



***Growth Beyond the Eurozone***  
*Confindustria Udine, Italy*  
*September 19, 2012*

# **US-ITALY CROSSROADS**

*Boutique firm providing  
comprehensive turnkey  
management services for  
Italian enterprises seeking  
U.S. market entry.*



## ***US-Italy Crossroads Managing Directors***

### ***Marco Q. Rossi***

***Extensive expertise in providing International and U.S. legal and tax advice to Italian companies establishing or operating a business in the U.S.***

- Graduate Law Degree – *University of Genoa, School of Law* (Genoa, Italy)
- Post graduate International Tax Law Degree – *New York University School of Law* (New York, NY)
- Founder and Principal at Marco Q. Rossi & Associati, Italian and U.S. International boutique law firm with offices in New York, Genoa, Milan and Beverly Hills ([www.lawrossi.com](http://www.lawrossi.com))
- Member of International Fiscal Association, American Bar Association (Tax Section), New York State Bar association (Tax Section), New York City Bar (Business Taxation Committee)
- Specialized in U.S. And Italian international legal and tax planning n U.S./Italy cross border transactions and outside counsel services to Italian firms setting up and doing business in the US.
- Provides legal and tax advice to Italian clients doing business in or with the U.S. And U.S. and foreign clients doing business in or with Italy and the E.U.



## **Mark V. Santo**

***Founder of  
Pittsburgh-Italy  
Alliance; extensive  
career in facilitating  
and enabling Italian  
enterprises with  
respect to successful  
U.S. market entry***

- Post graduate international law degree – *Georgetown University Law Center* (Washington D.C.)
- EU Community Law Program / *Università degli Studi di Firenze*
- U.S. Legal Counsel for *Finmeccanica S.p.A.* (Rome, Italy)
- Founder – *Glengary Ventures* (Early Stage Technology Fund) (Cleveland, Ohio)
- President - *Parvus Corporation* – U.S. Subsidiary of Eurotech Group of Udine, Italy
- President and CEO – *Cleveland Council on World Affairs*
- Investment Bank Principal – *Renaissance Partners LLC.* (Pittsburgh, PA.)
- Director – *US-Italy Crossroads* (NYC- Milan)
- Vice President and Officer of the Board *American Middle East Institute*



## ***Italy At The Crossroads***

***Eurozone crisis has illuminated Italy's challenges and its importance to the stability of the world's financial markets***

- Eurozone crisis threatens Italian sovereignty over economic destiny
- High level of public debt and high interest rates - led to extended period of flat growth
- Labor market challenges
- Prospects of significant tax increases and austerity measures
- Continuation of Monti's reform programs after elections?
- Businesses need access to easy credit and lessening of red tape

# ***Austerity vs. Growth***

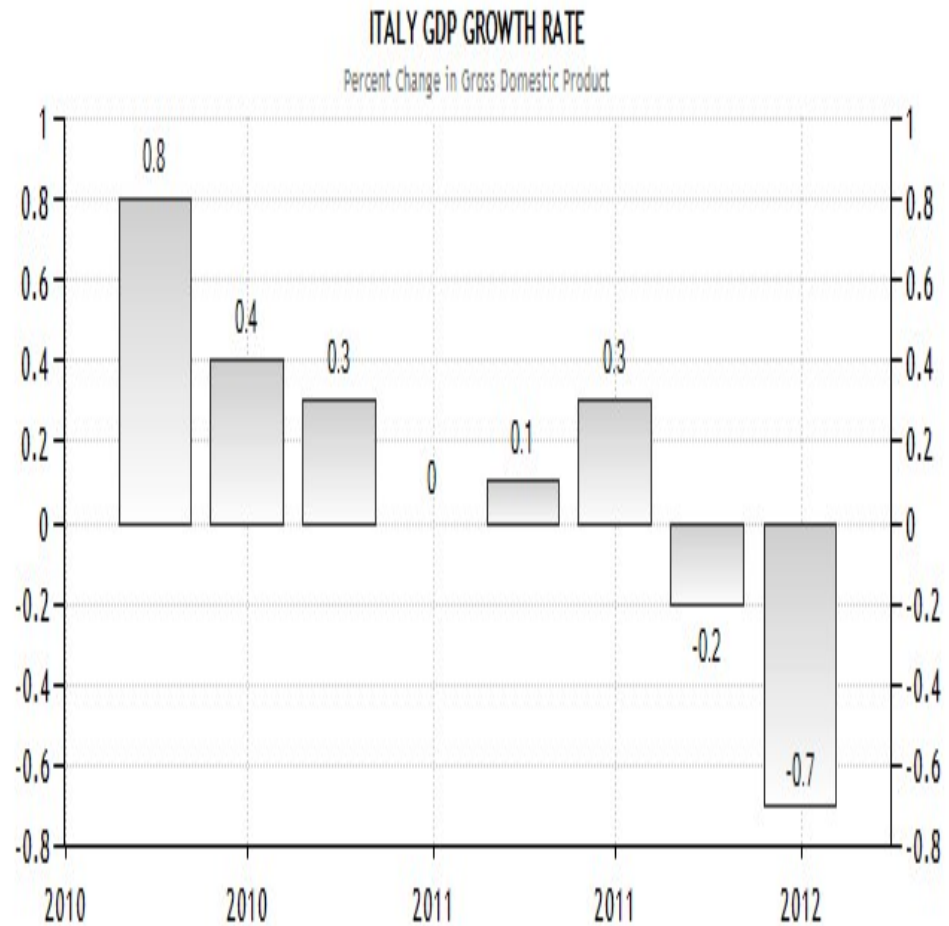
***Austerity measures or stimulating growth—what is best path to spark recovery? Debate sweeping Europe with the economies of Southern Europe hanging in the balance***



SOURCE: WWW.TRADINGECONOMICS.COM | EUROSTAT

## ***Italy Business Sector Will Lead the Way***

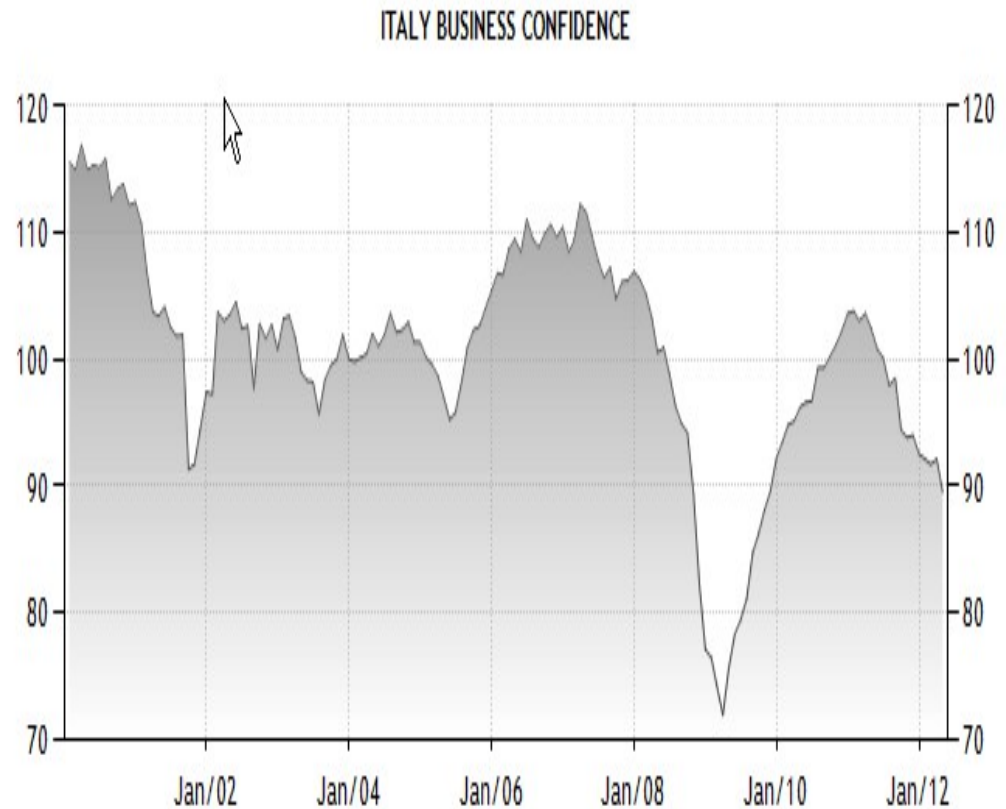
***Promote an environment where small to medium businesses can access credit and participate in the global economy***



SOURCE: WWW.TRADINGECONOMICS.COM | ISTAT

# ***“Think Outside the Eurozone”***

***Italy has world class  
firms and brands and  
its exports can lead  
the way back to a  
world leading  
economy***



SOURCE: WWW.TRADINGECONOMICS.COM | I SAE/ISTAT



## ***Export Markets***

***With the domestic economy flat, export markets become increasingly important for both small and large Italian enterprises***

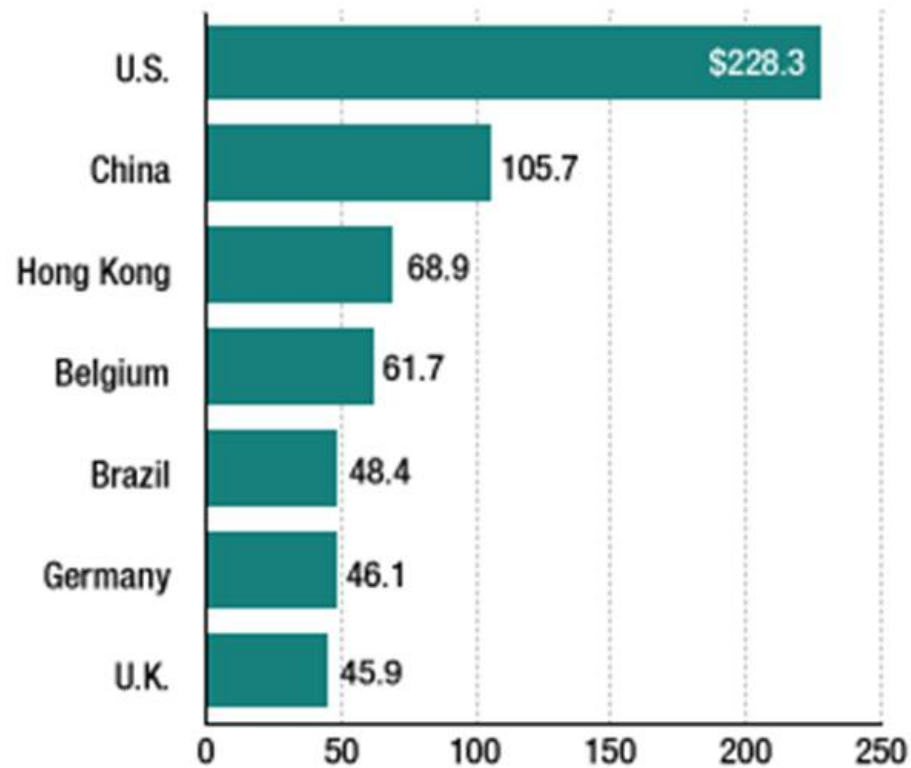
- Key to growth
- Emerging markets boom
- BRIC Countries
- China is the second largest recipient of foreign direct investment (FDI)
- China remains the most important FDI destination followed by India
- **BUT** - U.S. remains the most attractive and largest global investment destination far outstripping China in FDI total dollars
- FDI into the U.S. provides access to vast American marketplace, its deep talent pool, stable and innovative business environment and excellent infrastructure

## **Foreign Direct Investment in the U.S.**

*“Despite the recent economic crisis, the United States still represent the most attractive economy where to invest, given its vocation to innovation and liberalization”  
Dott. Aniello Musella, Director of the Italian Trade Commission in North America*

- IMF defines foreign direct investment as an investment that allows an investor to have a significant voice in the management of an enterprise operating outside the investor’s own country
- “Significant voice” = ownership of 10 % or > of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise)
- May involve either creating an entirely new enterprise—a so-called greenfield investment—or, more typically, changing the ownership of existing enterprises, via mergers and acquisitions

# 2010 Foreign Direct Investment (bn)



## Notes

Foreign direct investments are purchases of companies and property, as opposed to stock holdings or government bonds.

Source: U.N. Conference on Trade and Development  
Credit: Nelson Hsu, NPR

# Why Does the United States Lead in FDI?

## UNITED STATES

- Highly sophisticated and innovative companies
- World Class Universities
- Flexible labor markets and access to talented labor pool
- Enormous domestic economy
- Highly developed judicial system
- Protection of Intellectual Property
- Robust financial markets and regulated stock exchanges
- Mature venture capital and private equity industries
- Gateway to Canada and Latin America

## BRIC COUNTRIES

- Controlled economies
- Protected markets
- Bureaucratic red tape and corruption
- Weak judicial systems
- Intellectual property risks
- Capital markets underdeveloped
- Venture capital difficult
- Social media controls
- Restrictions on foreign ownership

# ***Risk – Reward Culture***

***Like no other nation  
on earth, the U.S.  
rewards  
entrepreneurs for  
intelligent risk taking***

- Entrepreneurialism is in the DNA of the United States
- Provides the truest path to real wealth – *the untaxed appreciation of capital gains*
- Ability to “slice, dice and price” risk at the smallest of levels
- Liquidity of public financial markets
- Private equity abounds
  - Friends and Family investment
  - Venture Capital
  - Private Equity
- “STEM” Universities are breeding ground for new global giants – the Big Three Engineering Colleges
  - Stanford
  - MIT
  - Carnegie Mellon University (Pittsburgh)
- Terrific pipeline for brilliant employees

# ***Brilliant Ideas and Hard Work***

## ***Winning formula for success in the United States***

- Void of discrimination
- No class distinction
- Don't care about race or religion
- Intelligence, creativity and hard work are the only measuring sticks
- Failure in the emerging technology space is a "Badge of Honor"
- Technology Innovation highly prized, particularly when coupled with competitive pricing
- One out of every 4 Silicon Valley start-ups have foreign founders
- Many U.S. public companies were started by foreigners
- InVision Story

## ***Italy and FDI in the United States***

### ***Where is Italy in terms of FDI in the US?***

- Foreign firms employed 5.7 million U.S. workers in 2009, accounting for 5% of the U.S. private workforce and, with over 2 million workers, about 13% of the U.S. manufacturing sector.
- Foreign firms account for more than 18% of total U.S. merchandise exports and, over 14% of total U.S. private investment in research and development
- At present, relatively few countries invest in the United States.
- In fact, 84% of FDI in the U.S. in 2010 came from or through eight countries: Switzerland, the United Kingdom, Japan, France, Germany, Luxembourg, the Netherlands, and Canada

## ***Italian FDI in the United States***

***Italy can do better – a lot better!***

- Italy Only 17<sup>th</sup> largest source of FDI in the U.S.
- As of 2008, only 12% of Italian total FDI was in the U.S.
- Responsible for an FDI stock in U.S. of \$9.7 billion as of 2009
- Lags behind other European Countries in FDI
- #11 in terms of European Investor in the U.S.
- Why only modest Italian FDI?
  - Low # of large firms
  - Concentration in traditional low and medium technology /manufacturing industries
  - Negligible activity in advanced services



## ***Small Italian Enterprises and FDI***

### ***The Rise of the Italian “Pocket MNE”***

- Large Italian MNE’s continue to lead in FDI as they have managerial and financial talent to succeed in foreign markets
- But Small Italian MNE’s or “Pocket MNEs” are proving to be valuable and original contribution of Italy to global FDI trends
- Pocket MNE’s increasingly going abroad:
  - Hold competitive advantages in high value added market niches
  - Carry-out M&A abroad as a vehicle to strengthen their position in international value chains
  - Seek knowledge sourcing strategies thru access to foreign talent pool
- European current financial crisis will only accelerate this trend as Italian SME’s seek new markets outside the EU

## ***Small Enterprises Crossing Borders***

***No longer the domain  
of the large Italian  
MNE's***

- Italian goods and services compete in a global economy
- Borders are irrelevant and ubiquitous
- Web based applications, tools and cloud services erases borders and time differences
- Levels the playing field for small enterprises which have:
  - Unique and innovative products and services
  - Market niche
  - Able to function cross border with effective management and knowledge sharing
- Key to going abroad is to find cross border managerial talent or trusted partners
- The U.S. offers best practices in management collaboration and knowledge sharing
- Great way to train next generation of family owners as international executives



## ***Lessons Learned***

### ***Some observations on succeeding with Italian FDI in the United States***

- Italian penchant for frugality does not play well in the U.S
- U.S. is the most sophisticated and dynamic market in the world
- Objective is not to save \$10
- Objective is to invest \$10 to make \$100
- Italian expatriate management vs. domestic management talent
- “A” Players vs. “B” players
- In the tech world, workforces are multinational
- Human management skills are paramount
- In many industries, U.S. provides access to the best minds in the world
- Knowledge transfer, talent mobility and cross cultural learning abounds in the U.S
- Professional advisors steeped in both cultures lessen FDI risk significantly