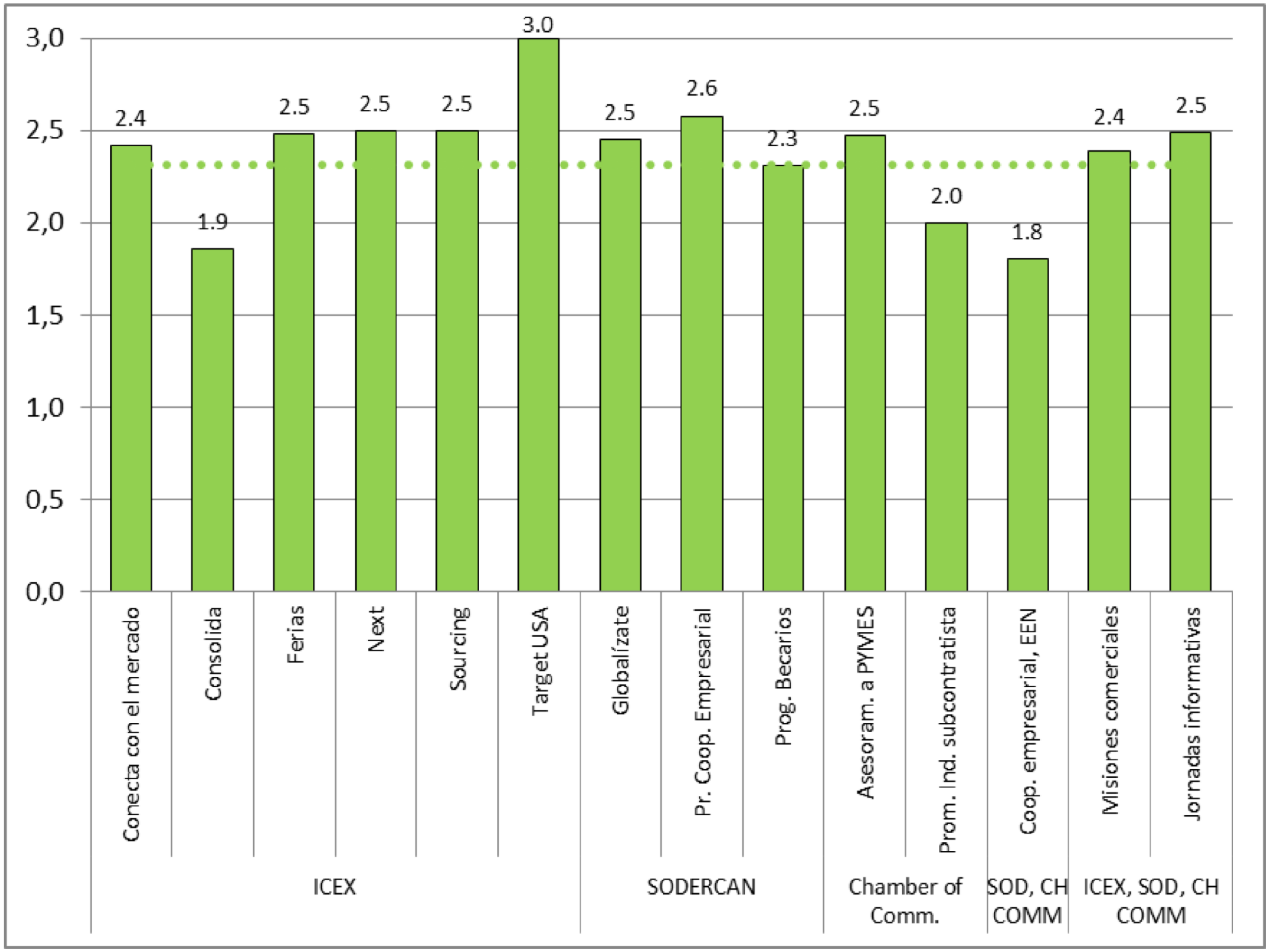
The mechanisms of support to enterprise internationalisation in Cantabria

Use (%) of the mechanisms of support to internationalisation in Cantabria



The mechanisms of support to enterprise internationalisation in Cantabria

Rating (0-3) of the mechanisms of support to internationalisation in Cantabria



Conclusions and future directions

- **Macro level** (general diagnostic) insufficient progress: levels of trade openness and FDI, number of internationalised companies, diversification…
- **Micro level** (surveys), good results: awareness of barriers and mechanisms, use and rating of programmes
- **What is happening? How this apparent contradiction is explained?**
    - Some enterprises have been very active and successful in internationalisation
        - These are the ones participating in the programmes, and in the surveys
    - **Open questions:**
        - What is happening among the rest?
        - Which lessons can we extract from the successful cases?
        - How to involve more SMEs in internationalisation?

Reference

- Díaz-Fuentes, D.; Fernández-Gutiérrez, M. and Revuelta, J. (2017): *The internationalisation of SME in Cantabria*. Cámara de Comercio de Cantabria and SIE Interreg Europe.