

Italy – research paper



Geographically, Italy is comprised of a peninsula that extends into the Mediterranean Sea, as well as two large islands.

The shape of Italy has been depicted as a 'boot' in many cartoons and drawings for years. The country covers over 116, 000 square miles, making it approximately the combined size of Florida and Georgia. Killinger, 2002) Italy is a democratic republic that has a current population of around 60 million people, making it the twenty-third most populous country in the world. Italy is a founding member of the North Atlantic Treaty Organization (NATO), the 'Group of Six', which later became the G8, and the European Union. (" Italy," 2010) Italians are primarily Roman Catholic and are required to have fourteen years of formal education. This has led to a 98 percent literacy rate among the population that only has a growth rate of 0. 02 percent per year, which is one of the lowest growth rates in the world.

Killinger, 2002) After the decline of the Roman Empire, it took what is now Italy over fourteen centuries to become unified and drive out foreign rule. The state of Italy was formed following the Italian unification movement, known as Risorgimento. Italy installed their first Parliament and declared the Kingdom of Italy in 1861. (Killinger, 2002) In 1922, Benito Mussolini created the first Fascist regime in history. Mussolini later established the Lateran Pact of 1929 with Pope Pius XI, which recognized the Catholic religion as the 'sole religion of the state' and the Vatican as an independent state. Italy entered World War II in October of 1940 by attacking Greece from Albania. In December of the same year, the victorious Greeks invaded Albania.

Their advance was only stopped by German support. In North Africa the Italians were handed multiple defeats by the British and again had to be rescued by the Germans. In July of 1943, American and British forces landed in Sicily. Fifteen days later Mussolini was arrested and power was returned to the parliament and the king. In April of 1946, Mussolini attempted escape, and was caught, shot, and hung in Milan. A few days later, the German army corps in Italy surrendered to allies. (Hearder, 1990) At the end of World War II, a vote by the people concluded that the kingdom of Italy would be replaced by the Republic of Italy.

In 1948, a new constitution granted the President of the Republic the powers of the chief of state while the head of government was a prime minister with the title of President of the Council of Ministers. A constitutional court holds the supreme judicial power in Italy, while a lower and upper house were set up and were given the legislative power. (Killinger, 2002) After World War II, Italy entered a period known as the 'Economic Miracle', which was driven by multiple industries and firms that contributed to the production of cars. These included the steel, rubber, and oil industries. (Amyot, 2004) Oil was discovered in the South, in the Northern Po Valley, and in Sicily in 1949. Natural gas was found the following year. (Hearder, 1990) The Marshall Plan also sent more than \$1.

2 billion from the United States to Italy for reconstruction. The strong growth that Italy experienced after World War II helped it become a major player in the business world. Italy's Quality of Life Index was eighth in the world in 2005 (the United States was ranked thirteenth) and was ranked as the eighteenth most developed country in the world. ("Members of the," 2010)

Some major international companies based in Italy are Versace, Gucci, and Armani in the fashion industry, Pirelli automobile tires, Beretta firearms, and car manufacturers Fiat, Alfa Romeo, Maserati, Ferrari, and Lamborghini. In total the automobile industry contributes 8.5 percent of Italy's GDP. Italy is also the world's leading producer and exporter of grapes, artichokes, and kiwis, and produces about a fifth of the world's wine.

Italy is also the fourth largest tourism earning nation in the world and the fifth most visited country. ("Economy of Italy," 2010) Italy is currently said to be in a recession, with industrial output dropping 6.6 percent in the last year. The shutdown of factories has been announced by Fiat in the wake of falling car sales. Italy is referred to as the "sick man of Europe" due to political instability, lack of infrastructure development and economic stagnation. The average annual rate of growth in Italy is 1.23 percent compared to the 2.

28 percent average growth rate in the EU over the last ten years. In January of this year unemployment hit 8.6 percent yet it is predicated that Italy will pull out of its recession by the end of 2010. ("Economy of Italy," 2010) Culture Values and Norms Since World War II, Italian society has profoundly changed, with a significant impact on daily life. One of the main elements of change is the more visible role women play in society outside the home, such as increased participation in higher education and various professions. One aspect of this changed role is that Italy records one of the lowest average numbers of children per woman in the world, as well as some of the lowest birth and fertility rates. (Britannica Online Encyclopedia) For

Italian families, popular daily leisure activities include watching television, listening to the radio, reading newspapers, and going to movies.

Italians are also known for their love of sports, something that can be traced back to the ancient Gladiatorial games. Sport is an important part of many Italian festivities like Palio and the Gondola race in Venice. Popular sports include football, cycling, and auto racing. (The Culture of Italy) Italians are very satisfied with their family relations, friendships, and health status, while their economic status and their working positions are less satisfactory. This is especially the case in southern Italy, where there are fewer job opportunities and where unemployment is high. (Brittanica Online Encyclopedia) Though the popularity of home entertainment has grown, the use of public spaces remains important. Young Italians meet friends on a daily basis, often in the cities' piazzas in the evenings, making frequent trips to bars, cinemas, pizzerias, and discos.

Coastal areas are popular destinations in the summer. The automobile retains a strong hold on daily life as well. Ownership levels are high, and many cities and towns suffer severe congestion and pollution as a result. (Brittanica Online Encyclopedia) Regional life in Italy is typified by a diversity of customs and a great variety of festivals, even if it is their appeal to the tourist industry and to television that helps keep them alive. The majority of religious festivals are dedicated to the Madonna or to different saints of the Roman Catholic faith. The most notable Carnival celebrations are held in the cities of Viareggio and Venice, where in 1992 they were financed for the first time by major sponsors. Italy's strong agricultural tradition gives rise to a

multitude of festivals celebrating the harvest, food, country, and seafaring pursuits.

These festivals reflect the traditional activities of the area in which they are held. (Brittanica Online Encyclopedia) Language The official language of Italy is Italian, a descendant of Tuscan dialect and a direct descendant of Latin. When Italy was unified in 1861, the Italian language existed mainly as a literary language and almost each region had its own dialect. Standardizing the language was an important step in unifying Italians, and the standardized language was based on the Florentine dialect spoken in most of Tuscany. (The Languages Spoken in Italy) The largest group of non-Italian speakers includes those who speak Sardinian, a Romance language, which retains many pre-Latin words. Some of the other languages spoken are German, French, and Slovene. (The Languages Spoken in Italy) Religion 90 percent of Italy's population is Roman Catholic.

The remainder of the population is comprised mostly of Jews, along with some Muslims and Orthodox and Eastern Rite Catholics. Supernatural beliefs are based in the Catholic Church and mixed with older beliefs stretching back to antiquity. In Sicily, for example, Arabic and Greek influences have mixed with popular Spanish beliefs and been incorporated into Catholicism. Thus, there are beliefs in the ' Evil Eye', charms, spells, messages throughdreams, and various other types of omens. People believe witches have powers and in the existence of anti-witches. Many of these beliefs have yielded to the rationalism of the modern age. Others, however, exist below the surface.

(Culture of Italy) Italy is filled with over 2000 years worth of holy places. Rome and the Vatican City alone have thousands of shrines, relics, and churches. There are relics of Saint Peter and other popes. Various relics of many saints, places holy to Saint Francis of Assisi, shrines, places where the Virgin Mary is reputed to have appeared, and sites of numerous miracles are found across the country. Similarly, religious ceremonies are frequent. There are the usual holy days of the Roman Catholic Church—Christmas, Easter, Pentecost, the Immaculate Conception, and others. In addition, there are local saints and appearances by the Pope.

The sanctification of new saints, various blessings, personal, family, and regional feast days, and daily and weekly masses are observed. There are also various novenas, rosary rituals, sodalities, men's and women's clubs, and other religious or quasi-religious activities. (Culture of Italy) Education Education in Italy is free and compulsory for eight years for children between the ages of 6 and 14. Primary school lasts 5 years and secondary education (Scuole medie) is further divided in two stages: Medie Inferiori, which correspond to the middle school grades and lasts for 3 years, and Medie Superiori, which correspond to the secondary school level and lasts another 5 years. Every tier involves an exam at the end of the final year. Secondary schools are of different types and allow students to choose alternative career paths depending on their interests and aptitude. These include the Liceo, the Istituto Tecnico (technical institute) and the Istituto Professionale (professional institute).

The Liceo includes secondary schools oriented towards the study of the arts and sciences. The Licei are again divided into four types: Liceo Classico,

which offers Latin, Ancient Greek, Italian, History, and Philosophy as its most important subjects; Liceo Scientifico, where the emphasis is on scientific and mathematical topics; Liceo Linguistico, which focuses on languages; and Liceo Artistico, which is oriented toward the arts. The university system in Italy is similar to that of the United Kingdom, where students concentrate on one subject throughout their degree. Courses consist of the Laurea (roughly equivalent to a bachelor's degree) and the Laurea Specialistica (roughly equivalent to a master's degree). There are 41 state universities and 15 other universities, colleges, and higher learning institutes. These include the University of Bologna (the oldest in Italy, founded in the 11th century), and the University of Rome, which is the country's largest. (The Education System in Italy) Social Structure The Italian Institute of Statistics assesses the class system using 6 different categories.

The first is the bourgeoisie, which includes entrepreneurs employing a minimum of 6 people, self-employed professionals, and managers. This category accounts for 10 percent of the working population. The white collar middle class covers employees engaged in non-manual jobs and makes up 17 percent of the working population. The urban petit bourgeoisie comprises 14 percent of the working population, defined as small entrepreneurs with a maximum of 6 employees, shopkeepers, and self-employed artisans. The rural petit bourgeoisie, at 10 percent, own and operate small enterprises in the primary sectors of agriculture, forestry, hunting, and fishing. The urban working class is the 37 percent of the workforce who engage in manual labor. Finally, the rural working class, at 9 percent, are employees of the primary sector.

This class breakdown, in identifying two categories each of the working and entrepreneurial classes, is considered to be a more precise method of class division, and has been used since the mid-1980s. (ItalianPovertyand Wealth) Despite being a wealthy country, Italy suffers from serious inequality in the distribution of wealth and resources. These dramatic statistics stand out: in 1998, 11.8 percent of families lived in poverty. The figure was even higher at the end of the 1980s, when families living in poverty represented 14 percent of the population. The contrast between north and south was very clear, with over 5 percent of impoverished families living in southern regions. The gap between the rich north and the impoverished south continues to increase, as does the depth of poverty itself.

Of those classified as poor, elderly people living on a simple state pension make up 53 percent of households living in poverty. Their numbers, however, are steadily decreasing, to be overtaken by the working poor. This phenomenon, which looks likely to become a permanent feature of Italian society, affects couples with one or more children, where only one parent works, is under 40 years old, and has few qualifications and, thus, low earning power. (Italian Poverty and Wealth) As a result of Italy's generous welfare state, the great majority of poor families do not live in extremes of squalor or deprivation. Essential needs provided by the state include basic health care and education, clean water supplies, and housing. Moreover, extensive family networks help those living in poverty to feel less isolated and are sometimes a source of financial help. However, it is extremely difficult for families in poverty to improve their circumstances, and over 70 percent of households classified as poor in 1994 remained poor 2 years later.

Italian Poverty and Wealth) Necessity often forces individuals in poverty to accept low-paying and unsafe jobs in the informal economy, where they are subject to threats and blackmail. In urban areas of the south, the younger generation finds it very difficult to obtain work, and poverty drives some of them into the arms of organized crime. Migrations to the north or leaving Italy altogether still remain ways out for many. While poverty is less visible in the wealthy north, it does exist. In particular, young couples with 2 or more children who struggle to meet the high cost of living on low salaries find themselves caught in the poverty trap. (Italian Poverty and Wealth) Economy Italy has a diversified industrial economy with roughly the same total and per capita output as France and the UK. The economy is split between the developed industrial belt in the north and a less-developed, agricultural region in the south.

According to nominal GDP calculations, Italy was ranked as the seventh largest economy in the world in 2006, behind the United States, Japan, Germany, China, UK, and France, and the fourth largest in Europe. The Economy of Italy) Italy's major exports are precision machinery, motor vehicles, chemicals and electric goods, but the country's more famous exports are food, clothing, and luxury vehicles. With over 37 million tourists a year, Italy is also ranked as the fourth major tourist destination in the world. (The Economy of Italy) Most raw materials needed by industry and more than 75 percent of energy requirements are imported. Despite some short-term reforms aimed at improving competitiveness and long-term growth, the economy experienced low growth in 2006, and unemployment remained at a high level. The Economy of Italy) The currency of Italy is the

Euro. Politics Italy has a bicameral parliament consisting of a Chamber of Deputies and a Senate, a separate judiciary, and an executive branch composed of a Council of Ministers headed by the Prime Minister.

(The Government in Italy) The President of the Italian Republic heads the armed forces and has powers to veto legislation, disband parliament and call elections. He is elected for seven years by the parliament sitting jointly with a small number of regional delegates. The president nominates the prime minister, who proposes the other ministers. The Council of Ministers must retain the support of both houses. (The Government in Italy) The houses of parliament are popularly and directly elected through a complex electoral system (latest amendment in 2005), which combines proportional representation with a majority prize for the largest coalition. All Italian citizens, who are older than 18, can vote. (The Government in Italy) Former Communist Party member, Giorgio Napolitano, is Italy's 11th President and Romano Prodi, an economist and former academic, is currently Prime Minister.

Economy Current Statistics After the end of World War II, Italy was left a ravaged and broken country. Struggling both economically and culturally, a culture that was once dominated by farming now developed into cities. " Italy has the world's 6th (7th including the European Union) highest exports, that of US \$546, 900, 000, 000 (est.) in 2008. Italy, also, is the world's fifth largest industrial goods producer with a US \$381 billion output in 2008. " (CIA World Fact Book) Italy has a nominal gross domestic product (GDP) of \$2. 09 trillion.

According to the IMF and World Bank Italy, is the tenth ranking country for purchasing power in the world, based on its purchasing power parity (PPP). The Italian economy's inflation rate is estimated to be 0.6 percent. The current exchange rates are euros (Italy's official currency) per US dollar - 0.7153 (2009). (CIA World Fact Book) The current interest rate in Italy is 1.00 percent (2010).

(Trading Economics) Despite achievements made since the 1940's, Italy struggles with growth in the current world wide financial crisis, considering their heavy dependence based on exports and tourism. As the world tightens their belts, Italy's pockets feel the difference. When adjusted to the U.S. concept, their unemployment rate as of April 2010 is 9.8 percent, making them the fourth highest in the world, with the U.S. at number one with 9.8 percent.

(Bureau of Labor Statistics) Currency While the infrastructures of the Italian market and government have evolved, so has the country's currency. The original dominant coin, the Florin, was created in the thirteenth century in Florence. Each city-state at the time had differing moneysystem and coins. When the country became unified in 1861, the Italian lira became the dominate trade coin. The Italian lira " was taken out of circulation in 2002. (World Book Encyclopedia) Though the primary currency now used in Italy is the euro, the city of Campione d'Italia uses the Swiss Franc.

The European Union countries that currently use the euro as their currency are Italy, Belgium, Germany, Greece, Spain, France, Ireland, Luxembourg, the Netherlands, Austria, Portugal, and Finland. " Euro banknote

denominations for the euro are 5, 10, 20, 50, 100, 200, and 500. Coin denominations are 1, 2, 5, 10, 20, and 50 cent and 1 and 2 euro. " (seeitalia) With a history richly based in the arts, it is no surprise that each coin and bill has been created with a uniquely different design and theme. Designs were created by different artists to depict the works of one of the most influential artists, Raphael. The original coin, the euro 2. 00, set the standard and is a depiction of Dante Alighieri (one of Raphael's works).

Despite attempts to be unique, there are standards required of each coin. Each must have twelve stars to represent the twelve countries unified with this currency. Each must also have the year of imprint under overlapping letters " RI" for Repubblica Italiana (meaning Italian Republic). Below this is a letter R, representing Rome. Trading Policies In the 1950's, Italy helped found the European Community (EC). The European Community consists of four components: the European Coal Community, the Steel Community, the European Atomic Energy Community, and the European Economic Community. Italy was able to strengthen their economy through increased trade with the nations of the European Community.

" In 1993, Italy and the other European Community countries formed the European Union, which works for both economic and political cooperation among its member nations. The European Community was incorporated into the European Union. " (The World Book Encyclopedia) Through trade, preferential trade agreements can be used to build strong relationships. Some trade policies can be used to punish those who do not abide by international law. " Italy's trade policy is the same as that of other members

of the European Union. The common (EU) weighted average tariff rate was 1.3 percent in 2008.

However, the (EU) has high or escalating tariffs for agricultural and manufacturing products and its most favored nation (MFN) tariff code is complex. Non-tariff barriers reflected in (EU) and Italian policies include agricultural and manufacturing subsidies, quotas, import restrictions and bans for some goods and services, market access restrictions in some services sectors, non-transparent and restrictive regulations and standards, and inconsistent regulatory and customs administration among (EU) members. " (2010 INDEX of ECONOMIC FREEDOM) Trading Partners As most countries do, Italy relies on international trade to help sustain their economy. Italy depends a great deal on imports such as food, machinery, metals, motor vehicles, petroleum, and textile yarns. " Italy's principal trading partner is Germany. Other leading trading partners include Belgium, France, Spain, Switzerland, the United Kingdom, and the United States. " (The World Book Encyclopedia) Because Italy is such a mountainous region, farming and cultivation are very difficult.

While the majority of exports are chemicals and machinery, Italy is known for such world class luxury brand as Prada, Armani, Versace, Valentine, and Maserati. Trade Agreements Italy has often led the way for European economic development and international integration. For example, Italy has a membership in several trade agreements. " Under the European Free-Trade Association (EFTA) member states constitute an enlarged single market. The European Economic Area (EEA) extends (EU) commercial law to the (EFTA) states, thereby providing for the free circulation of goods,

services, capital and labor, giving businesses the right to establish themselves or subsidiaries throughout the (EEA). Other commercially significant international agreements include numerous tax treaties. ”

(Foreign Affairs and International Trade Canada) “ Italy was admitted to the United Nations in 1955 and is a member and strong supporter of the North Atlantic Treaty Organization (NATO), the Organization for Economic Cooperation and Development (OECD), the General Agreement on Tariffs and Trade/World Trade Organization (GATT/WTO), the Organization for Security and Cooperation in Europe (OSCE), and the Council of Europe.

” (U. S. Department of State) In 2009, Italy was the president of the G8 Summit held in L’Aquila, Italy. Member of the G8 Summit have come together annually since 1975 to discuss and debate important economic issues on the global agenda . The G8 member countries are Italy, Canada, the Russian Federation, France, Germany, Japan, the United Kingdom, and the United States. Dominant Industries ; Companies Italy’s massive post World War II trend toward the industrialization of its nation has changed due to the recent global recession. High unemployment rates exist, and a lack of natural resources has slowed the industrial growth of Italy dramatically.

“ Three state-holding companies have played a large role in industry: ENI (National Hydrocarbon Agency), IRI (Industrial Reconstruction Institute), and EFIM (Agency for Participation and Financing of Manufacturing Industry). ”

(Encyclopedia of the Nations) The economic situation of the world has deeply affected these companies. As of 2001, IRI became dismantled, and ENI sold stakes in the company in an attempt to eliminate high debt. Despite economic difficulties, iron and steel, food processing (including olive oil,

wine, and cheese), textiles, footwear, and ceramics remain thriving Italian industries. “ The bulk of industry is concentrated in the northwest, in the Milan-Turin-Genoa industrial triangle. The government has made concerted efforts to attract industry to the underdeveloped southeast. (Encyclopedia of the Nations) Several major successful private companies include the Fiat automobile company, the Olivetti company (office computers and telecommunications), the Montedison chemical firm, and the Pirelli rubber company.

Encyclopedia of the Nations) Italy is home of some of the world’s most popular fashion designers. “ Black Market” Transactions Despite its relatively high standard of living, problems with crime and the existence of a ‘ black market’ exist in Italy. The estimated black market value is around \$111. 05 billion. Unfortunately, these markets are everywhere. Usually these markets target tourists by selling fake designer goods such as Prada, Armani, and Versace. Italy is also a breeding ground for organized crime.

Due to high unemployment rates, mobsters have found a cheap workforce within the recently unemployed. Taking advantage of the economic situation in Italy, the mafia has struck it rich using any and all means of crime to turn a profit. “ It is estimated the mob’s joint turnover last year at 135 billion euros, topped by trafficking in drugs, people, weapons and contraband worth just under 68 billion euros. Second came “ business” interests like public contracts, gambling, forgeries and supplying illegal labor at 25 billion euros, then extortion and loan sharking at 25 billion euros. ” (Reuters) The Italian mafia is big business, and would possibly be the largest company in Italy - if it was one. Unless the Italian government can intervene, huge amounts of

revenue will continue to be lost due to arms trafficking, drug sales, counterfeit, piracy, Ecstasy, human trafficking, and trash smuggling.

Standard Operating Practices Conducting Business in General As a business manager wishing to conduct business in Italy or with Italian businesses, having a good understanding about how the country conducts business can yield many benefits.

Demonstrating your understanding of their culture and background information will help you refine your approach and be more appealing to them. Spend time reviewing the company dynamics. Italy has a large portion of small and medium sized companies financed primarily by families. As such, the center of influence and decision making typically happens in upper management, which is likely to be staffed by family members. It is also important to know that the time spent on cultivating a relationship is equally as worthwhile an investment as knowing the culture. It serves to position you ahead of competitors that may not have done their homework on the nuisances of the Italian business and culture. Italian style should also be noted as it something not taken very lightly.

Italians are very fashionable. You will be judged by your dress code, including accessories and how you carry yourself. It's a first impression and a lasting one. You must look the part to garner the respect you seek and expect. Business dress does vary between industries and formality can go from suits and ties to somewhat less formal attire. Managers tend to be well groomed with tailored quality clothing. In an ever changing business and cultural world, Italians do not have high regard for in-depth long term planning.

It is viewed as a waste of time and at most they will commit to very high level plans and leave room for flexibility and growth. Foreign women can do business without great difficulty in Italy. Being a woman may even be considered an advantage in some circumstances. Statistically speaking, only 38 percent of Italian women under the age of 65 are in the labor market -- one of the lowest percentages in Western Europe. Few Italian women hold managerial positions. The Italians are generally not inhibited when interacting with the opposite sex. Flirtation is part of the spirit of life in Italy.

Business Entry Strategies Entering the Italian market can be accomplished in two simple steps. The first is planning. You should complete extensive research of the market and develop a thoughtful business plan. Second, leverage the U. S. and Foreign Commercial Service (US; FCS) trade events in Italy. The US; FCS Service Program facilitates companies testing the Italian market through an inexpensive agent/distributor dynamic.

Participating in the trade events is not only about exposure, but potential sales based on relationships that are seeded. As noted previously, rapport and trusting relationships is a great benefit when doing business in Italy. The trade events can lend themselves to exposing companies to other countries in addition to Italy. (<http://findarticles.com>) Relationships are critically important. From relationships, cooperation can be established for business success. Verbal communication and how articulate you are is much more heavily weighted than written communication.

It is highly beneficial to brush up on your speaking skills for clarity and conciseness. **Conducting Meetings** In Italy, meetings are to be scheduled in

writing two or three weeks in advance and followed up with a phone call to confirm the details. Depending on what region you are in, punctuality relevance may vary. In northern Italy, punctuality is a virtue and your business associates will likely be on time. You should be early or on time, unless you have a good excuse for tardiness. Whatever materials you have to present should be in print form in both English and Italian. Another cultural influence is how meetings are managed.

Meetings are generally informal and the smaller the group the less formality exercised. Agendas tend to be flexible as the meetings are highly interactive due to participant engagement, not to mention that there are multiple streams of conversations going on. There may also be changes in audience members or participants throughout the meeting. It is important to start meetings with small talk to get to know your Italian peer otherwise you are viewed as being weak. A few safe conversational topics would be around Italian culture, food, family, movies, wine and art. You should make sure to pay special attention to the eldest person at an Italian business function. If you are expecting negotiations to occur, this is another area that differs by region.

Northern Italians are more direct and see time as money. They want to get down to business immediately following brief small talk. However, in the southern part of the country, people tend to be more leisurely and rely on personal relationship development to know who they are doing business with. It is ill-advised to use high pressure sales tactics but you may need to indulge in some haggling over price and delivery. (www.worldbusinessculture.com) You should have a clear understanding of who

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the authority figures or decision makers are in the company and for the business transaction you are trying to negotiate.

You may expect to have some dialogue with stakeholders and influence a favorable decision, but frequently the decisions are made prior to the “ formal” meeting with a smaller group of people to hash out the deal.

Essentially, in order to be able to influence the group and the outcome, you will need to be present in the pre-meeting to provide perspective. Before the pre-meeting, the stakeholders would have likely had the information in hand and have had time to review at their leisure, prior to making any decisions in the pre-meeting. It is acceptable to give out business cards while in business meetings, but not in social settings. Many Italians carry two different cards one for business and the other with personal information for less formal relationships. Business cards are exchanged only at the first meeting and should be a hand to hand exchange with the intended recipient. Do not give a business card to the same person more than once.

(www.kwintessential.co.uk) You should make sure to pay special attention to the eldest person present at a business function. Business Etiquette Italian culture is inviting and personal, thus when talking, people are up close and personal. While respecting someone’s personal space is preferred in the American culture, in Italy any attempt to create space or distance from the person or people you are talking to is seen as disrespectful and rude. Handshakes are common for both men and women and may also include grasping the arm with the other hand.

You will shake hands both coming and departing from your company. As the relationship develops, the greeting may grow to an embrace and air kisses on the both sides of the cheeks. (www. ehow. com) Formal names and titles should be used until you are invited to use first names. Generally in business women will use their maiden names for business and legal affairs, but outside of business they may use their married name or combination of married and maiden name. (www.

ediplomat. com) When talking, maintain eye contact with the person or persons you are speaking with, otherwise you will be perceived as hiding something or being deceptive. (www. ediplomat. com) Time Orientation

When scheduling meetings, timely starts are important, but it is understood that situations arise that will need attention and interfere with punctuality. Meetings should be avoided during the month of August, as that is a time of national holidays and many companies will be low on staff. In terms of optimal meeting times, it is best to schedule meetings between 10 - 11 AM and after 3 pm.

(www. ehow. com) You should also make note of time zone differences when making contact by telephone. Italy's time is Greenwich Mean Time (GMT) +1, which is equivalent to five hours ahead of Eastern Standard Time (EST).

Gifts/Incentives You should follow some general guidelines for gift giving.

Refrain from giving a business gift until you receive one first. Gifts are expected for social events, especially to express your thanks after you have been invited to a dinner party at a home.

Gifts are usually opened at the time they are given and received. Your gift should be a prestigious brand name that is at the same time small and not obviously expensive. Gifts of alcohol or crafts from your own country are often good choices. If you want to give a gift to someone who has been particularly helpful around the office, good choices include fine pens, a framed print/picture, silver key chains, or calculators. Regardless, make sure your gift is a reputable name-brand! Secretaries generally appreciate a gift of flowers or chocolates. If you are invited to a home, bring gift-wrapped chocolates or flowers. Never give an even number of flowers.

Do not give chrysanthemums; they are acceptable only for funerals.

Moreover, red roses are reserved for romantic occasions. If you are invited to a home and decide to give wine, buy a good vintage. Bring one or two (maximum) bottles. A good wine or spirit from your country could be an excellent choice as Italians are interested in learning about other countries. If you bring a present from your home country, be ready with a short description of what it is and why you have chosen it [e. g.

it is from your home town and has an interesting and unique way of being made, etc]. If you are staying with a family, good gift selections can include coffee table books about your home country, or anything that reflects the interests of your hosts and is representative of your country. Holiday cards can be appropriate, particularly as an expression of thanks to your business associates. Ensure that your cards are mailed in time to be received a week before Christmas. Card sending is not very common in Italy, so your card will be received with interest. There are some gifts to avoid giving to Italian business associates. These include gifts showcasing your company's logo,

brooches and handkerchiefs (these items are associated with funerals), gifts wrapped in black and gold paper (traditionally, these are the colors of mourning) or purple (this color is considered a symbol of bad luck), and knives or any other type of sharp object--such items may be interpreted to suggest the severing of a friendship or other close bond.

www. 1worldglobalgifts. com) Legal Issues FITA provides this chart to explain the legal forms of companies in Italy:

Form	Number of partners/shareholders	Minimum and/or maximum capital	Liability	Registration fee	Release of financial documents
Societa a responsabilita limitata (SRL)	No minimum	Minimum 10, 000 €, totally subscribed	Liability is limited	About 100 €	No
Private Limited Company (Societa per azioni (SpA))	Minimum 2 shareholders	Minimum 100, 000 €, totally subscribed	Liability is limited	About 1, 000 €	is a Public Limited
Societa in nome Collettivo (SNC)	Minimum 2 partners	No minimum capital	is joint and compared with Private partnership	No	several
Societa in Accomanditari (SAS)	Two types of partners: active partners and sleeping partners	Lower expenses as Semplice (SAS)	No		

Minimum 100, 000 €, totally subscribed | Liability is limited | About 1, 000 € | is a Public Limited | and released up to 3/10 at the | to the amount | | | Company. | creation. Their liability is limited | contributed. | | | | to the amount contributed. | | | | Societa in nome Collettivo | | Partners' liability | Lower expenses | | (SNC) is a general | Minimum 2 partners | No minimum capital. | is joint and | compared with Private | No | | partnership. | | | several.

Limited Company | | Societa in Accomanditari | Two types of partners: | No minimum capital. | Liability of active | Lower expenses as | No | |

Semplice (SAS) is a | active partners and | | partners is | compared to a Private | | | limited partnership. | sleeping partners. | | unlimited | Limited

Company | | | Societa Cooperativa (SC) | Minimum 9 partners | No minimum capital. Liability is limited | Lower expenses as | No | | is a co-operative company | | or unlimited | compared to a Private | | | | | depending on the | Limited Company | | | | | status. | | | According to the FITA website, Italy encourages the development of small and medium sized businesses and promotes jobs creation. Companies receive incentives through grants and tax exemptions if they are working in sectors of decline.

Registration and licensing status must be drawn up in a deed by the solicitor. They must be introduced within 30 days with the register of companies, then with the Commercial Court of the province where the company will be located. A registration with the local Chamber of Commerce is also required, as well as a notice in the official journal of advertisements. These formalities take about 4 weeks. (www. fita. org) SWOT Analysis Strengths | Weaknesses | | | | | Tourism | Slow Developing Capitalist Economy | | Cotton Commodity | Declining Birth Rate | | Textiles Industry | High Debt Level | | European Union Member | Fiscal Budget Deficit | | | Unskilled Workers | | | | | | Opportunities | Threats | | | | | Jobs Yielded From Tourism | Unemployment | | Jobs Yielded From Cotton | Poverty | High Investment Flow Potential | Potentially Insurmountable Debt | | High Export Country | | | | | STRENGTHS Tourism " Rome, Venice, and Florence are the top three destinations for tourism in Italy.

Other major tourist locations include Turin, Milan, Naples, Padua, Bologna, Perugia, Genoa, Sicily, Sardinia, Salento, and Cinque Terre. Two factors in each of these locations are history and geography. The Roman Empire, middle ages, and renaissance have left many cultural artifacts for the Italian

tourist industry to use. Many northern cities are also able to use the Alps as an attraction for winter sports, while coastal southern cities have the Mediterranean Sea to draw tourists looking for sun. Italy is home to forty three UNESCO World Heritage Sites, more than any other country, including many entire cities such as Verona, Siena, Vicenza, Ferrara, San Gimignano, and Urbino. Ravenna hosts an unprecedented eight different internationally recognized sites. Italy is a true open-air museum with 65 percent of the world's artworks and historical monuments.

" (Korea Times) Cotton Commodity " Cotton is a the fiber grown to make yarn, thread and a textile called " cotton" that is the most widely used natural fiber cloth in the world. Cotton's long term growth potential is moderately favorable due to low scores on short supply and substitute products. " (Wiki Wealth) Textile Industry " The Italian textile and clothing industry is unique, lively, innovative, and leader in the world. Its innovation ability represents its main and most lasting competitive advantage. The " mission" of the Italian fashion system lies in offering original and very distinctive products, which meanwhile answer to consumer's taste and meet his needs. This also implies a continuous improvement in technical performances of fibers, yarns, fabrics, and finishing. The success of the whole chain - from the first processes on fibers to fabrics, finishing operations, and final products for the market - is favored by the interaction of a sophisticated manufacturing network, where the strength of each element is at the same time a condition and a function of the vitality of the whole system.

This dynamic combination of productive, creative, and managing activities involves about 67, 500 industrial companies with large, medium, and even very small scale operations. This unique mix still turns out to be the main point of strength of Italian T/C industry, whose about 540, 000 employees contribute to roughly 10 percent of the manufacturing sector's added value. The strong export trend of the T/C industry is shown by the turnover share totalized abroad, amounting to 62 percent of total sales. The significant flow of exports ensures a foreign trade surplus of about 12 billion Euros, which compensate, to a large extent, the country's deficit in energy and agriculture. Besides the value which can be measured in figures, Italian fashion, strongly founded on T/C, has enormously contributed to the definition of the ideas of Italian " good taste" and " life quality", with positive effects on Italian products all over the world" (Slide Share) European Union Member " The European Union (EU) is a political and economic community of twenty-seven member states, located primarily in Europe. It was established in 1993 by the Treaty of Maastricht, adding new areas of policy to the existing European Community founded in 1957. With almost 500 million citizens the EU is generating an estimated 33 percent share of the world's nominal gross domestic product (US\$16.

6 trillion) in 2007. The EU comprises a single market created by a system of laws which apply in all member states, guaranteeing the freedom of movement of people, goods, services and capital. Fifteen member states have adopted a common currency, the euro. Passport control between many members has been abolished under the Schengen Agreement. The EU maintains common trade and agricultural policies, and a regional

development policy. It has developed a role in foreign and security policies, and in justice and home affairs. The EU represents its members in the World Trade Organization and attends at G8 summits and at the United Nations.

Twenty-one EU countries are members of NATO. The functioning of the EU involves a hybrid of government and supranational. Particularly the need for moderation of the single market has prompted the establishment of bodies capable of making decisions without the consent of national governments. The exact distribution of competences between member states and Union is explicitly defined in the proposed Treaty of Lisbon. Important institutions and bodies of the EU include the European Commission, the Council of the European Union, the European Court of Justice, the European Central Bank, and the European Parliament which citizens elect every five years. " (EU School) WEAKNESSES Slow Developing Capitalist Economy " The Italian economy has changed dramatically since the end of World War II. From an agriculturally based economy, it has developed into an industrial state ranked as the world's fifth-largest industrial economy.

Italy belongs to the Group of Eight (G-8) industrialized nations; it is a member of the European Union and the Organization for Economic Cooperation and Development (OECD). Italy has few natural resources. With much of the land unsuited for farming, it is a net food importer. There are no substantial deposits of iron, coal, or oil. Proven natural gas reserves, mainly in the Po Valley and offshore Adriatic, have grown in recent years and constitute the country's most important mineral resource. Most raw materials needed for manufacturing and more than 80 percent of the country's energy sources are imported. Italy's economic strength is in the

processing and the manufacturing of goods, primarily in small and medium-sized family-owned firms.

Its major industries are precision machinery, motor vehicles, chemicals, pharmaceuticals, electric goods, and fashion and clothing. Italy continues to grapple with budget deficits and high public debt--2.6 percent and 105.9 percent of GDP for 2008, respectively. Italy joined the European Monetary Union in 1998 by signing the Stability and Growth Pact, and as a condition of this Euro zone membership, Italy must keep its budget deficit beneath a 3 percent ceiling. The Italian Government has found it difficult to bring the budget deficit down to a level that would allow a rapid decrease of that debt. The worsening of the economic situation is expected to jeopardize this effort.

The deficit is expected to grow well above the 3 percent ceiling in 2009 and 2010. Italy's economic growth averaged only 0.8 percent in the period 2001-2008; 2008 GDP decreased 1.0 percent, largely due to the global economic crisis and its impact on exports and domestic demand. GDP is expected to contract further, with a huge decrease in 2009 (ranging from 2 percent to 3 percent) as the Euro zone and world economies slow. Italy's closest trade ties are with the other countries of the European Union, with whom it conducts about 60.1 percent of its total trade (2007 data).

Italy's largest EU trade partners, in order of market share, are Germany (12.9 percent), France (11.4 percent), and the United Kingdom (5.8 percent). Italy continues to grapple with the effects of globalization, where certain countries (notably China) have eroded the Italian lower-end industrial product sector. The Italian economy is also affected by a large underground

economy--worth some 27 percent of Italy's GDP. This production is not subject, of course, to taxation and thus remains a source of lost revenue to the local and central government.

" (Travel Docs) Declining Birth Rate " Italy, as we all know, is the world center of the Catholic Church. Strangely, in spite of its deep-rooted Catholic culture and tradition, it has today changed into a nation having the second lowest birth rates in Europe, next only to Spain. At 1. 2 per woman that means one child per woman, according to Global Agenda Magazine. It was brought out in an article in April 2004 in the Sunday Telegraph that Sweden's Birth rate was close to Italy's though 50 percent higher. In order to arrest this situation, the Italian Government started offering 1, 000 Euros to every woman who had a second child. Other traditionally Catholic nations, like Ireland and France, have the highest and second highest birth rates in Europe.

Even Sweden has a 50 percent higher birth rate in comparison to Italy. These increased numbers may be due to better government-controlled child and health care facilities as well as incentives for families that have more children. " (Trans4Mind) High Debt Level " Italy's public debt, the highest among the 27 nations of the European Union, rose last year as the economy contracted the most in more than 30 years, the country's central bank said today. The debt climbed to 105. 8 percent of gross domestic product from 103. 5 in December 2007, the Bank of Italy said in a faxed statement. The debt reached 108.

1 percent of GDP in January 2009, the central bank also said. Italy will contract 2. percent in 2009 after shrinking 1 percent last year, Bank of Italy's deputy director general, Ignazio Visco, said on March 4. The budget deficit rose in 2008 to 2. 7 percent of GDP, the Rome-based national statistics office, Istat, said on March 2. This year's budget deficit will widen to 3. 7 percent of GDP and overall debt will soar to 110.

5 percent of output from 105. 9 percent, the government forecast on Feb. 9. Italy should raise the retirement age for women as a way to stop pension costs from increasing, European Union finance ministers said on March 10. As pensioners become a larger part of the population, falling tax receipts and increased government spending threaten to swell the overall debt. " (Italian Economy) Fiscal Budget Deficit Italy's government cut its economic growth forecasts for this year and next, citing a " more contained" recovery in exports than in other European nations, and also raised its debt projections. Gross domestic product will rise 1 percent in 2010 and 1.

5 percent in 2011, down respectively from the 1. 1 percent and 2 percent predicted in January, according to the forecast included in a document posted on the Finance Ministry's website today. The government raised its debt forecast to 118. 4 percent of GDP this year and 118. 7 percent next year, from a previous prediction of 116. 9 percent and 116. 5 percent, respectively.

This month, the European Commission forecast Italian debt of 118. percent of GDP this year and 118. 9 percent in 2011. " (Italian Economy) Unskilled Workforce " Unemployment is a regional issue in Italy--low in the north, high

in the south. The overall national rate is at its lowest level since 1992.

Chronic problems of inadequate infrastructure, corruption, and organized crime act as disincentives to investment and job creation in the south. A significant underground economy absorbs substantial numbers of people, but they work for low wages and without standard social benefits and protections.

Women and youth have significantly higher rates of unemployment than do men. Unions claim to represent 40 percent of the work force. Most Italian unions are grouped in four major confederations: the General Italian Confederation of Labor (CGIL), the Italian Confederation of Workers' Unions (CISL), the Italian Union of Labor (UIL), and the General Union of Labor (UGL), which together claim 35 percent of the work force. These confederations formerly were associated with important political parties or currents, but they have evolved into fully autonomous, professional bodies. The CGIL, CISL, and UIL are affiliated with the International Confederation of Free Trade Unions (ICFTU) and customarily coordinate their positions before confronting management or lobbying the government. The confederations have had an important consultative role on national social and economic issues. " (Travel Docs) OPPORTUNITIES Jobs Yielded from Tourism " With more than 43.

7 million tourists a year, Italy ranks fourth among tourists destination in the world. People mainly come to Italy for its rich art, cuisine, history, fashion and culture, it's beautiful coastline and beaches, its mountains, and priceless ancient monuments, especially those from the Greek civilization and Roman civilization. Tourism is one of Italy's fastest growing and most profitable industrial sectors, with an estimated revenue of \$42. 7 billion. " (Tourism In <https://assignbuster.com/italy-research-paper/>

Italy) Jobs Yielded from Cotton " Cotton is a the fiber grown to make yarn, thread and a textile called " cotton" that is the most widely used natural fiber cloth in the world. Cotton's long term growth potential is moderately favorable due to low scores on short supply and substitute products. "

(Cotton Commodity)High Investment Flow Potential Italy welcomes and encourages foreign direct investment, but the government of Prime Minister Silvio Berlusconi that took office in April 2008 has taken only modest steps toward structural economic reform that could increase investment, business creation, production and employment.

Economic policymakers have been mainly preoccupied addressing the effects on Italy of the severe global economic downturn. The GOI has focused on measures to stimulate aggregate demand and demand for products of sensitive sectors such as autos and household durable goods. In early 2009 the government adopted additional modest fiscal incentives for companies, foreign ones included, investing in research and some new equipment, and temporarily eliminated a small surtax on firms. As an EU Member State, Italy is bound by EU treaties and legislation, some of which have an impact on business investment. Under the EU treaty's right of establishment, Italy is generally obliged to provide national treatment to foreign investors established in Italy or in another EU member state. Exceptions include access to government subsidies for the film industry, capital requirements for banks domiciled in non-EU member countries, and restrictions on non-EU-based airlines operating domestic routes. Italy also has investment restrictions in the shipping sector.

EU and Italian anti-trust laws give EU and Italian authorities the right to review mergers and acquisitions over a certain financial threshold. The government may block mergers involving foreign firms for " reasons essential to the national economy" or if the home government of the foreign firm applies discriminatory measures against Italian firms. Foreign investors in the defense or aircraft manufacturing sectors are likely to encounter an opaque process and resistance from the many ministries charged with approving foreign acquisitions of existing assets or firms, most of which are controlled to some degree by the para-statal defense conglomerate Finmeccanica. The EU in 2009 ordered the GOI to recover from a US investor previously agreed subsidies for electricity. The GOI had provided these subsidies to induce the investor to keep two plants operating in Italy. The fate of the plants is up in the air, pending the GOI finding an acceptable mechanism to make energy available to the investor at a market-comparable price, i. e.

, close to the median cost of electricity in other western European countries.

" (Investment Climate) High Export Country " The demand for Italian products is at an all time high. Italy has become known for niche products, including fashion eye-wear, specialized machine tools, packaging, stylish furniture, and other products featuring high design. Italy produced 1, 579, 656 automobiles in 2001, a 9 percent drop from 2000. It also manufactured 42, 618 heavy trucks in 2000. The construction industry stands to gain in importance in the early 2000s, as Italy's less-developed regions are slated for infrastructure development. " (Industry in Italy) THREATS Unemployment

" Unemployment is a regional issue in Italy--low in the north, high in the south.

The overall national rate is at its lowest level since 1992. Chronic problems of inadequate infrastructure, corruption, and organized crime act as disincentives to investment and job creation in the south. A significant underground economy absorbs substantial numbers of people, but they work for low wages and without standard social benefits and protections. Women and youth have significantly higher rates of unemployment than do men. Unions claim to represent 40 percent of the work force. Most Italian unions are grouped in four major confederations: the General Italian Confederation of Labor (CGIL), the Italian Confederation of Workers' Unions (CISL), the Italian Union of Labor (UIL), and the General Union of Labor (UGL), which together claim 35 percent of the work force. These confederations formerly were associated with important political parties or currents, but they have evolved into fully autonomous, professional bodies.

The CGIL, CISL, and UIL are affiliated with the International Confederation of Free Trade Unions (ICFTU) and customarily coordinate their positions before confronting management or lobbying the government. The confederations have had an important consultative role on national social and economic issues. " (Travel Docs) Poverty " More than one in 25 Italians lived in absolute poverty before the latest recession hit the country as difficulty in entering the labor market made it hard for people to reach an acceptable living standard. The number of Italians living below the level of absolute poverty reached 2. 4 million in 2007, statistics office Istat said today. That's equivalent to 4. 1 percent of the population, up from 3.

percent in 2006, the Rome-based statistics agency said in a report today. The absolute poverty threshold is based on a basket of necessary goods and services rather than on average household consumption, as in relative poverty. Italy entered its fourth recession since 2001 in the third quarter of last year as the global financial crisis aggravated the effects of waning productivity, prompting companies including Fiat Spa, Italy's biggest manufacturer, and Luxottica Group Spa, the world's largest eyeglasses maker, to cut jobs. Earlier this year, the government gave 1 million of the poorest pensioners and 300, 000 of the lowest-paid employees shopping cards inspired by the U. S. subsidy program known as food stamps. The position of family members in the labor market is clearly related to whether the family is under the level of absolute poverty," Istat said.

" The most serious problems arise when no family member is employed or when a worker has retired and has no current or past income from employment; 20. 5 percent of people in this situation are in absolute poverty. " " (Italian Economy) Potentially Insurmountable Debt " Fears are mounting that Italy will be the next European country to be hit by the sovereign debt crisis, which has seen Greece's credit rating slashed to junk. Markets believe Italy will be the next Euro zone country to see its credit rating downgraded due to its high levels of debt and weak economy. Were that to happen, it would severely impact Italy's ability to borrow money and finance its operations. The panic in financial markets started with Greece - struggling to repay its creditors due to massive debts, low tax receipts, messy public finances and an ailing economy. " (Fears for Italy) Conclusion

Global expansion to Italy should be favorable, especially among companies that can contribute to the country's already booming tourism industries.

Companies that specialize in economies of scale in production of textiles, precision machinery, chemicals, electric goods, food, and clothing could locate production facilities in this country. Jobs provided to unemployed workers would make up for the increased competition with domestic companies. Businesses could enter the Italian market and provide jobs to unemployed workers. This might persuade many younger citizens to turn away from crime and the mafia. These workers could then learn employment skills and earn an income to support their families. Unemployment rates would improve, and the workforce would be much more skilled and have more discretionary income per family. There are many strengths and opportunities to take advantage of, such as Italy's membership in the EU, and the potential to create jobs.

Although Italy is considered to currently be in a recession, it is not expected to last very much longer. Italy has experienced strong growth throughout various periods of time. Italians still continue to hold fast to their strong cultural values, and business is expected to continue to prosper. If the decision to expand business within Italy is made, the optimal mode of entry would be to enter the country with production facilities of goods that are not overly expensive. Italy has seen a decline in production of expensive luxury items such as the Fiat and various fashion designer items. It would be beneficial to a company entering the host country of Italy to consider the current status of the worldwide economy and Italy's unmanageable high

debt. It may be preferred to delay entering the Italian market until the temporary recession the country is in passes.

Governments may still block mergers and acquisitions, so a method of entry may be a Greenfield operation, where the company enters the foreign market as a new operation. References Killinger, Charles. (2002). *The History of Italy*. Greenwood Pub Group. Hearder, H. (1990).

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