Italian Investment in the United States – Contributions to a History

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Abstract

In 1908, per capita income in Italy was only half as high as in the United States. Nonetheless, that year – only eight years after inaugurating the Corso Dante plant in Turin – Fiat set up a subsidiary in the United States, the first European car-maker to produce there. By 2005, Italy had become one of the OECD largest economies, and yet (at slightly more than 100,000) all its multinationals combined in the United States employed less than twice as many people as a single Dutch firm, Phillips, in 1990 (Annex Table 1 and Wilkins 2005, p. 247). Why so? In other words, what has prevented the companies that have led Italy's catch-up in the course of the 20th century – which has been nothing short of extraordinary – from building a sizeable presence in the world's largest market?

A roadmap to this paper. In the next section we present a battery of different data on outward FDI from Italy and inward FDI in the United States, not so much in view of being completely accurate – a notoriously impossible task with international business and investment statistics – but rather to highlight some underlying trends. We then divide the 20th century into five periods: until World War I, the intra-war years, 1945-1962, 1963-1992, and after 1992. While 1914 and 1939 are obvious global milestones, the others are more specific to Italy – in 1962 the electricity industry was nationalized and in 1992 Italy last devalued and launched a far-reaching, albeit incomplete, program of economic reforms. Following the framework used by Mira Wilkins in her seminal work on foreign multinationals in the United States, for each period we analyze concrete and precise case-studies on who entered, who stayed out, who endured, and who failed. We reconstruct the strategy, scope and managerial structure of the commitment to America of Italian largest corporations (Fiat, Pirelli, Montecatini, Snia Viscosa, Banca Commerciale Italiana, Credito Italiano, Generali, etc.) and gauge their commercial, industrial and financial performance. We highlight a number of factors that set the Italian experience apart from that of other large European nations:

- the presence of a huge American-Italian population and the possibility to tap into a huge reservoir of potential consumers and professionals;
- the favour that Italian goods registered in the American markets;
- the fascination that the American model arouse in the minds of leading Italian business figures;
- the inability of Italian big business in manufacturing and finance to accumulate the necessary ownership advantage to justify outward investment;
- the lack of Italian free-standing companies and major mining corporations interested in exploiting U.S. abundant natural resources;
- the shallow financial and governance situation of Italian big business in manufacturing which by and large prevented the realization of outward investment strategies aimed at acquiring new capabilities and resources;
- the fact that Italy fought World War II on the wrong side did not make things easier, but the consistent and possibly unmatched alignment of Rome with Washington during the long Cold War did not help either.

1. Introduction

In 1908, Italy's per capita income was only half of the United States'.[1] Nonetheless, that year – only eight years after inaugurating the Corso Dante plant in Turin – Fiat set up a subsidiary in the United States, the first European car-maker with an American production subsidiary.[2] Half a century later, Olivetti's acquisition of Underwood was the largest-ever foreign takeover of an American company. And yet at 89,800 its multinationals' combined employment in the United States is only marginally larger than that of Phillips. In 1988, the *International Directory of Company Histories* included more than one Italian entry for one sector only (Financial Services-Banks).[3]

Why so? Italy's catch-up in the course of the 20th century has been nothing short of extraordinary. While the peninsula had been the cradle of Western civilization for many centuries, by the mid-1800s the slow pace of political reform, including unification, and the endurance of barriers to trade, not only between states but also within them, had curtailed the benefits from economies of scale and specialization. Each breakthrough of the Industrial Revolution – be it spinning, railways, electrification, or iron – only reached Italy with a considerable lag. Since the late 1800s, however, the pace of GDP growth accelerated and the income and wealth gap with the rest of Western Europe closed progressively (Federico 1995). By the early 1970s, Italy had become one of the OECD largest economies. And yet the companies that have led Italy's catch-up in the course of the 20th century did not build a sizeable presence in the world's largest market.

For most of the 20th century, Italian FDI in the United States has been subject to slow increments, despite the presence of a huge American-Italian population, the favor that Italian goods registered in the American markets, and the fascination that the American model arouse in the minds of leading Italian business figures. The immense size of the investment opportunities drew savings from most of the developed economies of Western Europe, but Italian big business in manufacturing and finance never managed to accumulate the necessary ownership advantage. The possibilities of exploiting U.S. abundant natural resources were also meager, as Italy did not have any major company in this industry, with the exception of state-owned oil giant ENI. Italy had no free-standing companies and this also meant that FDI flows remained trivial. Italian governments suspected business leaders of unpatriotic sentiments and maintained restrictions on capital investment and more generally a negative attitude towards outward FDI, including by state-owned enterprises. Finally, the fact that Italy fought World War II on the wrong side did not make things

[1] According to the Maddison database, GDP per capita was US$4,451 in the United States and US$2,228 in Italy (International Geary-Khamis dollars at 1990 purchasing power).

[2] Berger (2001) has no mention of Fiat in 1908 but instead lists Rolls-Royce as forming a division to manufacture autos in the United States in 1919. We thank Professor Bruce Pietrykowski, Director, Center for the Study of Automotive Heritage, University of Michigan-Dearborn for helping us on this.

[3] This publication provides the historical profile of the 1,200 world's largest and most important companies, meeting minimum criteria for size (more than US$2 billion in annual sales in 1988; a minimum of US$30 billion in assets for banks) and of influence in respective industries and geographical locations. Banca Commerciale Italiana and Credito Italiano were the two Italian banks, alongside Fiat, Montedison, and IRI. There were no Italian entries not only in high-tech industries such as aerospace, drugs and electrical & electronics, but even in food products & services, beverages. The 2004 edition includes multiples entries for the so-called "made in Italy" sectors (fashion, furniture, etc.) as well some leading Italian specialised suppliers (e.g. in machinery and equipment industries).

easier, but the consistent and possibly unmatched alignment of Rome with Washington during the long Cold War did not help either.

In this paper we aim at filling, albeit in a very modest way, a number of holes in the literature. While the literature on foreign capital in Italy is very rich, and a few papers have been written on the specificities of American investment in Italy,[4] historical research on Italian multinationals in general is still very scant[5]. Moreover, there are not, to our knowledge, any studies on Italian direct investment in the US. Some corporate histories devote a few pages, if not lines, to American investments – but, even the most important acquisition ever, that of Underwood by Olivetti, has not been covered in a monograph.

We divide the 20th century into five periods: until World War I, the intra-war years, 1945-1962, 1963-1992, and after 1992. While 1914 and 1939 are obvious milestones, we choose 1962 as the year in which the electricity industry was nationalized and 1992 as the one in which Italy last devalued and launched a far-reaching, albeit incomplete, program of economic reforms. Following the framework used by Mira Wilkins in her seminal work on foreign multinationals in the United States,[6] for each period, after initial generalizations, we introduce a section on Fiat (as the prominent Italian business) and then analyze concrete and precise case-studies on who entered, who stayed out, who endured, and who failed. We also highlight a number of factors that set the Italian experience apart from that of other large European nations:

- the presence of a huge American-Italian population and the possibility to tap into a huge reservoir of potential consumers and professionals;
- the favour that Italian goods registered in the American markets;
- the fascination that the American model arouse in the minds of leading Italian business figures;
- the inability of Italian big business in manufacturing and finance to accumulate the necessary ownership advantage to justify outward investment;
- the lack of Italian free-standing companies and major mining corporations interested in exploiting U.S. abundant natural resources;
- the shallow financial and governance situation of Italian big business in manufacturing which by and large prevented the realization of outward investment strategies aimed at acquiring new capabilities and resources;
- the fact that Italy fought World War II on the wrong side did not make things easier, but the consistent and possibly unmatched alignment of Rome with Washington during the long Cold War did not help either.

In the conclusions, we analyze qualitatively the contribution of American operations on the commercial, industrial, technological and financial performance of Italy's largest corporations (Fiat, Pirelli, Montecatini, Olivetti, SNIA Viscosa, Banca Commerciale Italiana, Credito Italiano,

[4] See Bova (1995); Colli and Scarpellini (2006); and Segreto (1996).

[5] See Sanna Randaccio (1985).

[6] Wilkins (1985), (1989), and (2004).

Generali, etc.).[7] We also try to understand the extent to which they transferred back to Italy what they learnt in America.

2. Italian Investment in America – A Note on Data

Data availability and quality are well-known limitations of any research on international investment and obviously any attempt at taking a long-term historical view is bound to be problematic. As Mira Wilkins warned us in a personal communication, "flow figures on FDI are terribly, terribly suspect." We rely on a variety of sources, none of them fully reliable or complete, and not always consistent with each other.

2.1. Italian sources

How important has been the United States as a destination of Italian FDI? ABBIAMO I DATI FLUSSI AGGREGATI ANNUALI "PRE IDE" DAL 1955, I DATI "QUASI IDE" DAL 1962, I DATI FLUSSI E CONSISTENZE IDE CON DETTAGLIO PER PAESE – USA - DAL 1972/71, DAL 1978 INCROCIO PAESE /SETTORE]. However, balance of payment data on outward FDI to the United States is not very desirable. [8]

As far as activity data are concerned, in the mid-1970s 29 Italian manufacturing companies had an U.S. presence through 37 affiliated companies (14 industrial, 21 commercial, 2 financial), out of a grand total of 172 Italian multinationals (Cacace (1977) SOURCE?).[9] The total number had grown to 330 at end-1985, of which XX had operations in the United States (Onida and Viesti 1987). UPDATE USING *ITALIA MULTINAZIONALE*

As far as sales and employment of foreign subsidiaries of Italian multinationals are concerned, these were equal to LIT8,500 billion (roughly 8.5% of total industry sales and 45% of total Italian exports) and 360,000 people (6% of the total) in the mid-1970s (Cacace 1977). A decade later, the latter statistics was estimated to be considerably lower (232,000 employess, roughly 5% of domestic industrial employment) by Onida and Viesti (1987).

FEDE TO COMPLETE USING KPMG DATA

2.2. US sources

[7] Quantitative data suggests that the return on assets of foreign-owned companies in the United States is consistently lower than US-owned firms. A favorite explanation for this underperformance has stressed transfer pricing, although Gómez and Jones point to acute problems of control and managing US affiliates as an important factor.

[8] See: "Cenni statistici sul Movimento economico dell'Italia", Comit, 1911-21, POI "Movimento economico dell'Italia", Comit, 1927-32, poi Notizie Statistiche, Credito Italiano 1912-193?, le pubblicazioni di Bachi, e di Mortara, " Prospettive dell'economia italiana", Bocconi, 1921-1937, "L'economia italiana nel sessennio 1931-1936, Banca d'Italia, Istituto Poligrafico dello Stato, Roma 1938 + ICE, Movimenti valutari, supplemento a "Informazioni per il commercio estero"; annuari + ASSONIME. See Biagioli (1974, 1995); Acocella and Ramazzotti (1995); Falco (1995).

[9] This compares to over 900 German multinationals or 500 French ones included in a late 1960s UN survey (see UN 1973).

How important has been Italy as a source of FDI and jobs in the United States? We started with Wilkins (1976) long-term time series on inward FDI stock in the United States and updated them with the figures published by the U.S. Bureau of Economic Analysis (BEA) in the *Survey of Current Business*.[10] In view of the increasing importance of mergers and acquisitions (as opposed to so-called greenfield investments) in the strategy of multinational corporations, we have also gathered some figures on this relatively new phenomenon.

The number of U.S. affiliates of Italian companies multiplied by five between 1977-1998, before falling dramatically in 1999 for unclear reasons and rising again at a slower pace in the first few years of the new century. In terms of assets, the year-on-year variations are often dramatic, even discounting for the 1988 jump which was due to a revision in the BEA methodology. The picture is similarly murky when looking at the Italian share in total foreign-held assets in the United States. Following the rather abrupt fall in 1977-78, from 1.40% to 0.93%, the share then kept declining to 0.56% in 1986. With the 1988 revisions, the percentage skyrocketed to 1.87 in and then even higher to 1.96 in 1990, before falling again to pre-1988 levels.

Sales and employment figures, on the other hand, provide a more consistent story of steady increases in absolute terms and less dramatic volatility in relative ones. Turnover has grown 12-fold since 1977 and the number of jobs provided by Italian multinationals by eight times. For sales, the relative share remained constantly above 1% between 1988-1994 (with a maximum of 1.52 in 1988 that was never matched again), fell below until 2001 and recovered afterwards. Interestingly, the participation of Italian investors is higher for employment than for sales, pointing to a specialization in labor-intensive sectors. Although not necessarily related, the fact that research and development expenditures in 2005 were 18% lower than in 1999 is also suggestive of the little penchant of Italian multinationals in the United States for capital-intensive activities.

As far as the mode of entry is concerned, in the 1980s already Italian companies were active players in international takeovers, either as targets or buyers, and sometimes both. The number of Italian acquisitions rose five-fold from 13 in 1982 to 70 in 1987, with North America counting for 66 out of a total of 192 deals (UNCTC 1989, Table 11.18, p. 47). However, throughout this period of rapid growth, the annual number of acquisitions of U.S. companies remained constant and the proportion of U.S. acquisitions decreased. In marked contrast, acquisitions of French companies grew in absolute terms from 1 to 19, and in relative terms from 8% to 27%. At US$ 2,421 million, Italian investors accounted for just 2.4% of the value of publicly announced acquisitions of U.S. firms in 1982-87 (Rosengren 1988, Table 2, p. 52).

In the following decade, the weakening of the dollar over the medium term made U.S. assets cheaper for Italian companies. ANDREA TO COMPLETE WITH DATASTREAM DATA

[10] BEA defines direct investment as ownership or control of 10% or more of the voting securities of a business in another country. A company located in one country but owned or controlled by a parent company in another country is known as an affiliate. Affiliate data used in this section are for majority-owned affiliates, i.e., those in which the ownership stake of parent companies is more than 50%. Statistics on R&D by affiliates of foreign companies in the United States and by foreign affiliates of U.S. MNCs and their parent companies are part of operations data obtained from BEA's Survey of Foreign Direct Investment in the United States (FDIUS) and BEA's Survey of U.S. Direct Investment Abroad (USDIA), respectively. Operations data exclude depository institutions and are on a fiscal-year basis..

3. Italian Business in America from Independence to World War I

Italian immigrants played an important role in America's industrial and commercial development.[11] The Bank of America, the largest bank in the country, was established in 1904 by Amadeo Pietro Giannini in San Francisco (Bonadio 1994 and Nash 1992). Originally called the Bank of Italy, it was the first to introduce the system of branch banking in 1919. Giannini financed the Golden Gate Bridge and the fledgling film industry, as well as California's aerospace and agricultural industries. The first Italian American millionaire was Generoso Pope, who came to America from Benevento in 1904. He began as a railroad laborer, later worked for a small construction firm, the Colonial Sand and Stone Company, which he bought out in 1925 and turned into the largest supplier of building materials in the country.[12] Some additional data on bilateral trade flows, plus sovereign debt

In 1901, an Italian law granted Banco di Napoli a monopoly to collect and transfer the remittances of Italian emigrants worldwide.[13] An inspectorate was set up in New York in 1906, followed by the opening of a branch on 3 June 1909. Five years later, the branch raised LIT144 million, more than four times the 1909 amount (Caron and Di Cosmo 1993, Table 2.4, p. 187). Moreover, no matter how effective the American "melting pot" integration model, Italian immigrants remained important consumers of pecorino, parmigiano and caciocavallo, tomato products and olive oil. In fact, the United States absorbed roughly 70% of exports of pasta dura cheese (while pasta molle cheese were sold in Europe only).[14] Migrants such as Scaramelli & Co. Inc of 1924 Franklin St. in

[11] Competition to attract the migrant flows across the North Atlantic was very rife, as European countries tried to stimulate trade and develop the merchant marine under the national flag (Feys 2006 and Torsten Feys, personal communication, 5 July 2007). The Italian government actively used the migrant flow of nationals to promote the merchant marine under the national flag by giving them competitive advantages over foreign competitors. From 1880 onwards, the main companies on the Genoa/Naples/Palermo-New York/Philadelphia routes were Lloyd Sabaudo, Navigazione Generale Italiana (which in 1910 purchased a controlling interest in Lloyd Italiano) and La Veloce Navigazione Italiana a Vapore. The Holland America Line, that played an active role in organizing Northern European shipping cartels, managed to draw Italians from Northern Italy to Rotterdam until the market exploded with the establishment of direct lines. The Dutch company's fleet was too small to open direct lines although this was considered. After WWII, Italian shipyards produced some of the fastest streamliners, such as Roma (1926), Rex and Conte di Savoia. By 1932 the world shipping depression caused the fusion of Lloyd Sabaudo, Cosulich (that had operated the Trieste-New York line since 1903) and Navigazione Generale Italiana with the formation of a new company, ITALIA. In 1940 most Italian ships were taken over for military service and by 1945, few were left afloat. The fleet was gradually rebuilt (Andrea Doria and Cristoforo Colombo), but the Andrea Doria tragedy on 25 July 1956 and the rising popularity of air travel signalled the gradual decline of transatlantic shipping. Unfortunately, the history of Italian shipping companies is severely underdeveloped (D'Angelo and Tonizzi 2004) and we could not analyze their presence in New York and other East Coast ports.

[12] In the 1960s his sons Fortune and Anthony were owning two radio stations and two foreign-language newspapers—New York's Spanish *La Prensa* and *Il Progresso Italo-Americano*, the nation's oldest and most influential Italian-language newspaper. Another brother, Generoso Jr., was publishing the weekly sex-and-scandal tabloid, *National Enquirer*. See "Trial of the Popes", *Time*, 7 April 1961.

[13] The counterpart to this monopoly was the prohibition to engage in discount and credit operations with Italian emigrants (see the text of the 1901 law (L. 1 febbraio 1901, n. 24) and the Luigi Luzzati law project of 1897 in de Cecco 1990, pp. 864-866 and pp. 837-851).

[14] See *Movimento economico dell'Italia*, 1930, p. 597.

New York (with a Boston branch and a Rome office) set up trading and distribution companies to sell Italian products and produces in the United States – as did non-migrants, such as the Schroeder brothers of Beach St. in New York in 1873. For alcoholic beverages, Italian manufacturers targeted France and South America, while largely shying away from the U.S. market.[15] The predecessor company of Martini was an exception, as it exported its first crates in New York in 1867.[16]

As far as "proper" FDI is concerned, Fiat was the first Italian multinational in America. The Turinese firm gave an exclusive agency mandate to Mssrs. Keep and Tangeman in 1902 (Volpato 1992). The success that Fiat cars met after winning the American Grand Prix at Savannah, Georgia in 1907 and the Vanderbilt Cup, as well as the need to jump over import tariffs, convinced Giovanni Agnelli to explore the opportunity of selling in the United States. The first Fiats – 181 of them – were imported in 1908. Around 1909 a group of American investors established Fiat Motors Co. to build a factory at Poughkeepsie, NY to manufacture the Type 56. The company secured a site, comprising nearly 30 acres of land, situated directly on the State Boulevard, which runs from New York to Albany.[17] The Italian involvement was initially limited to licensing and production supervision, until the outbreak of WWI when Fiat buys out the local partners. Fiat Motor then became the group's trading company to buy U.S. goods and ship them to Italy. When the USA entered the war, the plant was sold to Duesenberg Motor and later on to Western Publishing.[18]

WW I entailed severe restrictions on all forms of foreign investment; outstanding FPI in the U.S. was commandeered to fund munitions and other purchases. Then, with American entry to the war, German FDI and other investments were commandeered by the U.S. government. Nonetheless, U.S. aid shipments to belligerent European allies opened interesting business opportunities to Italian animal spirits.[19] In 1916, Italian-born Henry Piaggio, a timber exporter, established the Italian American shipyard at Pascagoula, MS to build wooden ship (Bricker 2001). The hostilities in Europe had caused an extreme shipping deficit and Piaggio, since he started two years ahead of other shipyards in America, had ships sailing before Americans reacted to the new circumstances. In 1917, Riccardo Gualino invested in Piaggio's venture, leading to the formation of the International Shipbuilding Company (ISC), which built 14 large sailing ships in Texas and five more at Pascagoula. The American interests of Gualino's Società marittima e Commerciale italiana and Società di navigazione italo-americana (this one a joint venture with Giovanni Agnelli) extended to the Marine & Commerce Corp. of America, which managed Italian coal

[15] In the first half of 1922, for instance, Argentina accounted for 37% of Cinzano total vermouth output (other than in Buenos Aires, the Turinese firm also had plants in France, Spain, and Belgium). See "Società Anonima Cinzano," in ASBI, Consorzio sovvenzioni sui valori industriali, pratt. No. 688, fasc. 7, p. 29 (August 1922). Following the end of Prohibition, total Italian vermouth exports to the United States exploded suddenly in 1934, reaching 35,128 bottles from 158 in 1932 and 7,664 in 1933, before losing steam to 25,410 in 1936 (Banca d'Italia 1938, Table III, p. 440).

[16] In 1922, the company officially became known as Martini, except in the United States where they were compelled to keep Martini & Rossi because Martini was already an American cocktail.

[17] On *The New York Times*, the article appeared in the Sporting News section ("Fiat Cars to Be Built Here," 25 July 1909).

[18] During the early 1990s, the publishing house moved out and the building was torn down.

[19] See "Lettera di Bonaldo Stringher a Domenico Gidoni, 6 maggio 1917", in Toniolo (1989), pp. 250-253.

imports from the United States, and the Sniacoal and M&C Pocahontas mines. In 1920 the mines were offered on sale for US$2 million, while ISC and M&C were under liquidation in 1921, as they owned SNIA more than US$8,330,000 *versus* an expected realization value of US$4,100,000.[20] M&C did not survive the liquidation procedures, went bankrupt, and creditors managed to recover 10% only of their claims (Chiapparino 1996). Ansaldo also created a New York branch to manage closely its shipments of equipment and components (amounting to 70,000 tons in 1917-18) (Fasce 2004, p. 76).

4. Italian Business in America between the Wars

By the end of World War I, the United States had turned into a net creditor. Inward flows of FDI and FPI somewhat recovered in the following decade, as economic and financial order returned to Europe and U.S. growth was energized by electrification and the automobile, but were subject to radically evolving war debt repayment and currency restrictions. The United States remained Italy's largest trading partner between 1915-1930[21], making it crucial to ensure adequate access to hard currency payment means. Although tariffs and aggressive local competition made exporting to the U.S. market increasingly difficult.[22] FDI was equally challenging and many if not most European companies failed in the attempt.[23] These predicaments worsened with the brutal 1929-1933 downturn, the collapse of the banking system and the devaluation of the dollar. Inward foreign investment recovered in 1933-1939, under the parallel (but unrelated) influence of the Hawley-Smoot Tariff Act and the search by European investors of a safe haven from autarkic and confiscatory regimes.

Skepticism prevailed concerning the future prospects of Italian industry. According to Corrado Gini, in an appendix to McGuire (1927), "unless unforeseen circumstances arise, or unless foreign capital comes forward liberally, it is difficult to forecast for the near future any appreciable improvement in the economic conditions of Italian people" (p. 564). And yet, the Italian industry car flourished after the end of hostilities, as the domestic market recovered and exports boomed.[24] Fiat considered a merger with Nash Motor Company, but this did not materialize.[25] An entrepreneurial Italian immigrant, Commendatore Franck M. Ferrari, brokered a deal with Lancia in 1921 to sell his cars in New York and in 1925 established Lancia Motor Sales Corp. (Amatori

[20] Archivio Storico Banca d'Italia (henceforth ASBI), Consorzio sovvenzioni su valori industriali, cart. 353, fasc. 2, p. 92ff (27 July 1921).

[21] See "Cenni statistici sul Movimento economico dell'Italia", 1911-21; "Movimento economico dell'Italia", 1927-32; Banca d'Italia (1938); D'Alessandro (1998).

[22] In 1922 the Fordney McCumber Act increased import duties from 27% to 38.5% of the goods' value. McGuire 1927 also highlighted that "the extent to which Italy's foreign trade in the higher forms of manufacture may be expanded depends upon factors which are by no means entirely within her own control" (p. 234) and that "the tariff legislation of the United States, in particular, places heavy duties upon Italian mosaics, ceramic wares, carved and cut marble, woodwork, metal work, tapestries and the like, unless a certificate can be presented to prove that the objects have been executed with designs of artists of United States citizenship, or are genuine works of art, according to expert opinion, or, finally, are more than 100 years old" (p. 235).

[23] In tires, for instance, Michelin closed in 1930 its (1907) New Jersey plant; Dunlop, which entered in the early 1920s, kept producing in spite of losses (even huge) which continued for decades. See Wilkins (2004)

[24] In 1922, 69% of production was exported, a never to be matched level (Canestrini 1968).

[25] SU FIAT: VV I VOLUMI CON I VERBALI DEL C.D.A. DAL 1899 AL 1930.

1996). One year later, he secured the rights to produce them in the United States, importing Lancia engines. To this end, he established Lancia Motors of America, with a US$3 million capital (roughly equal to that of the Italian company when it was established as a plc in 1930) to take over the old Fiat plant in Poughkeepsie. Ferrari, who died in 1929, was apparently an impostor and the company never became operational.[26]

Italy acquired an important international leadership in synthetic fibers, a high-tech sector where European companies were out-competing American ones. They found it expedient to directly invest in the United States, to the point of turning rayon into "an American industry that foreign-based multinationals created" (Wilkins 2005, p. 152). The two leading Italian firms were Turin-based SNIA Viscosa, created in 1917 as a maritime company and later converted into fibers manufacturing, and La Soie de Châtillon, a distant second-largest, created by Marco Biroli in 1918 (with Banca Commerciale Italiana-BCI backing) to exploit a US patent.

SNIA established two American subsidiaries in late 1920, Industrial Fibre of America and Commercial Fibre, to produce and distribute artificial fiber, respectively. In 1924, the Cleveland plant produced pound 2m, SHARE?, while the trading arm also distributed Italian-made fibers in the United States.[27] The American presence was curtailed in 1924 when Industrial was merged with another American-owned company and became Industrial Rayon, in which the Italians maintained a minority stake.[28] In 1925, with support from Blair & Co., SNIA raised LIT240 million by selling 600,000 shares on the NYSE (Spadoni 2003, p. 70). In 1927, consortium of foreign competitors led by Courtaulds and Glanzstoff, keen to control SNIA's short-fiber technology, proprietary equipment, and U.S. market share, acquired a relevant stake, although Gualino maintained managerial control.[29] In the same period, Gualino also launched another ambitious venture in hat production, SALPA, to apply an exclusive patent on leather regeneration. The construction of three plants was started in 1929 in Italy, the United States and France, with an annual planned production of LIT100 million, US$10 million, and FFR140 million, respectively.[30] SALPA, however, was hit by the Wall Street crash and the investment rapidly evaporated.[31] In those same years, Gualino also tried to create a large Italian food concern capable of competing internationally. UNICA controlled Cinzano, Florio and other beverages companies, as well as Tobler, the Swiss chocolate company with factories in Bern and Bordeaux. Gualino was ultimately imprisoned in January 1931 and soon afterwards confined to Lipari for two years.

[26] "Podestà a Stringher," in ASBI, Direttorio, Introna, cart. 23, fasc. 1, pp. 165-167 (28 March 1929).

[27] See Spadoni 2003 (p. 54) and Wilkins 2004 (fn. 95, p. 712). On 24 May 1924, however, the Banca d'Italia delegate in New York wrote to Rome that the exact daily production figures were in the pound 4,000-to-6,000 range (see ASBI, Consorzio sovvenzioni su valori industriali, cart. 353, fasc. 2, p. 521).

[28] In 1924 according to Orsi, in 1925 according to Wilkins (2004). Gualino bought out the original American partners in mid-1924 and then sold a majority stake to Emmanuel Gerli Corporation for around US$2 million. Gerli had been a director of Italian Discount & Trust in 1921 (Falchero 1990, fn. 61, p. 167). In 1925, SNIA also took over from Villa & Brothers a plant in New Jersey that was used to elaborate Italy-imported fibres (see ASBI, Consorzio sovvenzioni su valori industriali, cart. 353, fasc. 2, p. 519)

[29] In 1924-28, Italy was the largest exporter of artificial fibres to the United States (Coleman cit in Orsi, p. 19). Control over SNIA Viscosa went back to Italian control in early 1930s.

[30] "Copia della memoria consegnata dall'avv. Gualino al capo del Governo. Documento No. 2: Memoria sulla General SALPA Limited," in ASBI, Direttorio, Introna, cart. 30, fasc. 1, sfasc. 7 (14 October 1929).

[31] "Stringher a Mosconi," in ASBI, Direttorio, Stringher, cart. 17, doc. 4 (25 May to 4 June 1930).

As far as Châtillon is concerned, following the 1926 takeover by BCI, in 1928 it partnered with Tubize to establish American Châtillon in Rome, GA, to jump over 45% *ad valorem* U.S. import duties.[32] The experience, however, proved short-lived as Châtillon did not have the necessary financial strength to compete against American firms, a point stressed by CEO Ugo Mancini in the 1946 *Costituente* hearings.[33] This led to the merger of the U.S. subsidiary with Tubize in 1930, which in turn was to eventually merge with Celanese.[34] American Châtillon was also very competitive in the fabrication of specialized equipment, which it sold to various competitors.[35] The rest of the Italian chemical industry abroad remained very modest in size and competitiveness.

Another firm to list on the NYSE was Pirelli in January 1929.[36] [37] The company was already collaborating with a long list of American firms – including Western Electric, ITT, Standard Oil, and General Electric – both in Italy and in South America (Anelli *et al.* 1985, 32-3).[38] In 192x Pirelli granted a licence to General Electric Co. of New York to produce half of the fluid oil high-tension cables from Pirelli's patent design (while the other half of the cable was manufactured in Milan) to be installed in the USA[39]. The expansion of the electric cables business did not push

[32] To celebrate and remind Georgian Romans of their etymological ancestry, Benito Mussolini sent a piece of Coliseum's walls to be used as cornerstone for a bronze she-wolf, suckling two bronze infants. See "Rome to Rome", *Time*, 15 July 1929.

[33] "Interrogatorio del dott. Ugo Mancini", in *Commissione economico della Costituente, Industria, Appendice alla relazione. Interrogatori*, vol. 2, p. 215, 30 March 1946. In fact, as a BCI company Chatillon effectively fell under IRI control in 1934 and the new owners tried immediately to sell it to foreign investors and raise hard currency. See "Lo smobilizzo della Chatillon," Archivio Storico IRI (henceforth ASIRI), s3-fl. 5.1, p. 1 (7 May 1935).

[34] In 1928-30, SICMI had LIT600,000 in American Tubize Chatillon Corporation shares. In 1922, American Italian Commercial Corporation shares accounted for 49% of SICMI non-banking assets (Confalonieri 1994, Table 23, p. 59).

[35] "Interrogatorio del dott. Ugo Mancini", *cit.*, p. 216.

[36] Pirelli (founded in 1872) started production of insulated electrical conductors in the last quarter of the 19th century. In this high-tech sector, it established itself as the only Italian firm in the field and one of the few European ones. In 1900, Pirelli mastered a conductor technology similar to the one exploited by Anglo-American competitors and was probably superior in the field of high tension cables (selling its patents on the U.S. market). In the early 1910s, exports amounted to over 30% of total turnover, 15% of which were in the United States. See Bezza (1987) and Montenegro (1993).

[37] As stated in the previous section, SNIA and not Pirelli, was the first Italian company on the NYSE, contrary to the version in Anelli *et al.* 1985, p. 41. In 1930, Italian securities admitted to the NYSE included Pirelli, Montecatini, Italian Edison, Fiat, Adriatica, Meridionale and others ("Stockbroker Abroad," *Time*, 21 April 1930, on a visit to Italy of retiring NYSE president Edward Henry Harriman Simmons). At end-December 1935, Pirelli filed on Form 21 with the Securities and Exchange Commission for the permanent registration of US$928,000 of 7% convertible gold bonds due on 1 May 1952 on the NYSE ("Italian Company Files with the SEC," *The New York Times*, 28 December 1935). It sought NYSE permanent registration a few months later ("Pirelli of Italy Files with SEC," *ibid.*, 13 May 1936).

[38] In 1933, Pirelli and United States Robber Export Co. Ltd. established a joint venture (Pirelli-Revere-Società Italo Americana Filo Elastico) that integrated an international group of producers, also including Turin-based Fabbriche Riunite Industriale Gomma, British Dunlop, and Ungarische Gummiwarenfabrik. See "Pirelli-Revere," in ASBI, Rapporti con l'estero, pratt. No. 75, fasc. 3, pp. 260-1 (11 August 1933).

[39] This new type of cable was installed in the second half of the 1920s in Chicago (for Commonwealth Edison) and New York (for New York Edison). Other agreements were also signed with American cable and phone companies. On the basis of a pre-existing technical and productive partnership (dating to the late 1880s), Pirelli formed a

Pirelli to produce directly in the United States, as it did in Britain as result of similar agreement with local partners.[40] In the United States, complex pre-existing market hierarchies in the integrated structure of the national electrical industry made it difficult for independent actors to produce and sell locally.[41] Pirelli preferred to wave on a series of production and supply agreements, as well as long-term investment in in-house research, to develop distinctive ownership advantages and the technological and organizational capabilities to transfer and add value on foreign markets. In the tire business, on the other hand, Pirelli suffered from the technological gap and exports to America were abandoned.[42] In fact, and despite its vast network of foreign plants – which numbered XX in 1929, at the time of the listing, in six countries (Spain, Britain, France, Argentina, Brazil, and Belgium) – Pirelli tires were not sold in the USA until 195x. The capital outlay to open a vast network of "agenzie stabili" (permanent agencies) in the United States was huge and other initiatives abroad were given higher priority (Pirelli 1919). It is also important to bear in mind that at the time Pirelli energies were focused on the "crucial" British market.[43]

Banking could potentially offer interesting opportunities (Tschoegl 2002). Soon after the establishment of the New York State Banking Department in 1851, Canadian banks entered the New York market. Laws allowing foreign banks to operate New York agencies were introduced in 1910, although it was only in 1961 that full branches were authorized. The main focus of business was servicing the U.S. financial needs of customers with whom foreign banks had relationships in their home countries, while also trying to drain liquidity on U.S. financial markets. For Italian institutes, intermediation of migrants' remittances and savings was an even more important activity, alongside trade financing (especially for buying American goods).

The first Italian bank to operate after the war was a joint venture between the "italianissima" Banca Italiana di Sconto (BSI) and Guaranty Trust, Italian Discount and Trust, which in fact had been established already in July 1918 (Falchero 1990). At the time, BIS (backed by Ansaldo group and then Prime Minister Francesco Saverio Nitti) was trying to establish itself as the Italian

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syndicate in 1920 with Western Electric to enlarge and reorganize the Italian telephonic network. SIRTI (Italian Interurban Telephone Network Company, a joint venture between Pirelli and ITT) was established in 1921 to manage the network. See Bezza (1987) and Montenegro (1993).

[40] Pirelli General Cable Works Ltd (a joint venture with General Electric Company of London established in 1913) operated a plant for cable and conductor production in Southampton; a British trading company had been established in 1909 to sell Pirelli products and source raw materials for the whole group. See Bezza (1987).

[41] Big manufacturers, interconnected through cross shareholdings with public utilities corporations, controlled a network of suppliers (see Bezza 1987).

[42] Pirelli's production of automobile tires began in 1906 and rapidly gathered momentum as domestic demand accelerated, especially for Fiat cars. During the War, Italian armed forces needs had an enormous impact on Pirelli's tire production, leading Pirelli to invest in new research laboratories, rubber plantations, the distribution network, and new cost-saving work methods. Italy's share in world tire trade rose from 7% in 1920 to 13% in 1924. Tires rose from ¼ of Pirelli's total turnover before WWI (*vs.* ½ for cables and conductors) to 47% at the end of the 1920s (*vs.* 33% for cables and conductors); about 40% of total output was exported. See Montenegro (1993).

[43] Pirelli looked at the British market as 'the most competitive in the world' (where the leading American tyre producers were also investing). The pressure to invest there also came from the high British customs tariffs of 1927 and led to the start of a production plant in 1929 (according to Jones 1988 Pirelli Ltd in Burton-on-Trent was established in 1924); by 1930 Pirelli already held 1.5 per cent of the British tyre market. At the end of the l930s the tyre sector accounted for 50% of total turnover, but only 15% of the foreign activities. See Montenegro (1993).

partner of choice for American finance. Three years later, with the Italian bank in deep trouble, the American partner exited the venture and the Italians acquired complete ownership.[44]

Banca Commerciale Italiana (BCI) inaugurated its New York branch in 1918, seven years after opening in London the first foreign branch of an Italian bank (Montanari 1995), took over Lincoln Trust Company in 1919, and also invested in Italian American Bank of San Francisco in 1920-21 (D'Alessandro 1998, fn. 85, p. 268). Both investments were liquidated in 1922 and Banca Commerciale Italiana Trust Co. was established in New York in 1924 to support BCI in raising loans for Italian firms. Siro Fusi, the BCI man in New York, became the main reference for Italian companies interested in raising funds in the country (Di Quirico 2000, p. 165). In 1927 alone, BCI Trust participated in 98 deals, of which 14 were by Italian corporate issuers,[45] and made a US$202,000 profit (D'Alessandro 1998, fn. 89, p. 269). It also engaged in trilateral trade financing, discounting commercial paper to support Italian imports from the United States and exports to South America (Di Quirico 2000, p. 144). In June 1928, to overcome inter-state banking prohibitions, BCI incorporated Bancomit Corporation and raised US$1,900,000 through an offer equal to ¼ of its stock (the remainder was underwritten by BCI, both directly and through SICMI, a wholly-owned Swiss subsidiary that grouped BCI foreign participations).[46]

As migration flows were curtailed, BCI President Giuseppe Toeplitz and his young collaborators Raffaele Mattioli and Giovanni Malagodi drew a more sophisticated strategy in the United States. It became necessary to finance locally new investments, while the business objective became the collection of banking deposits from the Italian diaspora to transfer them to BCI in Milan and fund investments in Italy. In May 1928, Toeplitz went to New York to launch the Bancomit offer and the sale of 250,000 BCI shares, with an option for another 250,000 – an initiative that met with great immediate success but later unraveled, making it necessary for Milan to buy back the shares (Malagodi 1984). New BCI Trust Companies were eventually established in Boston and Philadelphia in 1929 (while the October 1929 crash put new openings in Pittsburgh and Chicago in limbo) and agencies opened in New York following the takeover of five small banks owned by Italian-American entrepreneurs.[47] BCI Trust Co. also joined forces with Field, Glore & Co. and Bonbright & Co. for Italian Superpower Corporation, an ambitious venture to build new hydroelectric plants. In 1926 Italy was supplying less than 200 kilowatts per person, *viz.* 627

[44] See "Rapporto del Delegato Gidoni al Governatore (Direttore Generale dell'INCE) Stringher", in ASBI, Carte Stringher, cart. No. 23, fasc. 3, sfasc. 2, p. 11 (15 March 1921). BIS activities were frozen in 1921 as the bank was being liquidated. At the beginning of 1922, Italian Discount and Trust (to which the Italian parent company owed LIT80 million) was successfully rescued (at almost no State cost) by INCE (Istituto Nazionale per i Cambi con l'Estero), under the guidance of Stringher. Control of Italian Discount and Trust passed to INCE and then in June 1923 to BIS successor Banca Nazionale di Credito (acquired by Credito Italiano in 1930). See INCE (1922, 1924); "Verbale di seduta del consiglio di amministrazione dell'INCE, 20 gennaio 1922", in Guarino and Toniolo (1993), pp. 262-266; Banca d'Italia (1993), 246-247.

[45] See "Direzione centrale della Banca Commerciale Italiana a Direzione generale del Tesoro, Ministero delle Finanze," in ASBI, Rapporti con l'estero, cart. No. 18, fasc. 8, p. 20 (12 April 1928).

[46] In 1928, Bancomit shares accounted for 22% of SICMI banking assets (Confalonieri 1994, Table 23, p. 59).

[47] BCI's intention was to confer to Bancomit Corp. shares in Italian companies held in its portfolio, but this project was rejected by the Banca d'Italia, fearful that this could lead to profit payments abroad and a drainage on hard currency. See "Direzione centrale," *cit.* and "Stringher a Azzolini," in ASBI, Rapporti con l'estero, cart. No. 18, fasc. 8, p. 11 (1 May 1928).

kilowatts per person in the United States in 1927.[48] Bonbright's president Landon K. Thorne (also president of United Utilities Co. and director in half a dozen other U.S. public utilities) became president of the US$33 million company incorporated in Delaware in January 1928. Italian Superpower in turn had a large stake in Adriatic Electric, the parent company under the control of Count Giuseppe Volpi di Misurata, onetime (1925-28) Italian Minister of Finance.[49] In February 1930, Count Volpi together with the Mitchell, Bonbright and Field, Glore (Chicago) interests, organized European Electric Corporation (*Time*, 17 February 1930).

The other Northern bank, Credito Italiano, whose Genoa branch director had been stationed in New York during the hostilities, also considered the opportunity of opening a full-fledged agency, before opting for establishing a lighter and much cheaper representative office in 1920 (D'Alessandro 1998, p. 266).[50] While frequently in the red, the office apparently performed important services for the bank and kept operating until 1941. For the Southern banks, the American strategy kept focusing on migrant's remittances. Banco di Napoli opened a second agency in New York in 1918, alongside one in Chicago, although the government attempt to reserve the remittances business to American banks made the environment more demanding. In 1925, Banco di Sicilia incorporated its own Trust in New York, followed by Banco di Napoli in 1930 in New York and in Chicago in 1931 (De Rosa 1980). Bank of Sicily Trust incurred substantial losses due to non-performing loans and speculative activities and, on the aftermath of its recapitalization under IRI supervision, was absorbed by Banco di Napoli Trust Company in 1936 (Di Quirico 2000).[51]

The story of the East River National Bank is somewhat different. It was bought by Amedeo Giannini in 1918, after securing the support of the Italian Chamber of Commerce of New York, and effectively operated as the East Coast branch of the San Francisco-based Bank of Italy.[52] In fact, Giannini and BCI competed for the same captive market of Italian migrants, as the Banca d'Italia representative in New York wrote to Governor Bonaldo Stringher in 1928.[53] Still different the experience of Florio's Navigazione Generale Italiana which in 1923 pondered the

[48] "Italian Super-Power", *Time*, 30 January 1928.

[49] In 1930, Volpi-formed Compagnie Italo Belge pour Enterprises d'Electricité et d'Utilité Publique, commonly known as Cibe, and London merchant bankers Dawnay, Day & Co. established British & International Utilities, a corporation designed to acquire stocks in leading utilities of the British Isles and the British Empire. Volpi was chairman; Lord Barnby of Lloyds and the Earl of Westmoreland were among the great British names on the directorate. See "Again, 'Cibe'", *Time*, 16 June 1930.

[50] One year later Credito Italiano, that already had various banking investments in Western Europe, opened representations in Berlin and Paris (Confalonieri 1994, p. 726). Banco di Roma also maintained a representative office in New York, with a much lower profile than Credito Italiano's since the Rome institute put higher priority on the Balkans and the Mediterranean (Di Quirico 2000, p. 144).

[51] Other smaller banks operated in the early 1920s, including Banca Nazionale del Reduce, established in New York in 1921 and closed in 1923, with a (partial) financial rescue of INCE (see Caron and Di Cosmo, 1993, p. 247).

[52] To acquire East River National Bank, Giannini founded the Bancitaly Co banking holding. In 1919, Giannini also took over Banca d'Italia Meridionale, which by 1930 had 31 branches in Italy. See ASBI, Rapporti con l'estero, cart. No. 478, fasc. 3, p. 110 (31 March 1931).

[53] "Podestà a Stringher," in ASBI, Rapporti con l'estero, cart. No. 18, fasc. 8, p. 14 (10 May 1928).

transformation of its small New York office specialized in remittances transfer into a full-fledged branch of Istituto Italiano di Credito Marittimo.[54] Apparently the project did not materialize.

As regards the ability of Italian international business to cater for the demand of diaspora consumers, new dimensions and complications emerged after WWI. The U.S. government sent agents to Naples to explore the history of tomato canning and export to the United States, largely because Italy's canning industry was competing successfully with domestic canners of tomatoes for Italian immigrant market.[55] Moreover, with the notable exception of cheese, after the war "the industries dealing with the manufacture of food products (sugar, confectionery, tomato extracts, and so on) ha[d] shown an inability to hold their ground, much less a tendency to expand" (McGuire 1927, p. 140). On the other hand, Mussolini's drive for economic autarky and U.S. immigration restrictions combined to make the United States (and Argentina) a more important producer of Italian-style foods in the interwar years.

Distributors and retailers of cheese, pasta, canned tomatoes and other Italian products reacted with advertisement campaigns that emphasized the higher quality of imports – sometimes resorting to openly racist claims that American goods were produced by Negroes (*sic*) – and the patriotic contribution of buying Italian-made products while the country was suffering from the sanctions imposed by the international community (but not the United States) after the Ethiopia war (Luconi 200x). Large specialized traders developed such as Locatelli – whose offices at 24 Varick St. were known as Locatelli Building – and which represented mother company Mattia Locatelli from Lecco (also the Italian agent of Kraft Foods), two Locatelli-affiliated companies, six independent Italian food producers, and three cheese companies from France, Switzerland, and Argentina.[56] Galbani was one of the large Italian food companies with a U.S. sales subsidiary, whereas the opportunity of creating export consortia was scarcely exploited.[57] The American agencies of Italian banks also played a supportive role, extending loans to importers of ethnic foods.[58] The situation was different in the case of pasta, for which exports rose between 1911-24, but then

[54] "Gidoni a Stringher", in ASBI, Rapporti con l'estero, cart. No. 8, fasc. 28 (10 March 1923).

[55] Donna Gabaccia, Director, Immigration History Research Center, University of Minnesota, personal communication, 28 November 2006.

[56] See the company ad in the October 1946 issue of *Trade with Italy*, the monthly bulletin of the American Chamber of Commerce for Trade with Italy, of which Ercole Locatelli was President in XXXX-XX. Another interesting company was Cerruti & Cominelli, based at the same address as Buitoni (see below), that acted as the exclusive representative for Melano & Pettigiani, a Buenos Aires cheese producer.

[57] "Interrogatorio del sig. Ettore Piani", in *Commissione economico della Costituente, Industria, Appendice alla relazione. Interrogatori*, vol. 2, p. 235-41, 31 March 1946. The Galbani manager does not specify the nature of the U.S. subsidiary: according to a 1938 listing of local agents of Italian exporters, Galbani was represented by Mattia Locatelli (*La Rivista Commerciale Italo-Americana*, 25 June 1938). Del Gaizo Cantarsiero, a S. Giovanni a Teduccio tomato canning and coffee roasting company, was another one with a distribution subsidiary in New York. See ASBI, Vigilanza sulle aziende di credito, pratt. No. 8669, fasc. 13, p. 31 (9 October 1941). Bisleri Company, Inc. was the U.S. subsidiary of Ferro-China Bisleri.

[58] In 1939, the Italian commercial attaché in Washington warned the Banca d'Italia governor that the closure of Banco di Napoli Trust (if Italian monetary authorities failed to meet a U.S. Banking Department request for a recapitalization) could damage the national food industry. See "Ballerini a Azzolini," in ASBI, Direttorio-Azzolini, cart. 13, fasc. 10, p. 48 (11 March 1939).

shrank rapidly due to the fast development of local production.[59] Nonetheless, as Donna Gabaccia has observed, "the entire history of migration's impact on U.S./Italian trade and investment relations still awaits a talented researcher".

With the establishment of IRI in 1933 and then its "perennization" in 1937, the weight of the government sector in the Italian economy was massively reinforced.[60] IRI initially targeted the liquidation of foreign participation of banks and manufacturing firms, but once it was decided to transform IRI into a permanent institution, foreign subsidiaries became an investment to be assessed, not an asset to be liquidated. As far as IRI banks were concerned, BCI in particular, a 1935 document describes overseas branches as "a problem" that had to be analyzed quickly in order to determine their strategic value and implement an appropriate policy, including by shutting down most, if not all, of them.[61] Nonetheless, progress in restructuring foreign investment was very slow. Guglielmo Reiss Romoli, at the time possibly one of Italy's most prominent turnover specialists and one of Mattioli's closest collaborators, was sent to New York in 1935 to affect the transformation of BCI Trust (Bottiglieri 1984). In 1938, the five New York agencies, of which three in Manhattan and one each in Brooklyn and Long Island, had 175 employees, deposits of more than US$16 million (of which slightly more than US$2.1 million were placed with BCI in Milan), and losses of US$905,000.[62] IRI management considered BCI interests in the United States inadequate to support the group's (and by extension the country's) overall development, in particular because of its excessive cost. In fact, the benefits of the different strategy of Credito Italiano was positively mentioned in another 1938 document on IRI banks written by Enrico Cuccia.[63] Hence the decision to finalize the liquidation of the Boston Trust, to do the same in Philadelphia, and to reduce the number of New York agencies. As these

[59] American consumers prefer spaghetti and cut macaroni (a.k.a. elbows) which are dressed with meatballs and cedar cheese, respectively. From tons 456 on average in 1911-13, Italian exports in the United States fell to tons 10.1 in 1928, and also decreased to almost zero in Canada (see *Movimento economico*, 1930, p. 595). The U.S. pasta industry developed thanks to the support that American banks provided to Italian migrant entrepreneurs (Silvano Serventi, personal communication, 27 November 2006). Examples include American Beauty (Kansas City, est. 1912), Price Macaroni (Boston, est. 1912), and San Giorgio Macaroni (Pennsylvania, est. 1914).

[60] On 23 January 1933, Law No 5 created IRI to provide an effective institutional setting for the restructuring of the Italian banking system. IRI took over the industrial participations held by the big commercial banks and cleaned the banking sector's balance sheet of non-performing loans. IRI worked to reorganise technically and financially these enterprises, offloading the shares whenever feasible. IRI grouped similar concerns under the control of new sub-holding companies: STET (1933) in telephony, FINMARE (1936) in shipping companies, FINSIDER (1937) in steel, FINMECCANICA (1947) in the mechanical sector, and FINELETTRICA (1952) in the electrical sector. In 1955 IRI accounted for 44% of Italian steel output, 80% of national capacity in shipbuilding, and 26% of total banking deposits. IRI further enlarged its reach in the 1950s, obtaining an absolute majority of RAI (the national broadcasting company) in 1952 and taking control of Alitalia (the national airline) in 1957. See "Daily Report on Italian Home and Foreign Affairs", n. 167, 27 luglio 1954, Agenzia Est-Ovest Italiana, Roma, in ASIRI, s2.4-fl.2, p. 32. See also "Information concerning IRI, October 1949" in ASIRI, s2.4-fl.2-p. 18; "Institute for Industrial Reconstruction – IRI," *Review of Economic Conditions in Italy*, Vol. 4, No. 1, January 1950.

[61] "Sistemazione Comit," ASIRI, numerazione nera, busta 32 (1935).

[62] "Memoria sulle partecipazioni estere della Comit," ASIRI, numerazione nera, busta 40 (22 February 1938).

[63] "Le dipendenze bancarie all'estero della Comit, del Credito e del Banco di Roma," ASIRI, numerazione nera, busta 40 (28 April 1938). In 1930 already, BCI had 190 foreign dependencies in Argentina, Austria, Brazil, Bulgaria, Chile, Colombia, Croatia, Czechoslovakia, Ecuador, Egypt, France (including Casablanca and Monaco), Greece, Hungary, Poland, Peru, Romania, Switzerland, Turkey, United Kingdom, the United States, and Uruguay (see *Movimento economico dell'Italia*, 1930).

actions proved insufficient to restore the viability of BCI business in the United States, especially in view of the deteriorating international situation, by late 1939 the New York Trust had also been sold to local investors.

When World War II broke out in 1939, the proclamation of the national emergency status worried European investors.[64] Romoli, in particular, signaled to Mattioli the need for a rapid liquidation of BCI Trust and branch, although the more lenient treatment that the Americans reserved to the Italians compared to the Germans meant that the shut down of the branch was postponed until 1941 (Bottiglieri 1984). In June 1941, Roosevelt froze Italian (and German) funds in the United States and transferred to the U.S. Treasury assets held by Italian citizens and companies. Uncertainty surrounded the exact definition of credits and investment.[65] With Washington entry into World War II on 11 December 1941, Axis investments were once again commandeered and confiscated, again including German patent wealth. While German (and to a lesser extent Japanese) FDI was particularly strong in chemicals where German industry was at the frontiers of technology capabilities, Italian firms were by and large excluded from international cartel arrangements and had scarce patent holdings[66]. The IRI banks branches and the Banco di Napoli Trust closed in 1941-42, while Assicurazioni Generali of Trieste, which had opened a U.S. branch in 1935, interrupted operations in 1944. Società Dante Alighieri, a key Italian cultural and social institution, was banned in the United States because of its alleged fascist sympathies, and only reopened its doors in the 1960s (Pretelli 2005).[67]

As Mira Wilkins has highlighted in her study of Dutch multinationals in the United States, many German investors used the Netherlands to hide the corporate veil and shield their companies from political risks. To offset the sanctions imposed on Italy following Mussolini's aggressive foreign and colonial policies, Pirelli shifted the centre of its operations from Belgium to Switzerland.[68] The Allied governments recognized the Swiss status of Pirelli Holding and did not take any

[64] In the nine months to 27 September 1939, Italy was the only country in the world, together with Germany, to witness a fall in its short-term assets in the United States (*Survey of Current Business*, February 1940, Table 27, p. 49). As Senator Giovanni Agnelli told the annual stockholders' meeting, Fiat activity in 1940 was also seriously hindered by a U.S. decision to requisition tools ordered at the end of 1939. See "U.S. Embargo Slows Italian Arms Plant," *The New York Times*, 16 March 1941.

[65] "Ossola a Azzolini," in ASBI, Segreteria particolare, cart. No. 248, fasc. 1, p. 563 (15 June 1941). With the outbreak of hostilities, the Banca d'Italia delegation in Lisbon took over the responsibility of the New York office.

[66] In 1940, the USPTO granted more than 2,500 patents to German residents (companies and individuals), that is more than 25 times as many as to Italians; in 1950, only 24 German patents were granted (vs. 39 to Italian nationals). In 1955 already they were 771 and 103, respectively, and five years later the gap had widened further (2,165 versus 245). See Antonelli and Barbiellini Amidei (2007).

[67] Starting in the late 1930s, as the regime was becoming closer to Nazi Germany, some Italian multinationals quietly sent their Jewish managers overseas to shield them from Anti-Semitism. Enrico Verona (MIO NONNO!!), for instance, was managed the SNIA plant in Portugal; Antonello Gerbi directed the BCI operations in Peru; Pirelli's Mario Luzzatto was posted in London. To our knowledge there are no such examples in the United States – quite amazingly, Reiss Romoli requested to return to Italy. Michele Sarfatti, Director, Fondazione Centro di Documentazione Ebraica Contemporanea, personal communication, 20 August 2007.

[68] In 1940 Pirelli Holding (founded in 1937) replaced Compagnie Internationale Pirelli S.A. (set up in 1920 in Brussels) in managing overseas operations; in 1941 Società Italiana Pirelli was transformed in Pirelli Spa, reducing Pirelli's participation inside the Swiss holding below 50%, while still maintaining management control. See *International Directory of Company Histories*, Vol. 15. St. James Press, 1996.

hostile measures against the foreign companies it controlled – although this was not particularly important in the United States, as Pirelli had no subsidiaries there.

On the other hand, the war had a completely different effect on a new Italian investor, Buitoni/Perugina. In 1937, the Perugia-based producer of pasta and fine chocolate had sent Armando Spagnoli, a manager as well as the son of one of the founding partners, on a 6-month trip to explore business opportunities. While products were being sold through a local agent, Eugene J. Petrosemolo, the distribution network was poor and most outlets were in peripheral areas and run by Italians. While falling short of considering a direct investment, Spagnoli and his boss, Giovanni Buitoni, decided to seek potential partners interested in technical and marketing collaborations, along the lines of the model that the firm was considering in Brazil for a contemporary venture which, however, was not finalized. In 1938, Perugina agreed to have its products sold at Macy's and in a fur store on Madison Avenue. For Buitoni, earning hard currency was crucial in order to buy cacao, as per the early 1939 agreement with the Ministero per gli Scambi e le Valute. In 1939, Buitoni total exports in the United States reached LIT1,654,000, out of LIT4,620,000 global exports, making it by far the largest overseas market.[69] In spring 1940, Buitoni left for New York, partly to attend the 30th anniversary celebrations of Hershey, then the world's largest chocolate manufacturer, partly to escape family and health problems. With assistance by a New York lawyer, Samuel Franck, Buitoni gathered the necessary capital to open a Buitoni pavilion at the World Fair in New York. Two American companies were created before Italy's June 1940 war declaration – La Bomboniera to manage the Perugina flagship store on the corner of Fifth Avenue and 56th Street and the joint warehouse at 99, Hudson Street; and Buitoni Spaghetti, with a US$40,000 capital of which ¾ raised among members of the Italian-American community, to manage two pasta restaurants inside the Fair's Amusement Area. Buitoni decided not to return to Italy and in 1941 begun negotiations with the Italian currency authorities in view of establishing a new affiliate, Buitoni Products, and enlarging the scale and scope of American operations.[70] The Ministry, however, refused to authorize the Perugia headquarters to support the initiative and Buitoni decided to settle in New York, while the Buitoni/Perugina staff had to return to Italy. Giovanni's relationship with his brother Bruno became increasingly stranded, as the former was not satisfied with the degree of support received from Italy, while the latter considered the American expansion plans badly in tune with the difficulty that Buitoni was experiencing in Italy due to the conflict.

Buitoni Foods saw the light in January 1941 with no formal links with the Italian headquarters. Shareholders included Dario Soria, a recent Jewish immigrant who would later become a leading figure in the New York media scene,[71] and other Italian food and beverages entrepreneurs. Buitoni

[69] ASBI, Consorzio sovvenzioni su valori industriali, cart. 46, fasc. 1, p. 56 (17 January 1949).

[70] ASBI, Consorzio sovvenzioni su valori industriali, cart. 46, fasc. 1, p. 53 (17 January 1949).

[71] Born in 1912, Soria migrated to the United States in 1939. During WWII he worked for the Office of War Information, becoming a U.S. citizen in 1945. While stationed in Italy, Soria became interested in the Cetra catalogue of recordings, which he first imported to the United States and then arranged to press under the Cetra-Soria label. By 1953, Cetra-Soria had the largest catalogue of recorded opera of any company. That year, Soria sold the label to Capitol Records, and went to work for EMI. In 1958 he helped Gian-Carlo Menotti organize the first Festival of Two Worlds in Spoleto and also began the Soria series for RCA Victor Records. In 1961 he became vice president of the international department of RCA Victor Records. In 1970 he left RCA and became managing director of the Metropolitan Opera Guild. He held that position until 1977.

run two Spaghetti bars in Times Square and Broadway, initially using pasta produced by one of its shareholders and then buying a small plant in Jersey City, NJ. As he could not use durum wheat and ensure the same quality of imported pasta, in order to differentiate his brand from local competitors Buitoni developed "minus amid" hyper-protein varieties and obtained kosher certification. The venture benefited from the fact that in 1943 government bought more macaroni, spaghetti and egg noodles than in all the preceding 150 years of government buying (NPA website). Perugina, on the other hand, suffered the consequences of a government decision to claim import duties, a decision that the company disputed to no avail (Buitoni 1972, p. 98). After the war, Buitoni Food continued to operate as an independent company until 1953, when it finally became part of the group (see below).

5. Italian Business in America during the *miracolo economico*

During the third period, 1945–1962, Europe emerged from the war in a much weakened position relative to the United States, whose role in the world economy seemed unchallengeable. Once again, optimists were scarce in Italy – according to Einaudi (1955, p. 19), "Italian businessmen seemed more anxious to keep and protect what they have built than to continue and renovate and run the risk of continuing change". Foreign managers lived in awe of the alleged superiority of their U.S. peers and, insofar as American management methods seemed to provide answers to the question of why US productivity so exceeded Europe's, business on this side of the Atlantic invested in adopting them. In the peculiar Italian innovative path, which also included the Marshall plan and the start of the European integration journey, this effort rapidly bore fruits (Antonelli and Barbiellini Amidei 2007), as this description of Milan in 1960, which sounds so much as one of Shanghai early this century, vividly shows:

> "Fifteen years ago, out of the war's rust and wreckage, [Italian corporate managers] began reshaping the business empires that dominate Italy's economy today. Eschewing the torpor that grips much of China, they built reputations for drive, long hours, impatience. Today, their imprinting is deepening. Workmen are smashing down old buildings to make way for skyscrapers, and burrowing beneath Milan's ancient streets to implant a subway. A new business center, costing a quarter of a billion dollars, is going up in central Milan. Throughout the city, the sound of jackhammers reverberates".[72]

The popularity of Italian movies such as Rossellini's *Open City* and *Paisan*,[73] no less than the constant reminder that Italy was, at least until 1948, a first-line country in the fight against global Communism, made the United States and American consumers increasingly Italy-conscious. Exports to the US market rose fast during this period.[74] In 1951 the first million-dollar exposition-sale of Italian products after the war, featuring more than 1,000 goods, was held by Macy's department store in New York, Macy-affiliated stores in Newark, Atlanta, Toledo, Kansas City,

[72] "Milan Sparks Italy's Economic Renaissance", *Business Week*, 19 November 1960 – this issue had the city view from the Duomo on the cover page, with the Madonnina at the forefront. Also on Milan was "City on the Move," *Time*, 27 June 1960.

[73] According to Wagstaff (1995), "in the eleven years 1946-56, Italian films won the New York Film Critic's award for best foreign film seven times [and] *Roma città aperta* played in a downtown New York cinema for over a year: no foreign film had ever come anywhere near this record".

[74] See Antonelli and Barbiellini Amidei (2007); Gomellini (2004); and Gomellini and Pianta (2007).

and San Francisco, and retailers in 13 other cities that shared Macy's foreign buying facilities.[75] For some companies, this required considerable investment in setting up a sale and after-sale business structure. In the early 1950s, Piaggio and Innocenti started exporting to the United States, where Sears, Roebuck ordered 5,000 Italian scooters in 1952.[76] In 1958 some 20,000 Vespas and Lambrettas were sold, equal to roughly ⅓ of the U.S. market.[77]

During the 1950s, Fiat grew at enormous speed, shielded by a set of import barriers that virtually denied foreign producers access to the Italian market until the founding of the European Economic Community (Fauri 1985). Moreover, Fiat managed to remain at the cutting edge of car manufacturing technology, enabling it to expand production, foreign sales and profits. Vittorio Valletta, Fiat's post-World War II general manager, bet on serving the more dynamic foreign markets from modern plants built with the help of Marshall Plan funds.[78] In 1946 already, at the Paris Conference, Valletta managed to convince Bank of America to open a credit line, a significant signal from Giannini (Bairati 1983, p. 172).[79] Valletta then started collaboration with the law firm of Oscar Sidney Cox, of Lend-Lease fame, to lobby for Fiat in Washington.[80] Although no serious thought was given to the American market – opportunities in Italy and some European countries were abundant and the Detroit manufacturers still enjoyed an untested financial, marketing and technological advantage in their home market – cooperation with the United States was otherwise rich during the late 1940s and 1950s, including deals with Caltex, Westinghouse, Lockheed, Hamilton, and T.W.A. (Bairati 1983, p. 172). On some occasions, however, problems surged. A contract with Nash to co-produce the Cinquecento in America, mounting American bodies on 100,000 Italian chassis, floundered because the Italian authorities were not willing to exonerate exports from duties (Bairati 1983, p. 223);[81] [82] a contract to produce

[75] "Italian Imports Spurred by Macy Fair," *Business Week*, 15 September 1951. On the "discovery" of Italian style in the United States, see Casciato (2006).

[76] "Business Abroad Brief," *Business Week*, 7 June 1952.

[77] "Scooter Makers Tap Youth Market," *Business Week*, 14 February 1959.

[78] Fiat received US$34,286,600 in Marshall Plan assistance (Bairati 1983, p. 312). According to Gianni Agnelli, "The Marshall Plan surely speeded up the recovery [of Fiat] and […] it gave us a certain amount of relationship with Washington, with the official side of Washington, we worked again with the Bank of America in a big way, yes it did have an effect, surely. Let us say, Atlanticising the Fiat outlook on the world." See "Interview With Gianni Agnelli," George Washington University, National Security Archive, 26 February 1996, http://www.gwu.edu/~nsarchiv/coldwar/interviews/episode-3/agnelli1.html.

[79] See "Valletta a Menichella," in ASBI, Menichella, cart. 20, fasc. 15, pp. 28-30 (2 October 1946). In the letter, Valletta also mentioned a proposal from Kaiser Frazer to buy Fiat 1100 chassis and distribute them in the United States. "Ckrysler" (*sic*) had apparently made a similar offer (see "Cigliana a Einaudi," 25 October 1946, in ASBI, Segreteria particolare, pratt. 89, fasc. 1, p. 64).

[80] A government career man since 1938, Oscar Cox was defined as "the smartest damn lawyer in Washington" by *Time* in 1942 ("Roll of Honor," 10 August 1942). On 14 July 1948, when Communist Party leader Palmiro Togliatti was shot in Rome and workers seized the Mirafiori plant in Turin, Cox was in a meeting with Valletta. Cox was eventually allowed to leave, while Valletta was held hostage for 48 hours (Bairati 1983, p. 199). Cox was also the technical advisor to the Delegazione tecnica italiana (Deltec), a body set up by the Bonomi government in Washington in April 1945 to accompany decisions on American support to the reconstruction. In this guise he drafted the 1947 Exim bank loan (Segreto 2000). Cox also advised Olivetti in 1959 on the antitrust implications of the Underwood takeover (see Ochetto 1985, p. 290).

[81] See "Valletta a Menichella," in ASBI, Menichella, cart. 49, fasc. 55, pp. 16-19 (28 Dicember 1948).

offshore the F86K fighter took three years to negotiate and was only signed in 1955 after the internal workers' council elections saw the defeat of the Communist trade union CGIL (Bairati 1983, p. 264).

Having watched with green-eyed envy the success of Volkswagen in the US market, in 1957 Fiat made an arrangement with Hoffman Motors to introduce two small cars (the little Seicento and the four-cylinder Millecento) in New York and Los Angeles and started considering the launch of its ultra-small Cinquecento.[83] Fiat Motor Company Inc. was the successor to Servofide, a company established in 1955 to provide after-sale services for Fiat sea engines (Tesi 2005). In April 1958, Fiat authorized the sale of US$38 million in additional common stock and US$38 million in bonds to finance new expansion, "much of which revolve[d] about these two projects".[84] While Fiat – which by then had 15 plants outside Italy[85]– did not consider the possibility of an American plant, it invested US$1 million to set up its own spare parts centers on both Coasts. Conscious of the problems that European exporters were experiencing due to stretched shipping capacity on the North Atlantic, Fiat converted one of the ships owned by its subsidiary Italnavi into a floating garage. Some successes were registered, but sales never exceeded the 50,000 mark reached in 1960.[86]

For a decade after the end of the war, Italy's largest exporter to the United States was Necchi. Founded in 1919, the Pavia-based sewing company invaded the U.S. market in 1948 with a new sewing machine "so capable it can sew two or four-hole buttons on a dress in a matter of seconds".[87] Though from US$25 to US$60 more expensive than a Singer, Necchi conquered more than 5% of the U.S. market – for almost a century Singer's *chasse gardée*. This thanks to a combination of product innovation – a needle that zigzagged as it sewed – and the introduction of six assembly lines, tooled with semi-automatic milling machines and interchangeable parts, by veteran Olivetti manager Gino Martinoli.[88] As *Time* wrote at the time, "by such ingenuity and attention to the housewife's convenience, Necchi has already become one of the biggest dollar-earners for Italy. But Necchi has done something even more important; it has proved to skeptical Italians that U.S. production methods will work as well in Italy as in the U.S."[89] Necchi's success in American owed a lot to the determination of Leon Jolson, a Polish concentration camp survivor

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[82] In 1950, Nash signed a contact with Pinin Farina to produce sport cars in Turin using Nash Healey's chassis and engine (Castronovo 2005, pp. 52-53).

[83] Foreign cars sales had hit 100,000 the previous year as the increasingly affluent middle class started buying second and third family cars.

[84] "Fiat Stacks Its Chips on Small-Car Market," *Business Week*, 27 July 1957.

[85] "Milan Sparks", *cit.*.

[86] "A victory for Fiat," *Business Week*, XX YY 1967. Still, this was well above the 30,000 threshold that Valletta had set in 1956 with Vincent Garibaldi, the Fiat representative in New York, as the maximum level to avoid steering the attention of American competitors, always ready to call for protectionist measures (Bairati 1983, p. 313).

[87] "New Machine Adds Speed to Sewing," *The New York Times*, 21 May 1949.

[88] At the time, less than ten major Italian firms were using assembly lines, but Martinoli refused to believe that US methods could not be applied in Italy (Martinoli 1961). As a consultant, he hired N. Richard Miller, a 32-year old Harvard Business School graduate and production expert, to revamp production.

[89] "Zigzag to Success," 26 July 1954. In 1953, Olivetti machines earned Italy more dollars (US$2.4 million) than any other mechanical export except Necchi sewing machines. "Thinker from Ivrea," *Time*, 8 February 1954

who emigrated to the United States in 1945, saw the possibilities of the zigzag sewing model, and borrowed US$2,000 from the United Service for New Americans to import the first four Necchi machines in 1948.[90] Jolson had done business with Necchi in Poland. By 1952 he owned a twelve-story New York building, was advertising to the tune of a million dollars a year, and had 1,630 U.S. dealers and a subsidiary in Canada. He became a U.S. citizen in 1952 and in gratitude gave US$10,000 to Columbia University's Teachers College for fellowships for other refugees.

Buitoni started freezing lasagne, ravioli, macaroni and cheese in the United States in 1950. In summer 1952, a huge new building was inaugurated in South Hackensack, NJ. The US$1.5 million investment was devoted to pasta production but could be extended to frozen foods if needed (Bova 1996). Jo DiMaggio, the retired New York Yankees star, was hired to push the Buitoni macaroni dinners in supermarkets and appointed vice president in charge of public relations on the West Coast. That year the Buitoni family and the company managers met in Paris for a nine-day meeting to discuss the future of the business, by then spread between Umbria, Rome, France and the United States. The outcome was the creation of International Buitoni Organization in 1953 or 1954, although the new structure did not solve the problem of coordinating managerial decisions in a family-owned, multinational enterprise of Buitoni's size (Pencelli 1997). Also in the food industry, the United States became by far the largest single market for Motta, that by 1956 was responsible for a third of Italy's exports of sweets and candies. Nonetheless, the Milanese firm, famous for its panettoni, did not set up a plant there, limiting its U.S. presence to distribution (Motta Inc. in New York) and investing instead in a plant in Lima (Colli 2000, pp. 602-3).

A sector where Italy was developing strong technological capabilities was chemicals.[91] From the 1920s onwards, Montecatini became increasingly involved in inorganic chemistry, reaching in the 1940 dimensions comparable to those of the main foreign competitors, although with almost no international reach.[92] In 1953, with financial aid from Montecatini, Giulio Natta discovered new classes of polymers with a sterically ordered structure.[93] This discovery led to the realization of a thermoplastic material, isotactic polypropylene, which Montecatini started producing on an industrial scale in 1957 in Ferrara.[94] This product was marketed successfully as a plastic material,

[90] "No. 32164", *Time*, 21 April 1952.

[91] For the first few years after the war, U.S. companies maintained an unchallenged industrial and technological leadership in petroleum refining and petrochemicals. See "Missione italiana negli Stati Uniti per lo studio della gomma sintetica, agosto-settembre 1951," ASIRI, numerazione rossa – Pratiche societarie, G.S. Gomma Sintetica – Milano, faldone 62, 3. See also Morandi (1952).

[92] See "Relazioni e Bilancio, 1940, 53° esercizio, Montecatini," in ASBI, Ispettorato del credito, pratt. N. 742, fasc. 10.

[93] Montecatini had been established in 1888 to exploit a copper mine, before entering the chemical industry in the 1910s. In 1921, Giacomo Fauser had built a small pilot unit for ammonia synthesis leading Montecatini to build the first Fauser ammonia plant and starting it in 1923. In 1925 Montecatini decided to license directly the Fauser process, through a Belgian subsidiary, Ammoniaque Synthétique et Dérivés (ASED), jointly owned with Evence Coppée, a large engineering contractor in the field of coke oven plants and related installations. Montecatini reserved the Italian market for itself but neglected exports (van Rooij 2005).

[94] In 1953/54, at the Max-Planck-Institute for Coal Research in Mülheim, Karl Ziegler and co-workers discovered a significantly improved process for the production of polyethylene with a high crystalline content. In 1963 Natta was awarded the Nobel Prize jointly with Ziegler. According to Martin (2007), the roots of these achievements can be traced back to the research results which Natta had previously accessed at Mülheim.

by the name of Moplen, as a synthetic fiber, by the name of Meraklon, as a monofilament by the name of Merakrin and as packing film, by the name of Moplefan. Natta's discoveries opened to Montecatini the possibility of developing industrial initiatives on the base of its own technological acquaintances, and not merely through the acquisition of licences and patents (often with exploitation limits). In the new petrochemical technological trajectory emerging on a world-wide level, Montecatini was marketing textile-cut staple fibre in Italy at roughly half the going price in the United States.[95]

Although management's eyes were focused on a national strategy of diversification and vertical integration, in 1955 Montecatini decided to explore overseas investment opportunities and zeroed in on the United States (Amatori and Bezza 1990, pp. 346-49). The logic of investing in the world's most advanced market was not clear, as the management considered a direct production presence a prerequisite for listing Montecatini on the NYSE and extending its patents in the USA. Montecatini was listed in New York in February 1957, although the share price soon started suffering from the company specific problems (Fauri 2000[96]) and also a general "Italian corporate governance discount" (Barbiellini Amidei and Impenna 1999). Broadened prestige was seen to drive management as much as bigger dollar earnings.[97] Financing for the investment was expected from a pool of New York and Swiss banks (being aware not to divert abroad "scarce" Italian funding), but a new Treasury Minister in Rome denied the necessary permission and the new company was born with a much reduced capital than anticipated.[98] In fact, because of the country's chronic scarcity of capitals and currency, the Italian government resisted "the initiative of creation of a plant for the production of plastics in the United States" on two grounds, namely "the foreign currency program" and "the export program".[99] Even if financing was being raised on foreign financial markets (essentially Switzerland), firm engagements were requested in terms of the forecasted dollar earnings coverage of the financial burden and the reimbursement of the capital. As far as the "export program" was concerned, Montecatini was adamant that "undoubtedly the volume of our exports will maintain its course, progressively increasing" and that exports would experience "an ulterior increase as consequence of the activity that we are ready to carry out in the United States". To allay government's fear of export substitution and crowding out of Italy-based production, management explained that the subsidiary would sell "many products manufactured in Italy", use "intermediate manufactured goods produced in Italy", and transfer licenses and sign patent concession agreements with U.S. enterprises.

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[95] "Italy Gets Fiber at Half U.S. Rate," *The New York Times*, 24 September 1959.

[96] Despite its dominant position in inorganic chemicals and fertilizes, Montecatini's quasi-monopoly of traditional chemicals was soon challenged, first by the ENI and then by Edison, one of Italy's giant electric power companies, which was diversifying into new sectors, foreseeing nationalisation of electrical industry. The 'chemical wars' of the late 1950s and early 1960s pitted the three companies against one another, as they competed for state support by building plants in the Mezzogiorno, often with little commercial rationale (Fauri 2000).

[97] "An Italian Colossus Turns to World Markets," *Business Week*, 18 August 1956.

[98] See "Lettera della Montecatini al Gov. Menichella," in ASBI, Direttorio-Menichella, cart. 32, fasc. 55 (28 April 1956).

[99] "Progetto per la creazione di uno stabilimento per la fabbricazione di materie plastiche negli Stati Uniti – appunto della Montecatini al Ministero del Commercio con l'Estero," in ASBI, Direttorio-Menichella, cart. 32, fasc. 55 (12 June 1956).

In 1959, after a two-year suspension of the investment plan, Montecatini sold US$10 million 5 1/2% sinking fund dollar debentures due 1979 and warrants for capital shares. The net proceeds were applied to the construction of a plant for the manufacture of isotactic polypropylene (marketed in Italy under the trade name Moplen) and other petrochemicals. Novamont, a wholly-owned subsidiary incorporated in Delaware, owned and operated the plant near Charleston, WV, on land that Novamont acquired.[100] The plant was inaugurated in late 1961 and doubled in size in 1965-67 (CESPE 1971). uno stabilimento a Neal, WV è a 60 miglia di distanza da Charleston ... Operating the wholly-owned subsidiary was not necessarily a willing choice, since Montecatini had previously looked for an American partner to produce and market its wares in the USA. Negotiations with Olin Mathieson (at the time America's fifth-largest chemical enterprise), started under the advice and the auspices of Mediobanca, but failed to produce an agreement. Despite a marketing agreement signed by Montecatini U.S. representative, Chemore, with W.R. Grace & Co.,[101] Novamont's underdeveloped sale network was to constitute a problem, especially as the incapacity to smoothly patent polypropylene in the US and the resulting rapid (and cheaper) imitation by mostly American competitors diminished the reward from innovation (Walsh 1979, cited by Saviotti 1991, and McMillan 1979). Hercules (with which Montedison partnered in the 1980s in its short-lived international resurrection) and Standard Oil were able to introduce crucial incremental innovations that greatly damaged Montecatini's penetration and expansion (Saviotti 1990). As Amatori (1990) sums it, Montecatini's U.S. initiative had the typical features of a "forward escape": uncertainty in the productive path, difficulties of financing, inadequate structure of commercialization. Unfortunately the merger of Montecatini and Edison, which was supposed to resolve the 'chemical war' at home and create an internationally competitive Italian champion, did not live up to the expectations (Fauri 2000)[102]. In the same sector, Chatillon, which had been taken over by Edison in 1955, entered into a strategic alliance with Firestone in 1961, leading to the inauguration of a plant in Hopewell to produce components for Firestone tires and later on to a joint venture in France (Polyfibres) (Falchero 1992, p. 231).

Under the visionary directorship of Adriano Olivetti,[103] Olivetti was the first Italian firm, indeed one of the first European ones, to make a big U.S. acquisition. The company was set up by Camillo Olivetti in 1908, after he had finished a stint of lecturing in electrical engineering at California's Leland Stanford University.[104] After the war, with German production stopped, the Ivrea-based company regained its global leadership in the production of calculators and typewriters, not only for their intrinsic quality but also for their esthetic design. More than half of production was exported (52% in 1949) and the vast potential of the American market was seen as

[100] Japan's Sekisui Chemical built a factory to make polystyrene foam in Hazelton, PA., another area of chronic unemployment.

[101] "Foreign capital moves toward U.S.," *Business Week*, 29 July 1961. Montecatini also spent US$5.7 million to buy 4% of Minerals & Chemicals-Phillip, an ores and metals company.

[102] Despite the potential benefits accruing from the technological complementarities between the two entities – Montecatini had pursued excellence through an indigenous effort, while Edison's entry into chemicals had stemmed from cooperation agreements with foreign partners – it was the Edison's more modest and finance-driven strategy that prevailed, leading to a radical downsizing of Montecatini's R&D activities.

[103] Olivetti aimed at giving his workers the best conditions in Italy and a voice in management. He promoted a broad-based cooperative movement, on the strength of which he won a seat in the Chamber of Deputies in 1958.

[104] David Starr Jordan, who was president of the University at the time, developed the doctrine of Unitarianism.

one of the main drivers for sizeable investment.[105] In 1952, the Museum of Modern Art in New York organized a 40-day exhibition of the work of the Olivetti Company (Lionni 1952[106]) and in 1959 a poll organized by the Illinois Institute of Technology among 100 top designers, architects, and design department heads of manufacturing firms and universities around the world designated the Lettera 22 typewriter, designed by Marcello Nizzoli in 1948, as the best-designed product of modern times. The Fifth Avenue flagship store, designed by the famous Milanese firm of Belgioioso, Peressutti and Rogers, was inaugurated in 1954, followed by others in San Francisco and Chicago. Olivetti also became involved in an ambitious project with the University of Pisa in 1954 to design an electronic computer with commercial purposes (De Marco *et al.* 1999)[107] and in 1959 it launched the Elea 9003, Italy's first electronic computer. In 1956 Adriano Olivetti was made an honorary member of the American Institute of Planners and deputy chairman of the International Federation for Housing and Town Planning and one year later his entrepreneurial achievements won further recognition when the National Management Association of New York awarded him a prize for "ground-breaking activity in the field of international company management."

A subsidiary, managed by Dino Olivetti, was established in New York in early 1950, to earn the necessary foreign exchange to cover dollar purchase of materials and equipment. Facing relatively little competition, as only Remington Rand was producing them, it began selling printing calculators, of which nearly 10,000 had been sold there years later.[108] As in the case of Necchi, the Italian company was competing on quality (innovative qualities) rather than price – its machine was selling at US$555, versus US$469-525 for Remington Rand's. Olivetti also opened an electronic computer research laboratory, in New Canaan, NJ, as early as in 1952.

In October 1959, Adriano purchased 34% of Underwood's stock for US$8.7 million. Once the leader of the U.S. typewriter industry – it was the company which had inspired his father Camillo when he formed Olivetti in 1908 and which Adriano himself had unsuccessfully tried to visit in 1925, during his first and fundamental U.S. trip (Crepax 2001 and Gemelli 2001) – Underwood was bleeding after four years of heavy losses. In 1958 it was employing 11,000 people for sales of US$71.8 million (US$85.2 in 1957). A merger with Litton Industries had been rumored for month on Wall Street, but Underwood management seemed to prefer a partnership with Olivetti.[109] The

[105] ASBI, Consorzio sovvenzioni su valori industriali, pratt. No. 51, fasc. 1, pp. 222-6 (5 February 1947) and pp. 283-4 (15 December 1950).

[106] Born in Amsterdam in 1910, Lionni was raised in Genoa and Milan, where he rubbed shoulders with the futurists while studying economics. He moved to the United States in 1939, where as an art director of N. W. Ayer & Son in Philadelphia he supervised Container Corp. of America's famed series that brought modern art into advertising layout. After working as design director for Olivetti in 1951-58, Lionni became art director of *Fortune*. See "Art in Many Forms," *Time*, 22 December 1958.

[107] Surfing on the support received from Enrico Fermi, to whom the University had asked what would be the best instrument of national importance for uplifting Pisa scientific stature, the first electronic and digital computer for scientific applications entirely designed and manufactured in Italy was completed in 1955.

[108] "Invading U.S. Office Machine Market," *Business Week*, 31 January 1953.

[109] "Invasion in Office Machines," *Business Week*, 10 October 1959. According to Ochetto (1985, p. 286), the conversations were being held with Monroe, a subsidiary of Germany's Olympia. At the time, about 50% of Olivetti's annual gross sales, upwards of US$110 million, was coming from exports from Italy and a further 20% from overseas production in Scotland and Argentina.

Italians, for their part, were worried about other European companies taking over Underwood and concerned that resentment over "the growing flood of foreign imports of all kinds" could lead to higher tariff barriers. The negotiations were conducted in a hurry – in fact no proper due diligence was conducted – and probably concluded against the advice of Lazard Fréres (Ochetto 1985, p. 289).

In February 1960, Adriano died of a heart attack, aboard a train in Aigle, Switzerland. He left behind an unresolved governance structure and an equally unclear social mission, but also a brand name with a value probably unparalleled among Italian, if not European, firms. Directors passed over Olivetti's son Roberto and several other Olivetti family members to elect Giuseppe Pero, then 66, President and CEO. Pero, who had been Olivetti director general since 1938, let Adriano's political adventures die, devoting all his efforts strictly to business. In April 1960 Olivetti increased its stake to 69%, trading more than US$30 million worth of Underwood common stock in exchange for Olivetti Corp. of America (1959 sales: US$15 million). When Underwood's President Frank Beane made the deal, he expected to keep running the company. But after incurring an estimated US$2.5 million loss in the first quarter of 1960, Pero sent a crack team headed by Ugo Galassi, head of Olivetti U.S. sales subsidiary. Underwood sold less that year than in 1959 (US$76 million), but the rewards of succeeding were great – Underwood had a tax-loss carry-forward of at least US$25 million that could be applied against earnings – and Galassi expected to reach the break-even point in the first quarter of 1961.[110]

In the case of Pirelli, foreign investment in the 1950s and 1960s went largely towards strengthening its production and sale position in regions where it was already present.[111] [112] The first direct investment in North America was a new cable factory in St Johns, Quebec in 1953 and by the end of the 1960s Pirelli Canada controlled four cable plants. In the face of the dominance of Goodyear and Firestone, as late as in 1966 Pirelli was still adamant about its reluctance to sell tires in the United States.[113]

IRI firms very timidly started investing abroad, and in the United States in particular. Already in 1945 an attempt had been made to create a joint venture with Fiat, to be extended to Montecatini and others, to promote exports[114]. After this project failed, IRI decided to organize its autonomous foreign relations and instituted an *Ufficio rapporti con l'estero* (which later became *Servizio Relazioni Internazionali*). BCI and Credito Italiano timidly returned to New York with

[110] "Olivetti Moves In," *Time*, Monday, 25 April 1960 and "Olivetti Hopes to Rejuvenate Underwood, Typewriter Pioneer," *The New York Times*, 21 June 1960.

[111] Among these were Argentina, Brazil, Spain, Britain, and Belgium.

[112] By the end of the 1960s, cable production represented 40% of total group production and tyres 45% cent; but within the foreign group cable production was still the dominant activity with 60% of total production, compared with 30% for tyres. See Montenegro (1993).

[113] "How to Insulate," *Time*, 8 April 1966.

[114] The "Ufficio Sviluppo Esportazioni" was liquidated at the end of 1947. See "Appunto sulle motivazioni che hanno portato alla creazione dell'Ufficio Sviluppo Esportazioni" in ASIRI, s2.12-f5.2-p. 7 (19 December 1946); see also "Liquidazione USE Ufficio Sviluppo Esportazioni – Roma" in ASIRI, s2.12-f5 busta 053 (2 May 1950).

representative offices,[115] whereas Banco di Napoli (that was owned by the Treasury) was the first Italian bank to open a fully-licensed branch after the war (in 1949). The IRI manufacturing sub-holdings created their own trading arms which were sometimes also present in the United States – for example Siderexport in the case of Finsider[116]. Moreover, insofar as they tended to operate in capital- and knowledge-intensive sectors, IRI companies had numerous contracts for licenses and technical assistance. Finmeccanica set up shop in New York in 1954 to scout for licensing deals and to push Italian products there.[117]

6. Italian Business in America in 1962-1992

The formation of the first *centro-sinistra* government in 1962 marked a watershed in Italian economic and business history. As the Left regained political assertiveness, and industrial relations became increasingly tense, Italian capitalists froze domestic investments, engaged in capital flight, and also started considering FDI as an insurance policy against the perceived risks of the political scene at home (Barbiellini Amidei and Impenna 1999). At the same time, Italian firms took part in the general process of corporate internationalization that increasingly characterized the Western world (and not the United States only[118]). In fact, ten years later the degree of internationalization of Italian big business, measured by foreign sales over total turnover, was on a par with that of competitors, if not higher. In the case of Fiat, for instance, the coefficient was higher than for the Detroit's Big Three (Cacace 1977)[119]. Nonetheless, Italian big business was still made of very few companies and the country remained a marginal investor, its share of the total stock being of some consequence in Africa only (4% in the early 1970 according to UN 1973, p. 19).

For Fiat the 1960s was a decade of retrenchment from the United States (Tesi 2005). In 1965-70, Franklin Roosevelt junior, one of President Franklin and Eleanor's sons, had the North Eastern franchise. In the early 1970s, Fiat Roosevelt embarked in an ambitious expansion drive, aiming at 60,000 annual sales, but before too long Fiat car operations in the United States were reduced to a small network of dealerships. A quasi-definitive hit was the findings by the National Highway Traffic Safety Administration that Fiat cars were subject to chronic rusting problems. When Fiat

[115] BCI managing director saw greater potential in the New Yok office than in the one opened in London. See "Interrogatorio del dott. Antonio Rossi", in *Commissione economico della Costituente, Industria, Appendice alla relazione. Interrogatori*, Vol. 2, pp. 285, 23 March 1946.

[116] Siderexport was in charge of foreign commercialization of steel products of the Finsider Group firms. Established in 1936 as Coloniale siderurgica (Colsid) società anonima, operated as "Siderurgica Export" after the second WW becoming Siderexport in 1959 (see "Verbali comitato interaziendale. Commerciale" in ASIRI, s3-f100.2f6, 28 September 1946; see also "Siderexport" in ASIRI, Numerazione Rossa, faldone 206.6, 11 July 1960). Since 1992 it has been active as Ilva international.

[117] "Business Abroad Briefs," *Business Week*, 31 July 1954. Finmeccanica si avvale di Intercommerce (VVV non c'era negli USA).

[118] Although the activities of US multinational corporations represented half of the total stock of foreign direct investment in developing countries (UN 1973, p. 19).

[119] In 1969 already, Fiat's foreign assets were 43% of the total (Cespe 1971, p. 47). Over half of passenger automobile production in the USSR in 1975 was expected to come from Fiat (UN 1973, p. 22).

pulled out in January 1983, a most unconventional auto maker, Malcolm Bricklin, began importing the Fiat Spider 2000 as the Pininfarina and the X-1/9 as the Bertone.[120]

Other Fiat companies, on the other hand, started building more consequential businesses in the United States. Fiat-Allis, 65% owned by Fiat with the rest in the hands of Allis-Chalmers, aimed at combining the Italians' prowess in small construction equipment with Allis heavyweight earth-moving vehicles. Despite initial problems with the variation between American and Italian accounting practice and the need to refit Fiat machines to meet US specifications, the joint venture proved very successful almost from the very beginning.[121] Another joint venture, this time with West Germany's Klöckner-Humboldt-Deutz, was Iveco, for Industrial Vehicles Corporation. Its medium-sized, diesel-powered Magirus trucks were first introduced into the most competitive segment of the US truck market in 1978. Iveco limited the number of models offered to US consumers, in the hope to sidestep the problems encountered by Fiat, which almost two decades earlier had launched five different models and almost instantaneously run into parts inventory bottlenecks.[122] In 1977, Fiat Agri, the group agricultural machinery subsidiary, acquired 100% of Hesston (1,834 employees and LIT328 billion turnover in 1983), thus becoming the world's second-largest tractor producer (with a share of about 12% of world market) (Onida and Viesti 1988). In 1973, an Agnelli-affiliated company acquired about 6% of the common stock of the I-T-E Imperial Corporation, a major manufacturer of electrical distribution, transmission and control products.

http://www.state.gov/r/pa/ho/frus/johnsonlb/xii/2243.htm

In a way, this period was particularly successful on a personal level for the Agnellis. Giovanni, who had succeeded Valletta in 1966, widened his own circle of international business contacts, becoming a member of Chase Manhattan Bank's international committee, XX of the Metropolitan Museum of Art[123] and a founding member of the Trilateral Commission. In 1964, Ifi, the family holding that at the time owned some 22% of Fiat, also became an important shareholder of 3M (Minnesota Mining & Manufacturing), in exchange for Ifi's stake in Ferrania – Italy's largest film manufacturer with world-class skills in photosensitive materials for applications in industries such as photography, health care and graphic arts.[124] The stake was sold a few years later as Ifi was not used to hold purely portfolio placements.[125] Something similar can be said of Giovanni Buitoni,

[120] Malcolm Bricklin had previously worked for Innocenti, the Italian producer of Lambretta motors scooters, formed Subaru of America in 1968, and manufactured a low, sleek sportster with gull-wing doors in St. John, Canada. Before his dream of building a car with his own name on it ended in a flurry of legal actions in late 1975, some 2,875 of the sleek safety/sports cars were built. In the late 1970s, Bricklin started a company to import the Yugo, a warmed-over Fiat model built by Zastava in Yugoslavia, at US$3,995.

[121] "Multinationals: Fiat-Allis team invades the U.S.", *Business Week*, 20 July 1974.

[122] "A new challenger in trucks", *Business Week*, 3 July 1978.

[123] On 16 March 1988, Fiat Chief Is Honored At the Met In 1984-2003, Agnelli was also a member of the jury of the Pritzker Architecture Prize, the only non-American, non-architect in the period alongside Lord Rothschild (Chairman, Board of Trustees, National Gallery of Great Britain) who has served in 1987-2004. Another Italian firm, Ratti, has been associated with the Metropolitan Museum of Art to create a laboratory-style structure for the storage, restoration and conservation of all the Museum textile collections in the Antonio Ratti Textile Center.

[124] In 1964, 3M also bought another photo-processing company in the United States (Dynacolor).

[125] "In Italy, Agnelli is the man to see", *Business Week*, 13 May 1967.

who had gone back to Italy in 1956 to set up a frozen-food industry, using Italy's ice-cream dealers as outlets. This did not prevent Giovanni Buitoni from hiring Manhattan's Carnegie Hall in 1961 to fete his 70th birthday and "to make a rafter-rattling concert debut".[126]

Ferrero waited until 1969 before opening a sales office in New York. Fearing the competition of peanut butter, it did not introduce its globally best-known product, Nutella, and chose instead to promote the breath mint Tic Tac. Thanks to a successful marketing campaign built around the tag line "Put a Tic Tac in your mouth and get a BANG out of life," Ferrero invested in a dedicated production facility in New Jersey.

The story of Olivetti proved more complex. From the U.S. headquarters at One Park Avenue, the former PepsiCo building, Galassi modernized the Hartford plant, halted production of bookkeeping machines and portable typewriters, and stopped bidding for low-profit defense contracts. He also streamlined production items from 15 to four, cut manufacturing costs by a third, and recruited and trained 1,500 new salesmen. Under new President Guido Lorenzotti, at 34 one of the youngest corporate heads in the United States, Underwood claimed "to be the industry kingpin in both adding machines and calculators, and No. 2 behind IBM in sales of full-featured office electric typewriters".[127] By April 1964, the company was holding 90% of the stock of Underwood, now renamed Olivetti Underwood. Unfortunately, U.S. sales had hardly nursed back to US$117 million in 1963 — and to profit for the first time under the new ownership (although Galassi had to see a return to profits by 1962) — when other problems appeared.[128] Import restriction in Argentina, traditionally one of Olivetti's main markets, almost completely cut off an attempt to ship in other machines while in Brazil hyperinflation ate up profits. The tab on the consolidation and revamping of Underwood had come close to US$100 million and contributed to the almost five-fold increase in bank debts from US$7.6 million to US$32.5 million between 1958 and end-1963. In Ivrea, the co-directorship of Roberto and Camillo Olivetti proved highly ineffective to cope with the new difficulties and decide on the need to seek external support. Eventually, a syndicate headed by Agnelli's Ifi and also comprising Pirelli, La Centrale and government banks put US$50 million into Olivetti stock, installed Aurelio Peccei, a rising Fiat executive, as managing director, and picked IRI vice president Bruno Visentini as the first man outside the Olivetti family ever to head it. In 1964, Underwood subsidiaries in the United Kingdom, France, Germany, and Mexico were merged with the Olivetti equivalents in the same countries. A 60% stake in the computer division was sold to GE in September 1964, barely a month after the American company had clinched a similar deal with France state-owned Machines Bull.

Peccei streamlined Olivetti's operations and cut losses. In 1965 Gianluigi Gabetti succeeded Lorenzotti, who returned to Italy to direct Olivetti's commercial operations. Peccei also stationed three managers in the United States to study methods of executive recruitment, development, evaluation and other human resources techniques and hired Stanford Research Institute to study

[126] "Belting out arias from Rigoletto and Ernani, the Italian-born industrialist brought the momentous evening to a wildly bravoed climax by joining Metropolitan Opera Star Licia Albanese in a duet from *Don Giovanni* and smothering her with kisses as a reward for carrying him." See *Time*, 8 December 1961.

[127] "Switching to a black ribbon", *Business Week*, 24 October 1964.

[128] This represented a third of Olivetti global 1963 sales of US$360 million (see "The Destiny of Dynasties", *Time*, 17 April 1964).

market prospects for Olivetti more sophisticated machine tools.[129] Olivetti Underwood acquired Federal, a copying machine producer, from Victoreen Instrument, purchased design prototypes from Quik-Chek Electronics & Photo Corp., and established a new R&D group. All these operations were merged in 1965 under a new subsidiary, Copia, to market copying machines through Olivetti Underwood distribution network. With 52,892 employees, Italian profits rose from US$7 million in 1965 to nearly US$11 million in 1966, when worldwide sales reached US$508 million, up US$62 million over 1965. Global profits grew about 40% to US$16 million.[130] Olivetti also pushed with renewed determination into office automation, debuting a new desk-top computer, Programma 101. The 1965 launch in New York was the first time that a new company product was unveiled abroad and not in Italy. In 1967 Peccei was named to the honorary post of vice chairman,[131] while Roberto Olivetti and Bruno Jarach, an engineer arisen through the company ranks, were appointed joint managing directors. The crumbling Harford plant was closed in 1968 and one year later a new plant was inaugurated in Harrisburg designed by Louis I. Kahn, one of the most uniquely designed modern buildings located in Central Pennsylvania.[132] In 1969, the United States accounted for 25.5% of Olivetti's total sales, making this the company's largest market overall, although almost ½ of employees were still in Italy (Cespe 1971, Tab. 1, p. 51). At the same time, as other Italian multinationals including Fiat and Eni, Olivetti started negotiations to construct a factory in the USSR.

The vision of Olivetti as more than a simple office machine producer led to the decision of investing in California.[133] In 1972, the Advanced Technology Center was set up in Cupertino and Olivetti Research Center in Menlo Park. ISC-Bunker Ramo, Shelton, CT (USA) an Olivetti company Over the following ten years, there were 170 researchers, half of them Italian. During those ten years, at least 300 Italian engineers passed through that lab. Form 1971 to 1973, the percentage of electronics-based calculating and accounting machines in Olivetti global turnover rose from 23.9 to 37.8 and in 1974 two new minicomputers and a computer terminal were launched.[134] Appointed in 1978, CEO Carlo De Benedetti closed half of the 90 offices of Olivetti in the United States (which had lost US$30 million on US$160 million of sales in 1978) and sold its New York headquarters as well as the adjacent Nassau Hotel.[135] On the other hand, he viewed the American R&D facilities as a strategic asset for Olivetti to rub elbows with others in the U.S. electronics community and become a major factor in the "office of the future". In 1980, the first Olivetti computer took form in Cupertino. The M20 – one of the very rare computers based on the Zilog Z8000, a 16-bits microprocessor very close to its 8-bits big brother, the Z80 – was launched in March 1982. When *Time* devoted its 1983 New Year's cover story to the upcoming ICT

[129] "Olivetti hits the keys of revival," *Business Week*, 20 November 1965.

[130] "The Renaissance," *Time*, 24 February 1967

[131] Peccei became president of ItalConsult.

[132] "Olivetti building's facelift sign of cultural destruction," *The Patriot News*, 30 August 1997.

[133] This does not mean that Olivetti traditional products were shelved – in his article on leaving Saigon, *Time* correspondent Roy Rowan wrote of "sa[ying] goodbye to my faithful Olivetti" ("'This Is It! Everybody Out!'", 12 May 1975).

[134] "Olivetti's second try at the computer market", *Business Week*, 26 October 1974.

[135] "When a building goes piggyback", *Business Week*, 27 November 1978 and "Olivetti: its growth in Europe will rely on U.S. technology", *ibid.*, 12 February 1979.

revolution, the M20 was one of the featured items.[136] More than 50,000 units were shipped in the first year. Digital Research used the Olivetti M20 personal computer to develop a Z8000-based version of CP/M.[137]

Thanks to substantial investment in R&D, Pirelli's cable business remained highly profitable. As it developed stronger ownership advantages, especially in high-tension cables for the power industry, Pirelli shifted the focus of its international presence from South America, and the developing world in general, to Europe and the United States. A US$4.5 million contract was signed in 1968 with Long Island Lighting to provide a 12-mile cable linking Long Island and Connecticut. The Pirelli technology was seen as superior because it allowed to lay very long cables with very few splices.[138] Pirelli Enterprise was founded at the end of the 1970s and five U.S. plants were acquired. In the 1980s, as part of a push into opto-electronics, Pirelli acquired **David System** (producers of technologically-advanced communications systems) in Silicon Valley.[139]

The tire business, on the other hand, failed to reach global dimensions despite two decades of remarkable growth and the Pirelli family decided to enter into a long-term research and development agreement with British Dunlop group.[140] Interestingly, gaining access to the U.S. market was one of the strategic objectives of this partnership: according to Leopoldo Pirelli, "il primo figlio che nascerà dal matrimonio con la Dunlop sarà un figlio Americano" [the first son of the marriage with Dunlop will be American][141]. Despite successes in the development of low-profile tires and in revolutionary fibre optics, the joint venture did not mature into a full merger and both parties agreed to terminate it in 1981 (Amatori and Lavista 2007).[142] In the 1980s, Pirelli's international expansion strategy gained momentum, leading to the 1988 acquisition of Armstrong, the sixth-largest U.S. tire manufacturer, for US$197 million.[143] Pirelli then tried to take control of Firestone, the nation's third-largest tire maker, making a US$1.86 billion bid in

[136] "The Computer Moves In", 3 January 1983.

[137] Like most of the computers designed before the IBM PC era, the M20 offered technical choices which made it totally incompatible with the rest of the micro world.

[138] "Pirelli see new light in the East", *Business Week*, 13 July 1968. In the early 1970s, the LILCO job helped Pirelli win a US$13 million contract from the British Columbia Hydro & Power Authority for a 22-mile crossing between Vancouver and the mainland, which it accomplished without any splices.

[139] These and other acquisitions made Pirelli the world leader in cable production; the share of cable production in total Pirelli production reached 71% in 1980; Pirelli increasingly focused on telecommunications (fiber optic) cables.

[140] In 1970, American Viscose signed a licensing agreement with Pirelli for its advanced technology in the use of steel wire in radials (Battle of the Belts, *Time*, 26 April 1971).

[141] *Espansione*, May 1970, cited in Cespe (1970). Dunlop had three plants in the United States. Pirelli-Dunlop Union became the world's third-largest manufacturer.

[142] When the world tyre market entered in recession as a result of the oil crisis (increase in raw material costs, decrease in car production, market saturation), Pirelli and Dunlop were slow to respond to the need for cost-saving technologies. The terms of their alliance were extremely complex and worked to prevent serious integration. By the end of the 1970s both were in great difficulties. This situation weakened the reciprocal trust between the partners leading to the dissolution of the Union in 1981. The share of tyres production in total Pirelli production dropped to 23 per cent.

[143] In 1985 Pirelli bought Metzeler in Germany. In the 1980s large investments were made to restructure and recover the tyre sector, diversify production and improve quality, leading to significant gains on the international market.

March 1988. The offer was contingent on Firestone dropping its plans to enter into a joint venture with Bridgestone of Japan, which had previously agreed to buy a 75% interest in Firestone's tire-making business. This led to an acrimonious battle as a Federal judge rejected a claim by Pirelli to ban as unconstitutional the Ohio Control Share Acquisition Act that requires a raider to wait up to 50 days for shareholders to vote before buying tendered shares.[144] Nonetheless, at the end of the 1980s Pirelli Group was still the most important Italian MNE (Onida and Viesti 1988).

This period saw the rise of Italy's huge state-owned sector and in particular of IRI, the industrial holding company (on which see *inter alii* Barca and Trento 1997 and Toninelli 2000). Because SOEs tended to operate in capital-intensive sectors and had a higher degree of technological expertise, at least some of them could have accumulated the necessary ownership advantages to internationalize. Nonetheless, insofar as social goals were imposed on management, in particular that of contributing to regional development, Italian SOEs invested mostly in the Mezzogiorno, especially from the 1960s onwards. The low degree of internationalization also resulted from the fear of crowding out domestic investments by engaging in FDI and from the latter's very low vote-winning potential.

From the mid-1960s onwards, a more proactive strategy of internationalization started to emerge and IRI organized an important conference about its "componente estera"[145]. Internationalization was seen as an emerging priority both to lower the dependency on the Italian market, where demand growth was softening, and to reinforce the capacity of the firms, and the Italian economy more generally, to compete on the basis of quality and innovation.[146] Indeed, one year earlier IRI had organized a similar conference to discuss the group's scientific and technological research activities and its place in the incipient Italian system of innovation (Pastorelli 2006). Foreign markets were to become a stable and fundamental component of the group's business, and not simply an outlet for occasional domestic downturns. IRI's FDI in 1965 amounted to LIT13.1 billion (equal to current €118.5 million), of which 62% was to source raw materials (for Finsider firms these FDI were very important; a total of LIT8 billion). Roughly a quarter (LIT3.4 billion, 26%) was in commercial companies to promote exports of goods made in Italy and an additional 12% (LIT1.5 billion) was invested in productive and commercial activities abroad, including joint ventures with foreign partners[147].

[144] Bridgestone eventually gained control over the American company in a negotiated US$2.6 billion acquisition. The global tyre industry was badly hit by the recession of the late 1980s and early 1990s. Pirelli' s reaction was to engage in major merger and acquisition exercise: after the failed American attempt, in 1990 Pirelli involved in a near disaster unsuccessful takeover bid for the German company Continental.

[145] See ASIRI, SD 1583, Servizio R.I., 6. Temi SRI, 6.2.4 – Convegno sulla componente estera del Gruppo IRI.

[146] Speech by Prof. Giuseppe Petrilli, presidente dell'IRI, 18 November 1965, in ASIRI, SD 1583, Servizio R.I., 6. Temi SRI, 6.2.4 – Convegno sulla componente estera del Gruppo IRI. See also "La dipendenza tecnica del gruppo IRI dall'estero" in ASIRI, SD 1585, Servizio R.I., 6. Temi SRI, 6.2.4/4 – Convegno sulla componente estera del Gruppo IRI – Gruppo di lavoro "Coordinamento Attività Commerciale".

[147] See "Partecipazioni del Gruppo IRI all'estero, IRI, Servizio Rapporti Internazionali, maggio 1965" and "La organizzazione commerciale delle aziende manifatturiere del Gruppo IRI, IRI, Servizio Rapporti Internazionali, aprile 1965" in ASIRI, SD 1585, Servizio R.I., 6. Temi SRI, 6.2.4/4 – Convegno sulla componente estera del Gruppo IRI – Gruppo di lavoro "Coordinamento Attività Commerciale".

Still, the emphasis was firmly on Western Europe and, to a lesser degree, the Communist countries and the developing world. In the early 1960s, 4% of IRI total exports was going to the US market – 8% for Finmeccanica (mainly Alfa Romeo cars) and 3% for Finsider (mainly Dalmine and Italsider) – for a grand total of around LIT6 billion in 1963[148]. In the United States, the most important presence was constituted by the joint Finmeccanica-Fincantieri *Delegazione* in New York (similar entities operated in Argentina, Brazil, Spain and the Soviet Union), while individual IRI companies had simple agencies and trading representative.[149] The most important was Alfa Romeo Inc. of Newark, NJ with a US$95,000 capital (4% of Finmeccanica total FDI).[150] Finsider Group-Siderexport had a token presence, Dalminter Inc.[151], and the public broadcasting company RAI had a US5,000$ American subsidiary in New York (RAI Corporation Italian Radio TV System).[152] Finsider also took minority positions in Wabush Iron and Wabush Pellet of Cleveland, OH. These companies were active in iron mining and beneficiation, exploiting assets in Canada, and the Italians contracted the management to Pickland Mathers & Co.[153] Ansaldo Trasporti and Breda Costruzioni Ferroviarie started selling in North Americ in 1978.[154] AnsaldoBreda, Inc. is the largest modern day supplier of transit rail cars in the United States outside of the New York metropolitan area.

An interesting proposal that was made at the IRI 1965 "Componente estera" conference was to follow the Japanese example of the trading companies as a more effective tool to promote IRI

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[148] See "Destinazioni geografiche delle esportazioni delle aziende manifatturiere del Gruppo IRI nel triennio 1961-1963, IRI, Servizio Rapporti Internazionali, marzo 1965" in ASIRI, SD 1585, Servizio R.I., 6. Temi SRI, 6.2.4/4 – Convegno sulla componente estera del Gruppo IRI – Gruppo di lavoro "Coordinamento Attività Commerciale".

[149] Speech by Giorgio Tupini, presidente di Fincantieri, 18 November 1965, in ASIRI, SD 1583, Servizio R.I., 6. Temi SRI, 6.2.4 – Convegno sulla componente estera del Gruppo IRI. Finsider mining companies were also active in Canada, as were some commercial companies (Dalmine Scaffolding Ltd.; Dalminter Canada). See "Partecipazioni del Gruppo IRI all'estero", IRI, Servizio Rapporti Internazionali, maggio 1965" and "La organizzazione commerciale delle aziende manifatturiere del Gruppo IRI, IRI, Servizio Rapporti Internazionali, aprile 1965" in ASIRI, SD 1585, Servizio R.I., 6. Temi SRI, 6.2.4/4 – Convegno sulla componente estera del Gruppo IRI – Gruppo di lavoro "Coordinamento Attività Commerciale". In 1958, Alitalia, the Italian airline, took a lease on the major part of the thirty-second floor and on a large street floor area in the new Tishman Building at 666 Fifth Avenue. It moved/added to the American Management Association Building at 135 West 50th Street, between the Avenue of the Americas and Seventh Avenue, in 1965.

[150] In 1975 Alfa Romeo was spending close to US$3-million for advertising in the United States ("J.P. Itta Agency Gets Alfa Romeo Account," *The New York Times*, 5 June 1975).

[151] Dalminter was incorporated in 1955 in New York, with a minimal US$10,000 capital (LIT3.1 million, equal to 0.03% of Finsider total FDI), in charge of sales and marketing; this company was sold in 1969. See ASIRI.AG.20001.30055 (b. 1, 1955-1964). In 1970, a new sales subsidiary, SIDERIUS (incorporated in New York with a US$2,000 capital) replaced Dalminter. See *Annuario 1970 del gruppo IRI*, Edindustria Editoriale, Roma 1970.

[152] See *Annuario 1970 del gruppo IRI*, Edindustria Editoriale, Roma 1970.

[153] The companies' capital was US$11,500 and US$1,100,000, respectively. See ASIRI.AG.20001.30077 (bb. 2 1959-1978), *Annuario 1966 del gruppo IRI*, Edindustria Editoriale, Roma 1966, and *Annuario 1970 del gruppo IRI*, Edindustria Editoriale, Roma 1970.

[154] Breda won a number of big-ticket tenders, including for the rolling stock of the Washington Metro (series 2000-2075, 3000-3289, and 4000-4099, delivered in 1982-91), for the Atlanta and Los Angeles subways (142 trains), and the Boston and San Francisco light metro systems (251 vehicles). In 2001 the merger of two companies gave birth to AnsaldoBreda, a Finmeccanica company.

commercial presence on the American market.[155] In fact, the Italian Commercial Office in Washington had drawn IRI management's attention to the success of the Japanese with cooperative organizational structures of exporting and importing firms and it was decided to explore the possibility of strengthening and enlarging the existing Delegazioni Finmeccanica-Fincantieri and Siderexport branches. Nonetheless, major firms of the group as well as the subholdings resisted the proposal, fearing a loss in their autonomy.

The Eni story is different. Although Enrico Mattei wished to create a national oil company able to hold its own against the Seven sisters on third markets, he also sought American support, sending managers and engineers there since 1952 and deciding in 1955 to create a representative office in New York with support from Banca Nazionale del Lavoro (Pozzi 2007).[156] The office proved to be a very useful investment to build goodwill and tap into the vibrant corporate culture of the United States – in fact Eni was to become the first European customer of Booz Allen & Hamilton, the management consulting firm. Agip Usa was founded in 1962, in Wilmington, Delaware, to facilitate the commercialization of equipment and materials of interest to the Group companies, but also to smooth the relationship between Mattei and the US administration. This followed from an express request made by the Italian Ministry of Foreign Affairs to calm the tensions that accompanied Agip's aggressive pursue of exploration and production licenses in the Middle East and the signing of an important deal with the Soviet Union in 1960 (Buccianti 2005).[157] Maugeri (1994) documents the ongoing attempts on the part of the manager to obtain political recognition from the USA, in exchange for desisting from his activities as a spoiler – in fact a U.S. visit was under preparation when Mattei died in a plane crash in 1962.

In 1966, a new company, Agip Petroleum Co. Inc., was assigned to manage hydrocarbon exploration and production. In the beginning, the company's strategy called for the organization of a series of co-titles - an earlier example of a joint venture - in partnership with the leading American companies, without however, the responsibilities of direct operatorship. The company subsequently acquired modest stakes in offshore exploration operations on the Continental Shelf and in Alaska. Beginning in 1979 Agip Petroleum signed outsourcing agreements with Texaco, Conoco, Mobil and a number of smaller companies for the acquisition of major interests in fully-fledged operations. These were primarily in the offshore areas of Texas (Dry Hollow and Conger Field), California (Sacramento Valley and Salinas Valley) and Alaska (Kenai Peninsula), as well as the international offshore waters of the Gulf of Mexico.

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[155] Speeches by Romolo Arena (IRI general director) and Manrico De Rosa (Ansaldo general director), 18 November 1965 in ASIRI, SD 1583, Servizio R.I., 6. Temi SRI, 6.2.4 – Convegno sulla componente estera del Gruppo IRI.

[156] Eni's group chemical arm Anic, Stanic, and Standard Oil jointly owned refineries in Livorno and Bari. In the 1960s, Eni signed major contracts with Standard and Gulf for the purchase of crude oil and the sale of refined products. At the end of the five-year contracts, the contracts were allowed to expire, while domestic refining capacity increased substantially, especially that of Eni.

[157] AGIP partnered with the International Egyptian Oil Company in 1955 and the National Iranian oil Company in 1957, then also entered Morocco (1958), Libya and Sudan (1959), Tunisia (1961), and Nigeria (1962) (Pozzi 2003, pp. 24-25). According to *Business Week*, "The new Italy-Iran deal – ballyhooed by the Italians as 75% to the producing country and 25% to the foreign company – fans nationalist desire in many oil lands to hang over a bigger share of profits" ("Iran Oil Deal Stirs Policy Debate All Over Globe", 28 September 1957). *The New York Times* carried a front-page story on Mattei on 6 January 1958 (see "U. S. Oil Concerns Assailed by Italian"). See also Bairati (1983, pp. 305-8) on Valletta's conversations in the United States regarding Mattei and Eni's strategy in the Middle East.

An office was opened in Houston but production soon began to decline, leading in 1983 to a drastic change in strategy. Agip Petroleum Co. gradually abandoned areas considered to be fully exploited, concentrating its exploration activities on defined new frontier areas - which presented higher risk, but also higher potential - and in highly selected older areas. The focus in resource investments shifted from onshore to offshore exploration in Texas. Eni participated in more than 50 joint ventures, including the purchase of approximately 60 exploration permits. In 1986 the sharp drop in the price of oil lead to a reduction in the operations of the American oil industry, at which point Agip Petroleum cut its investment budget by 50%. Later, attracted by the potential of deep offshore drilling, Agip decided to take on the majors through a series of direct acquisitions, mergers and alliances. In 1991 Eni bought Freeport McMoRan, whose portfolio included five permits in the Gulf of Mexico, three of them as main operator. Meanwhile, Agip Petroleum Exploration Co. was founded for exploration activities, while development operations remained the responsibility of Agip Petroleum Co.

The complexity of the technology for in deep-water exploration lead to a progressive increase in capital investment. Considered a sector of strategic importance, Agip Petroleum Exploration continued to purchase exploratory blocks in the Gulf of Mexico, at depths of between 1,000 and 3,000 meters, where operations continue. Between 1957 and 1975, in parallel with these upstream activities, Saipem participated in a number of engineering and construction projects in the USA, working on innovative offshore drilling technology. Results included the development of the Scarabeo jack-up, which went on to carry out drilling operations in Europe and the Middle East; in addition, three semi-submergible drilling units were installed, and the Castoro Sei vessel is constructed for the laying of pipelines, while additional technology for the recovery of manganese nodules was developed on behalf of the Ocean Mining Association. The know-how acquired by Saipem in the course of these developments has been put to good use in all its subsequent operations throughout the world. On a smaller scale, the activities of Snamprogetti in the USA lead to involvement in a number of projects, in particular, the supply of basic engineering services for the MTBE plant.

The petrochemical industry grew fast in the 1960s, almost exclusively in Southern Italy as a result of a strategy of state-led development[158] [159]. Political interferences clouded the horizon of the Montecatini-Edison merger (the chemical group was rechristened Montedison in 1970 and created Montefibre in 1971 by merging Chatillon with other group's affiliates) and internationalization ranked pretty low among managerial priorities. While output grew faster in 1951-1969 in Italy than in the rest of Europe, at 31% in 1968 the export share in production was lower in Italy than in Switzerland (90%), Germany (48%), and France (32%), although higher than in the United Kingdom (21%). Moreover, foreign branches contributed a paltry 8.7% of the Italian chemical industry's production, much lower than for Swiss (70%), French (33.5%), British (26%),

[158] Law 634 of 26 July 1957 obliged State-owned enterprises to place at least 40% of new investment in Southern Italy, although this target was seldom reached (Coltorti 1990; Ricciardi 2006). The public share in total chemical investment soared from around 20% in the 1950-60s to 40% in the early 1970s (Lanzavecchia *et al.* 1996).

[159] For half a century IRI maintained a relevant stake in Montecatini – in 1946 it held 8% directly and an additional 10% through IRI banks.

American (16%), and German competitors (13%)[160]. Montecatini-Edison was the world's tenth-largest chemical group by turnover and was present in 20 countries, but its foreign branches accounted for only 7% of total turnover.[161] Sales in the US, in particular, were equal to only 1% of turnover[162].

Montedison crisis deteriorated in the 1970s and was accompanied by a further retrench from foreign markets. The situation changed rather abruptly in the early 1980s as the company emerged from a long and painful process of restructuring (Mutinelli 1995 and Onida and Viesti 1987). In 1983 Montedison set up a joint venture with Hercules: Himont ranked first in Europe and in the United States in the polypropylene sector and was by far the main Montedison foreign affiliate, with 1,000 employees and over LIT700 billion in turnover.[163] Himont was a good example of a new internationalization strategy based on strategic alliances with foreign firms. The crucial investments in new technological competences, in association with the collaboration with foreign enterprises, finally opened important possibilities for internationalization.

Montedison tried to follow a similar strategy for its pharmaceutical and fine chemical divisions.[164] Erbamont, a holding company incorporated in the Dutch Antilles that controlled Farmitalia-Carlo Erba, was quoted on the NYSE in June 1983.[165] The internationalisation process was build on cross-licensing and co-marketing agreements with main international competitors and on investments aimed at controlling research centres, mainly in the United States. (Onida and Viesti 1987). In 1985 Ausimont, the Montedison subsidiary making specialty plastics, such as wire coatings, for the construction industry, merged with Compo Industries to create a new

[160] In 1968 Italy's eight largest chimica compagnie had total sales of LIT2,211 billion, compared with LIT3,327 billion for Germany's top 3 and LIT3,207 for the United Kingdom's top 4 (R&S – Mediobanca 1970).

[161] Other Italian compagnie included SNIA Viscosa (56th) and ANIC (65th).

[162] In 1968, Chatillon (the mother company of the Montecatini-Edison chemical fiber enterprises; like Farmitalia in the pharmaceutical sector), exported 45.3% of production 1968, its European subsidiaries accounted for 6.6% of total sales and the North American ones for a further 1.2%. Other Italian chemical firms had slightly higher internationalization coefficients – although still much lower than foreign competitors'. SNIA Viscosa (which was by then also under the Montedison spere of influence) exported 34% of Italian production, its foreign subsidiaries accounted for 16.5% of total sales and the United States accounted for 0.7% of sales (0.9% for the whole of North America). The figures for ENI's ANIC were similar. See R&S – Mediobanca (1970). Nei primi anni Settanta risultavano avere una società controllata commerciale negli USA la Snia e Farmitalia del gruppo Montedison, la Sclavo-ANIC dell'ENI (farmaceutici), la Rumianca del gruppo Sir e la Mazzucchelli (IFI); la Pierrel del gruppo Liquigas, attiva nel settore farmaceutico, risultava avere negli USA un investimento diretto produttivo, il gruppo Liquigas per sua parte aveva 2 controllate impegnate in attività produttive, una in attività commerciale e una finanziaria. Infine è interessante segnalare la presenza di un investimento diretto produttivo negli USA della Oronzio De Nora (produzione di impianti chimici). (Cacace, 1975)

[163] In September 1987 Montedison acquired the majority share (a week later the 1987 NYSE crash favoured a 50% market value decrease).

[164] In the mid-1970s, Farmitalia-Carlo Erba had a commercial presence in the United States (Cacace 1975). After WWII, Italian pharmaceutical firms, which had never played a significant international role, also saw their share of the domestic market decline. Italy (and Japan) did not protect pharmaceutical products, limiting patents to process technologies until 1978: as a result, firms did not invest in R&D in Italy, concentrating on process innovation to produce existing molecules (see Henderson *et al.* 1998).

[165] Hercules exchanged its ownership interest in Andrea Laboratories, a US-based drug company, for an equity interest in Erbamont.

international specialty chemicals company.[166] In 1986 Ausimont Compo paid US$55 million to acquire Allied-Signal's fluoropolymer plant facilities in Orange, TX, and Elizabeth, NJ.

A stricter focus on core business built the basis for internationalization: Montedison's foreign turnover (export + production abroad) rose from 35% in 1983 to over 40% in 1986. Foreign production rose from 7% at the end of the 1970s to 16% in 1985 (with a 1990 target of 30%). Unfortunately, in the 1990s, the merger between Montedison (now under the control of the Ferruzzi group) and state-owned Enichem to create Enimont took a heavy toll. Even if Himont was excluded from the ultimately failed merger, it was subsequently sold to Shell in order to improve Montedison liquidity ratios (Bianchi 2003).

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While Italy had long had a tradition in the fashion industry (including clothing and textile manufacturing, as well as shoes and accessories), exports were exclusively supported by foreign buyers and no direct investment was necessary.[167] A new era opened after the war. Count Emilio Pucci built on his personal transatlantic contacts to weave long-term relationships with both Hollywood stars such as Marilyn Monroe and major New York department stores. In fact, short of arising out of a peculiar national quest for beauty and an obsession with personal appearances, Italian fashion benefitted from continuous interactions with the United States for its growth and development. American mass-production techniques and technology helped Italy's fashion industry profit from a growing Italian domestic consumerism and burgeoning ready-to-wear markets in both Europe and America. Critical for Italian success in the American market were U.S. media, marketing, and advertising self-interests, augmented by adaptation of Italian style to American tastes (White 2000).

By 1965, Italian style--couture, boutique, and ready-to-wear--had become internationally recognized and appreciated as a serious challenge to French (and American) fashion. Italian haute couture and prêt-à-porter *maisons* set up their own stores and supporting sales networks.[168] Gucci became the quintessential Italian luxury brand, patronized by Jacqueline Kennedy and Grace

[166] Ausimont Compo was the parent company for the group's fine chemicals companies in Italy (Ausimont, Monte-Fluos and Dutral) and the United States (Ausimont USA and Compo Industries). See Onida and Viesti 1991.

[167] In 1929, for instance, the United States absorbed 47% of hat exports, which in turn accounted for 4% of Italy's total exports (*Movimento economico*, 1930). The export market was very important for firms such as Borsalino (see ASBI, Consorzio sovvenzioni su valori industriali, cart. 354, fasc. 11, p. 2, 12 August 1922).

[168] In 1950 the Amalgamated Clothing Workers of America (CIO), the Greater Clothing Contractors Association, the Refugee Relief Program of the State Department, the National Catholic Welfare Conference, and the Inter-governmental Committee for European Migration organized a program to transport 1,000 Italian tailors ane emply them in the New York garment industry (see "Italian Refugee Tailors Find Jobs Waiting in U.S.," *Business Week*, 12 November 1950).

Kelly, and added branches in Palm Beach and Beverly Hills and the former I. Miller store on the corner of 54th Street and Fifth Avenue to the pioneer 7 East 58th Street (or 699 Fifth Avenue?) store opened by Aldo Gucci in 1953 (Forden 2000, pp. 27-8).[169] Gucci's American subsidiary had sales of US$48 million in 1978, although it was barely breaking even. Other Italian stores in Manhattan included Roberta di Camerino, Serapian, Ferragamo … In 1976, "in an eleven-block stretch of Fifth Avenue in midtown Manhattan, there were eleven Italian *botteghe*, each one apparently striving to be the most exclusive shop on its block."[170]

A new generation of Milanese fashion designers, headed by Armani, emerged in the late 1970s and reached global fame in 1982 when *Time* ran a cover article on "Giorgio's Gorgeous Style."[171] These houses soon developed strong links with the U.S. fashion press and had much deeper financial pockets than their predecessors, making it possible for them to open larger boutiques not only in New York but also in Florida, California, Aspen, and elsewhere. For instance, in 1981 Gianni Versace opened his first American store in Miami, the city where he was ultimately killed in 1997. Armani Brioni (1982) Ferrè Krizia Missoni Prada (1986) Zegna (1990) By the end of the decade, the United States represented the main market for most of them.

The internationalization of mass-market production companies, which had copied the U.S. experiences to grow, took place at a later stage and followed an incremental path. GFT, which held 40% in a joint venture in Mexico to produce relatively cheap apparel for export to the U.S. market, strove for a higher value investment by acquiring Riverside Manufacturing in North Carolina in 1987 (Forti and Viesti 1994). GFT, which was already cooperating with Giorgio Armani and had set up a sales subsidiary in the United States, also launched a partnership with American stylist Zack Carr to produce women's clothing. In the late 1980s, the United States accounted for a quarter of GFT turnover (Onida and Viesti 1987). In the decade, U.S. sales rose from US$7 million to US$250 million.[172] Benetton also had a North Carolina factory, although its large investments went towards establishing a network of franchised stores, raising from roughly 250 in 1983 to 690 in 1987, before a rationalization strategy that led to the closure of almost 400 stores in five years.[173] Marzotto has also had a U.S. subsidiary since 1985. In 1991, the U.S. employment of Italy's 10 largest textile and clothing companies totalled 1,684, as opposed to 3,740 in Germany and 1,737 in Mexico (Forti and Viesti 1994, Tab. 8, p. 53).

Altri ID produttivi negli USA a fine 1974 censiti da Cacace

O.M.I.(telemetri) (Gepi);

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[169] Aldo Gucci's first associate was Frank A. Dugan, who would remain counsel to Gucci for many decades (see "Dugan, Frank Allan," *The New York Times*, Paid Notice: Deaths, 1 December 2006).

[170] "Quinta Strada," *Time*, 31 May 1976. The figure is slightly different according to a previous article on *The New York Times*, "the 10-block stretch between 51st and 61st Streets currently houses 11 Italian shops, or an even dozen if the Alitalia office is counted" ("Along Fifth Ave., The Signs Have An Italian Accent," 1 December).

[171] According to one fashion consultant, as much as 70% of the European clothes I. Magnin and Bergdorf Goodman merchandised at the time were Italian ("Suiting Up For Easy Street," *Time*, 5 April 1982). For an earlier article, see "Milan Comes of Age As a Fashion Capital," *The New York Times*, 13 October 1977.

[172] "New Head for Gold Toe Socks," *Fortune*, 21 May 1990.

[173] Stefanel had a less positive experience, as the number of its stores did not surpass 18 in 1989.

SGS-Ates (componenti elettronici) (Stet 60%, Fiat, Olivetti)
Liquigas (2 prod., 1 comm., 1finanz.)
Pierrel (farmac.) (1 prod.);
Oronzio De Nora (macchine industria chimica) (1 prod.; anche in Germania, Giappone e Brasile);
Carlo Gavazzi (strumentazione elettronica) (1 prod.; anche presente in 3 principali paesi OCSE);
Cinzano (IFI) (1 prod.)

In services, the Italian presence consisted mainly of banks. In 1960, the foreign bank presence in New York was essentially limited to 36 agencies with total assets of US$3.1 billion, eight foreign-owned banks and trust companies, and two investment companies with combined assets of US$133 million. In the 1960s, the appeal of overseas markets increased, causing U.S. banks, led by the New York money center institutions, to aggressively expand their worldwide operations. The growing strength of the dollar made U.S. investments in foreign markets increasingly attractive, and as U.S. corporations expanded their activities abroad, U.S. banks soon followed. An unfavorable regulatory environment for domestic financing also contributed to overseas expansion. Both the voluntary credit restraint program and the interest equalization tax imposed restrictions on the financing of foreign transactions using domestic funds. In addition, the ability to branch or acquire other banks within the United States was limited by statutory or antitrust restrictions.

When Italian banks started crossing the Atlantic again in the 1970s, they did it for structurally different reasons than in the past. This time around, the objective was to tap the liquidity of American financial markets and assist Italian corporates in raising funds, exporting and, less frequently, investing in the United States. BNL, that after the war had grown to become Italy's largest bank by far, opened its New York branch in 1962 – when it was ranked as the world's ninth and Europe's third.[174] Among IRI-owned banks, BCI opened its New York branch in 1969, followed by Credito Italiano in 1973. Invariably, the East Coast remained the first destination, but other locations followed – Credito Italiano for instance opened representative offices in Chicago in 1973 and Houston in 1979, as well as a Los Angeles branch in 1977. Italian banks also became more ambitious in scope – the first Italian bank incorporated in the United States was Banco di Roma in Chicago in 1973, while BCI paid US$93 million in 1982 to acquire Litco Bancorporation, the holding company of Long Island Trust Company in New York, that it then sold to the Bank of New York in 1987. By 1988, U.S. affiliates of Italian banks and bank holding companies had US$37.8 billion in assets, which put the country in the fourth overall place behind Japan, Canada, and the United Kingdom (Graham and Krugman 1989, Table 1.7).

Sometimes such ambitious expansion plans and the multiplication of overseas locations proved much more difficult to manage and oversee than the headquarters envisaged. For much of the 1980s, BNL Atlanta branch helped finance exports to Iraq from the United States and other Western nations. BNL Atlanta's first involvement in underwriting exports began with foodstuffs but quickly progressed to other products, including military weapons. In late July 1989, two

[174] According to the Italian version of the *Stock Exchange Gazette*'s rankings, published in *Bancaria*, No. 1, 1964, p. 747. That year, Italy had the third largest contingent among the world's top 500 banks (67, against 272 for the United States, 68 for the United Kingdom and 32 for Germany) of which ten in the top 100. Six years earlier, the largest Italian bank was ranked 35th and there were 18 entries among the largest 500 (*American Banker* data in *Bancaria*, 1957, No. 2, p. 1078).

employees contacted told the U.S. Attorney's office in Atlanta that the branch manager, Christopher Drogoul, had made, according to their estimates, more than US$1 billion worth of unauthorized loans to Iraq. FBI agents and U.S. bank examiners raided BNL-Atlanta at the close of business on 4 Aug 1989, and Bank of Italy officials secured BNL's Rome headquarters. Those investigations resulted in seven guilty pleas including those of BNL's Atlanta branch manager, Christopher Drogoul, and five other employees.[175] In September 1993, Drogoul pleaded guilty to concealing billions of dollars in loans to Iraq, most of which was not guaranteed by the government, in violation of the bank's own internal limits and also in violation of state and federal laws requiring accurate disclosure to government banking authorities, including the Federal Reserve. Drogoul was sentenced to 37 months in prison. In 1991, the Federal Reserve issued a cease and desist order enjoining BNL's Atlanta branch from continuing its fraudulent practices and assessing a deficiency penalty. In 1995, the Department of Agriculture's Commodity Credit Corporation paid BNL US$400 million in settlement of the bank's claim for over US$450 million filed against the United States in the U.S. Court of Federal Claims.

Table x. Italian Banks in New York

	Fully-licensed branches	Representative Offices
Until World War I	Italian Saving Bank of the City of New York (1896-1932), Banco di Napoli (1911-1941), Italian Savings & Loan Association (1920-1939)	
Intra-war years	Discount National Bank of New York (1918-1927), Banca Nazionale del Reduce (1921-1923), Italian Credit Union (1922-1958), Banca Commerciale Trust Company (1924-1939), Banco di Sicilia Trust Company (1925-1941), Banco di Napoli Trust Company (1930-1941), Italian Cloak Makers Local #48 Credit Union (1941-1946), Italian Dressmakers Local #89 Credit Union (1941-1947)	BCI (1918-1941), Credito Italiano (1920-1941), Banco di Roma (1922-1941)
1945-1962	Banco di Napoli (1949-), BNL (1962-)	
1963-1992	BCI (1969-), Credito Italiano (1973), Banco di Roma (1973), Banco di Sicilia (1977-2001), Banca Nazionale dell'Agricoltura (1980-), Banco della Svizzera Italiana (1981-2000), Banco Ambrosiano Veneto (1982-2000), Monte dei Paschi di Siena (1983-), Cariplo (1985-2001), Banco di Santo Spirito (1988-), Banca Cattolica del Veneto (1989-2000)	
After 1992	Cassa di Risparmio di Firenze (1994-), Cassa di Risparmio di Verona,	

[175] On the political implications of the scandal, see "Lone Wolf Or a Pack of Lies?," *Time*, 26 October 1992 and Whitby (2001).

	Vicenza, Belluno e Ancona (1994-1997), Banca San Paolo di Brescia (1994-1999), Banca Carige (1994-2000), Rolo Banca 1473 (1994-2002), Banca Popolare di Novara (1994-2002), Banca Toscana (1998-2002), Banca Antoniana Popolare Veneta (2000-2003)	

	Fully-licensed branches	Representative Offices
Until World War I		
Intra-war years		
1945-1962		
1963-1992		
After 1992		

Additionally, due mention must be made of a different Italian investor who made his mark in the United States, Michele Sindona. One of Milan's preeminent financiers, Sindona rose to prominence by representing a number of important American firms, such as Crucible Steel, in Italy.[176] In 1963, his Liechtenstein-registered holding, Fasco, joined forces with Nestle and Paribas to make an expected and "upsetting" entry into Chicago-based food packer Libby, McNeill & Libby. In fact this early example of an hostile takeover by foreign interests woke up American business to the new reality of international finance, in which the European pupils seemed to learn fast from their teachers.[177] In 1964 Pasco got a substantial foothold in another US company, Brown, a Berlin, NH paper company. The combined value of the two transactions was US$16.6 million, certainly not a minor sum at the time.

Sindona was also a member of Propaganda 2, a Masonic lodge which tried to undermine Italy's parliamentary system, and had clear connections to the Mafia (Cornwell 1984). In 1972, he bought the Franklin National Bank on Long Island from Lawrence Tisch. Two years later, Sindona's Banca Privata Finanziaria and Banca Unione collapsed shortly after they were merged, with losses estimated at more than US$200 million. This led to the 1974 Franklin bankruptcy, one of the biggest in U.S. banking. In 1980, Sindona was convicted a 25-year prison term in New York for fraud, perjury and faking his own kidnapping. He was extradited to Italy in September 1984, where he received a life sentence for the 1979 murder of Giorgio Ambrosoli, a lawyer appointed to liquidate his failed Banca Privata Italiana. He was poisoned in prison in 1982.

In 1950, Generali took over a controlling stake in Buffalo, an insurance company based in New York state, and in December 1952 the US branch of the General Insurance Company of Trieste and Venice was established. An important partnership with Aetna Life & Insurance, the largest

[176] "He's building a business bridge", *Business Week*, 10 October 1964.

[177] "Going international – in reverse", *Business Week*, 10 August 1963. A combine made up of Fasco investment company and a subsidiary of Banque de Paris et des Pays Bas agreed to put up more than $14 million to buy a 20% interest in the Chicago-based food processor, Libby, McNeill & Libby. Only a few weeks earlier De Gaulle's government had criticized Libby for its plans to set up a major canning operation in the south of France. "Welcome Invaders," *Time*, 24 May 1963.

multi-branch group in the United States, was signed in 1966, under which each company provided reciprocal services to the other's clients while abroad. Since 1966, the branch's operations have been managed by wholly-owned Genamerica Management Corporation. In 1990, the branch changed its name to Generali-United States Branch.

Also in the services industry, Rizzoli opened a 712 Fifth Avenue bookstore in 1963 that is only one part of an art-world project that also publishes its own art and architecture books and has locations in other cities.[178] The Rizzoli Building was owned by the Carraro family of Milan and was sold to the Steadsol group in 1984, together with another building at 2 West 56th Street. Since the Rizzoli Building had been identified in a 1979 study as a prime candidate for landmark status, the project to assemble the parcel (which also included the adjacent Coty building) for a proposed 44-story office-residential tower stirred a long controversy.[179] Rizzoli then moved to 31 West 57th Street, the old Sohmer Piano Building designed by Randolph Almiroty.[180] It also bought Scribner Book Store in 1984, selling it to the Benetton Corporation in 1988.[181] The other old lady of Italian publishing, Arnaldo Mondadori, had opened a small American office in 1951, headed by Natalia Danesi Murray, who in 1966 was appointed as vice-president of Rizzoli in the United States.[182] (1901-1994). In the mid-1980s, Mondadori was on the verge of buying the Atlantic Monthly Press, one of the dwindling number of independent book publishers, but the deal ultimated faltered.[183]

[ci sono poi in Canada le cartiere per produrre (Cartiere Binda, Burgo e di Tolmezzo; e C.R.D.M., gruppo Efim)

7. Italian business in America since 1992

Since the early 1990s, Europe, and Italy in particular, have seen their growth rates relative to the United States (and in fact the rest of the world) slow down considerably. Although the lira devaluation in 1992 opened up new trade opportunities, mounting corruption and political instability arose new concerns about unemployment. In the run-up to creation of the European internal market and the introduction of the Euro, Italian business seemed weak and the country started being described as the weak man of Europe. It is against this background of different elements that seem hardly conducive to any serious modernization – relatively less educated and scarcely language-proficient population, powerful trade unions, unstable political environment,

[178] "Rizzoli grows from 'Museums' to Book Chain," *The New York Times*, 22 August 1984. In 19xx Rizzoli also bought City & Company, which publishes books about New York.

[179] "Dollars vs. History on a Fifth Ave. Block," *The New York Times*, 15 February 1985.

[180] "Once, Long, Long Ago, It Was the City's Rue de la Paix," *The New York Times*, 30 October 2005.

[181] The building was designed by Ernest Flagg, Charles Scribner brother-in-law, in 1913. The exterior and interior are designated landmarks. "Hemingway, Fitzgerald, Wolfe - and now Benetton," *The New York Times*, 6 October 1996.

[182] Natalia Danesi Murray was born in Italy in 1901 and migrated to the United States in 1924. She married William B. Murray (who ran the New York branch of William Morris, the talent agency) and later had a long affair with Janet Flanner, the American journalist and writer. During WWII, Danesi Murray directed the press bureau, Office of War Information, and in 1945 headed the Special Projects Division of the United States Information Service in Rome.

[183] "Atlantic Monthly Press Is Sold by Zuckerman," *The New York Times*, 22 May 1986.

and unfavorable business climate – that Italian business has made an unexpected – albeit still tentative, slow and incomplete – transformation towards multinationalization.

The traditional market-seeking motivation has remained of paramount importance, especially when a productive presence in the United States is seen as necessary to jump over tariff and other trade barriers. The case of pasta makers is exemplary as they have been motivated by the desire to cash in on America's voracious appetite for pasta of all kinds, as well as by the need to contour tariffs imposed by Commerce Department in 1995. Barilla, which then controlled 33% of the Italian market, opened a US$115 million factory in Ames, IO, in September 1998.[184] More recently, Fila, a producer of writing instruments (pens and pencils), reacted to the strengthening of the euro *vis-à-vis* the dollar by buying one of its main U.S. competitors, Dixon of Orlando, FL, and its low-cost plants in China and Mexico.[185]

The United States also played a non-insignificant role in Parmalat's global growth (Goldstein 2004). The first acquisition was Atlanta Dairies, one of Georgia's three largest milk producers, in 1993. Looking for a springboard into the U.S. milk market, Atlanta's attraction seemed to be its Olympic visibility – "enough to make any marketing organization really excited" according to the president of Parmalat America. It then purchased six dairies in 1998-99, most of them small, all in the East and most of them in New Jersey, boosting company sales by almost US$ 500m. In the late 1990s Parmalat targeted the biscuit and cracker industry, traditionally dominated by two companies – Nabisco (a division of Kraft) and Keebler (a division of Kellogg) – that compete in most markets across the country and in most product categories. By acquiring Archway and Mother's Cake & Cookies, both held under holding company MA Holding, from Specialty Foods Parmalat has become a leading actor within the second tier. With supermarkets open seven days a week, some round the clock, American consumers treat fresh milk as a commodity and they have traditionally proven less than enthusiastic about shelf-stable and proprietary products. Best-known for its long-life, boxed milk, Parmalat faced obstacles in establishing its name in the marketplace as a fresh milk producer, despite a US$ 24m investment to change the existing fluid plant to full corrugate and build new construction housing ESL and UHT processing facilities. The early move to replace the well-known Atlanta Dairies' name with its own did not go down well with consumers. Faced with evaporating sales for a product priced up to US$ 1 more a gallon than private-label store brands, Parmalat reintroduced its products as Parmalat Atlanta Dairies – enabling the company to turn a profit in 1996. Having signed an exclusive agreement in 1996 to distribute Coca-Cola's new line of Minute Maid fresh juice products in Georgia, Parmalat also co-operated with the international beverage behemoths to market their products with high-visibility display cases at convenience stores.

Parmalat then decided to extend its operations to the state of New York, and has indeed remained the only foreign-owned firm left in U.S. fluid milk markets. To match the different requirements

[184] The Parma-based company also launched a radio campaign which, for a US$300,000 investment, succeeded in raising its market ranking in the New York market from 58th to second (Villa XXXX). In 1952, Pietro Barilla had travelled to New York to observe packaging, advertising, production, and distribution methods. This resulted in the decision to invest heavily in advertising, charge well-known graphic designer Erberto Carboni with creating a new image, and make the "Barilla blue" background the standard for all packaging.

[185] In a recent book on the restructuring of Italian industry, Salvatore Rossi defines this strategy of reacting to exogenous turbulence through even more ambitious reactions a "queen attack."

of American consumers, Parmalat also partnered with Combibloc, a competitor of Tetra, to develop an innovative easy-to-open packaging. The company appeared to set its own pace, considering consolidation more than gobbling up companies, although this also meant losing out against Dean and Suiza when bidding on proposed acquisitions. In its diversification approach on the U.S. market, the company emphasized its Italian roots, opening Gelateria Parmalat in Buckhead, an Atlanta suburb, in 1995. The frozen confection was reportedly creamier than traditional American ice cream, the range of flavors broader, and the shop, designed by a pair of Italian architects, more "high-tech". In 2000-01 a line of functional refrigerated milk products and the Gelato Mix flavored milk drink were also launched. The latter was awarded a trade prize as one of the industry's best launches for 2001. To generate interest among kids, the company teamed up with Sesame Workshop/Columbia Tristar Television Distribution to license the use of Dragon Tales and its logo on the milk boxes. The launch was successful as the product is merchandised in the juice box aisle and its addition to the product portfolio increased sales of half pints by about 20 per cent.

Beverage maker Campari is another Italian brand that has been active in recent years, introducing Skyy Spirits, a new vodka drink, and buying Martin Miller gin and Glen Grant whiskey in 2005. Campari Usa had been established in 1980, but at then time the Milan headquarters did not have the necessary resources to increase market share (Vergani 1990, p. 224). Interestingly, Campari's name was already famous in the United States for very different reasons. The inside front cover of the November 1983 issue of *Hustler* featured a "parody" of an advertisement for Campari Liqueur entitled "Jerry Falwell talks about his first time." Jerry Falwell brought this diversity action in the United States District Court for the Western District of Virginia, stating in his complaint that publication of the ad parody entitled him to recover damages for libel, invasion of privacy, and intentional infliction of emotional distress.[186] In 1988, in *Hustler Magazine, Inc. v. Falwell*, the United States Supreme Court held that the First Amendment's free-speech guarantee prohibits awarding damages to public figures to compensate for emotional distress intentionally inflicted upon them unless they can show that the statements that gave rise to the distress were false and that the person that made those statements knew they were false or acted with reckless disregard for the truth in making the statements. *Hustler*'s parody did not satisfy this standard, and so the Court reversed a jury verdict in favor of Falwell awarding him US$250,000 in damages.

For resource-seeking motivations, the exemplary case is that of Eni, that in 2005 purchased the assets of Armstrong Alaska, including 104 oil and gas leases on the North Slope encompassing 341,500 gross acres onshore and offshore in state and federal waters.[187] Eni has shown recent interest in LNG in the United States, taking capacity of 600 million cubic feet daily for 20 years at the proposed Cameron terminal in Louisiana.

Possibly the most interesting new development is the increasing share of FDI deals that are driven by the strategic need to seek assets of different nature. Sometimes these acquisitions are global and the interests which are taken over in the United States are only a part of the deal. Founded in

[186] This parody was modelled after actual Campari ads that included interviews with various celebrities about their "first times." Although it was apparent by the end of each interview that this meant the first time they sampled Campari, the ads clearly played on the sexual double entendre of the term.

[187] Eni also inherited Armstrong's minority working interests with Pioneer Natural Resources and Kerr-McGee in northern Alaska, including the proposed Oooguruk and Nikaitchuq developments.

1947 by several former DuPont employees, Chemtex employs more than 800 specialists that provide engineering, procurement and construction management (EPCM) services to process industry customers worldwide. Originally based in New York, the company was purchased by Mitsubishi Corporation in 1989, relocated to Wilmington, NC in 1999, and was finally acquired by Gruppo Mossi & Ghisolfi of Tortona in December 2004. Chemtex maintains EPCM capability in both Mumbai and Bangalore in India and at Shanghai and Beijing in China, set up an Italian subsidiary in 2005, and has recently opened an additional engineering center in Philadelphia. The acquisition of Pioneer Investments by Unicredit (then known as UniCredito Italiano) was partly similar since the Italian bank had very little skills in asset management at the time. The Boston-company, on the other hand, operates in 17 countries, employs over 1,700 people and manages €121 billion worth of assets. Its flagship U.S. equity fund, Pioneer Fund, is the fourth oldest U.S. mutual fund. Alpinestars is a world leading manufacturer of professional racing products, high-performance apparel, technical footwear and clothing. Its offices in Torrance, CA, are an integral part of a sophisticated business model built on innovation, continuous interactions with customers and suppliers, a multi-country supply chain (Corò and Micelli 2006).

Sometimes, for Italian multinationals U.S. acquisitions have been a strategic tool to participate actively in a global consolidation movement. NYSE-listed Luxottica has made no fewer than three big-ticket acquisitions in the last decade. In 1995 it bought US Shoe, a specialty retailing company whose optical division, Lenscrafters, is the largest group of optical superstores in North America.[188] Sunglass Hut, another specialty niche retailing, was acquired in 2001 in a cash tender and in June 2007 Luxottica took over sunglasses maker Oakley in an all-cash deal worth about US$2.1 billion. This has made the company the industry's No. 1 player worldwide, with the sports brands, luxury brands and optical retailers. Novamont bought the Eastar Bio co-polyester business from Eastman Chemical and became a global leader in biodegradable polymers. A serendipitous trajectory is that of Mondadori, that in 2001 created a Spanish publishing powerhouse (Random House Mondadori, RHM) from the joint venture with Germany's Bertelsmann. RHM now sells in the U.S. market through Random House Spanish.

Finally, there are a few cases of portfolio diversification. In December 2006, Ifil, the holding company of the Agnelli family, bought 67.5% of Cushman & Wakefield, the property services company, from the Rockefeller Group for US$563 million.[189]

[188] In 1982, current CEO Claudio del Vecchio, then 25-year old, moved to New York to manage Luxottica's small American operations. He soon bought Luxottica's distributor, Avant-Garde, and contributed in the rise of its turnover from US$28 million to US$100 million. In 2001, Retail Brand Alliance, a company privately owned by del Vecchio, acquired Brooks Brothers from Marks & Spencer. See "Claudio Del Vecchio: "Gli Americani? Ci snobbavano"", *Economy*, 29 June 2007.

[189] Rockefeller is owned by Mitsubishi Estate of Japan.

7. Italian business in America in comparative perspective

What have we learnt from this long excursus, not only about the U.S. investments of Italian multinationals, but also more generally about Italian big business and its internationalization? Is there anything distinctively Italian in that country's international direct investments, particularly in the United States? How have Italian investments in the United States differed from those of other nationalities? Have Italian businesses in the United States become more alike over time with those of other European countries?

First, Italy is a late-comer and until the recent past preciously few of its firms have accumulated the necessary ownership advantages to expand internationally, *a fortiori* in distant markets such as the United States. While, by the 1880s, French, Dutch, Japanese, and other MNEs were all investing in the United States (Wilkins 1982, 2005), the Italian business system was still largely incipient. But context is important and is always evolving, thus opening new opportunities to new comers such as Italian business. Fiat, Gualino, and the banks all took advantage of such opportunities, although the overall size of Italian investments never reached very considerable proportions. WWII provoked a discontinuity in Italian FDI in the United States, although not on a size comparable to Germany and Japan. In the 1950s Olivetti was the first Italian company to place a large bet in the U.S. market, one which partly failed and to some extent hunted Italian executives for the next decade. In fact, it has only been in the 1980s and them more decisively in the 1990s that we see the number of individual plants, products, and companies in the United States owned by Italian enterprises grow rapidly

Second, for the best part of the 20th century, the international expansion of Italian financial and non-financial companies was linked to the presence of an ethnic community. This was also true for the United States, although the modalities were different from those of South America. In Argentina and Brazil, Italian banks supported the entrepreneurial projects of Italian migrants and the internationalization of Italian corporations. In North America, on the other hand, the banks tried to intercept the savings of Italian-Americans to fund projects in Italy (and in the African colonies). An interesting related finding comes from Pirelli which invested abroad very early on the basis of an advanced technology and by the 1920s was really a global multinational by any standard. In the first phase of its multinational development, Pirelli became a global manufacturer of cables and electrical conductors, sharing costs and risks with local partners in Argentina and Spain (Barbero 1990).[190] Moreover, all investments in the tire sector were located in countries where Pirelli had already invested in the cable and conductor sector.[191] In the USA, on the other hand, local tire producers were much larger and the financial need generally higher, this hindering the ambitions of Pirelli, which had no presence in the cable and conductor sector. This made it problematic for Pirelli to exploit its significant organizational capabilities to transfer entrepreneurial and managerial advantages across industries and countries. qui però sarebbe utile vedere se negli archivi c'è qualcosa su pour parler con investitori americani

[190] In Spain, Argentina, and other less advanced countries, Pirelli replicated the strategy used in Italy of securing captive contracts for its cables by investing in electrical companies. See Montenegro (1993).

[191] The first phase investments in cable and conductor created favourable conditions for other fdi: the presence of Pirelli's own cable and conductor factories and its trading companies, permitted the exploitation in tyres of good market knowledge and the prestige of a known trade-name; opened the possibilities of a wider distribution of losses and cost saving on established structures. See Montenegro (1993).

A third crucial finding is that Italian firms, even when they had the necessary firm-level advantages, forfeited the opportunities because they lacked an open attitude to international collaboration. Here the example of Montecatini's incomplete internationalization is paradigmatic. In the 1950/60s Montecatini was uncomfortable with collaborations with much bigger partners, based its development in petrochemicals on internal innovation efforts, and ultimately underplayed the essential value of foreign research collaborations (Bottiglieri 1990 and Fauri 2000). Montecatini refused to enter into cooperation agreements with DuPont for polypropylene production, when doing this would have eased patent granting by USPTO and penetration on the US market (Lanzavecchia *et al.* 1996, p. 255).[192] Pirelli's attempted cross-border mergers and acquisitions similarly highlight the intrinsic limitations of family capitalism insofar as the fear of relinquishing control constrained management options. In fact, American executives working in Italian subsidiaries were generally struck by the contrast between the large number of flamboyant industrial captains and the shortages of middle-level executives.[193]

Fourth, by and large, Italian firms have had no major problems controlling their U.S. operations in a purposeful fashion. This run counters to the findings of Gómez and Jones and probably reflects the much smaller scale of operations of Italian firms relative to such European giants as Unilever and Nestlé, which were reluctant to become too closely involved in the affairs of U.S. affiliates through fears of anti-trust legislation. A complementary hypothesis is Italian firms did not even try to persuade top-notch local managers, and preferred instead to send their own best managers to the United States to gain experience in the world's most testing market. Although the management style at large Italian companies remain relationship-driven and probably more formal than at their US counterparts, differences in management style and culture have become more nuanced.

In fact, a striking constant over this long period is the strength of the personal networks and relationships that Italian industrial captains built with their American counterparts. Alberto Pirelli was a personal friend of GE President Owen D. Young, a fellow member of the Dawes committee. As president of the International Chamber of Commerce, he outlined the amazing financial and industrial progress of the United States and praised its liberal ideas to many an

[192] In fact, the problems run even deeper. The new petrochemical paradigm resulted in a substantial discontinuity, as wider scale and scope economies made the investment needs much greater than in the past (Amatori 1990). Montecatini diversified away from polypropylene, exceeding the limits of its own financial and managerial possibilities until "the need of external resources became clear" (Saviotti 1990). Montecatini was keeping in the 50s an aggressive stance to remain in control of the home market: pur non avendo più nel secondo dopoguerra la sufficiente forza finanziaria e politica continuava a tentare di mantenere una posizione dominante sul mercato chimico nazionale, ostacolando le iniziative di entrata e associandosi ad ogni nuova iniziativa esterna che non riusciva ad arrestare; non comprendere la non ulteriore praticabilità di questa impostazione strategica in un quadro di crescente apertura commerciale, avrebbe condotto il gruppo alla crisi. La Montecatini aveva conseguito dei risultati importanti con mezzi "artigianali" rispetto all'organizzazione dei competitori internazionali, ma mentre un approccio empiricista poteva funzionare in mercati relativamente protetti e facili, vicini, risultava perdente di fronte all'intensificazione della concorrenza internazionale tra gli anni cinquanta e sessanta: i suoi successi in un quadro di ritardo manageriale, organizzativo, di impostazione dell'attività innovativa ponevano le premesse di un declino competitivo. See Bottiglieri (1990).

[193] "Land of Autocratic, Energetic Business Giants," Time, 12 January 1962 and "First Italian Foreign Investment Seminar Staged by Chamber," *Trade with Italy*, June 1961, respectively.

audience in Europe.[194] Marella Agnelli, famously photographed by Richard Avedon, was one of the lunching ladies to whom Truman Capote played the pet and confidant – as Martha Graham recounts in her memories. *The New York Times* obituary of Gianni Agnelli appeared on Section A, Page 1 and run for 2,566 words – that of a comparable business figure, Harry Oppenheimer of Anglo American fame, was 38% shorter, and that of .[195] In a mesmerizing recent example of the enduring fascination of (some) Americans with the Agnelli family, a *New York Times* book reviewer describes someone's hair as "Euro-wavy like a Fiat heir's".[196]

Fifth, despite the oft-heard argument that the United States is the most attractive place in the world to invest, its business environment has at times proven difficult, if not unpredictable, for Italian firms. The American market might be seen as an "American dream" but in practice it is one of the toughest in the world, both because of its size and because of the highly aggressive behavior of competitors. Olivetti proved to be a case study of the corporate problems that arise when a foreign firm pays too much for a poor company in order to gain a foothold in the United States. More than a decade later, a group of New York City secretaries, backed by members of the National Organization of Women, a feminist organization, picketed the headquarters of Olivetti. They were infuriated by ads promoting "brainy" typewriters that are supposed to eliminate some typing errors made by dippy-looking secretaries.[197] In the TV commercial, the secretary was shown as a vacuous sex kitten who finds that she can attract men by becoming "an Olivetti girl."

In 1995, the Georgia Department of Agriculture, suspended the Parmalat plant's license for one day, citing New Atlanta Dairies for continued violations of codes with unsanitary and malfunctioning equipments. The company was then delivering thousands of 8-ounce cartons to city schools, which served them with breakfast to 20,000 children and with lunches to 43,000. The following year a similar problem surged following a U.S. Food and Drug Administration warning that linked the company to possibly contaminated cream cheese (mascarpone) imported from Italy. Although in both cases Parmalat was cleared, its image was tarnished.

Fast-forwarding to 1997, Generali's image in the United States was hit by a legal battle concerning claims on life insurance policies sold to victims of the Holocaust.[198] Victims of the Holocaust and their heirs struck a deal in January 2007 with Generali, although lawyers who are refusing to participate in the settlement and other Holocaust experts say that the deal will also prevent tens of thousands of other Holocaust victims and their heirs from being compensated, just as new evidence on unpaid insurance policies is being uncovered in Europe. The settlement

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[194] "Praises Liberal Ideal of American Business," *The New York Times*, 30 June 1928; "Pirelli Tells Britons of American Progress," *ibid.*, 21 November 1928; and "American Progress 'Astounds' Pirelli," *ibid.*, 7 May 1929.

[195] See "Harry Oppenheimer, 91, South African Industrialist, Dies," August 21, 2000 and "Giovanni Agnelli, Fiat Patriarch And a Force in Italy, Dies at 81," January 25, 2003; "Umberto Agnelli, Quiet Member of Fiat Dynasty, Dies at 69," May 29, 2004, was 1, 079-word long.

[196] "A Hard Bloke," *The New York Times*, 27 May 2007.

[197] "Rebel Secretaries," *Time*, 20 March 1972.

[198] As lawyers first began investigating Holocaust insurance claims in the late 1990s, they filed lawsuits against more than 20 European insurance companies. All of the lawsuits except those against Generali were eventually dropped or, in the case of German insurance companies, resolved through a settlement between the United States and Germany. See "Holocaust victims settle with Generali," *The New York Times*, 30 January 2007.

provides no acknowledgment of assertions by Holocaust survivors that the insurance company, like many other European insurers, routinely refused to pay death benefits for Jews who died in concentration camps and sometimes demanded copies of policies and death certificates from families who had lost everything. Generali says it was never the company's policy to deny valid claims and in the settlement papers denies any wrongdoing.

The sixth finding provides one possible, albeit certainly partial, explanation for such situation. Petrelli (2005) has argued that Italian investors in New York and elsewhere in the United States have made little efforts to promote the national culture and language, seeing these as strictly non-business activities to be left to government institutions. In this they differed from German and Japanese firms, which on the contrary saw a continuum between business and cultural promotion. This limitation has extended to the broader area of research and teaching of Italian-American relations. ADD SOME DATA ON IVY LEAGUE UNIVERSITIES To make things worse, government institution has done very little to support the internationalization of Italian business, and this is not a new problem. In 1921 already the Italian Chamber of Commerce in New York lamented that diplomats "are neither morally, nor financially in a position to implement [business] functions that should warrant much more substantial allocations in their support".[199]

Finally, we have also tried to understand the extent to which Italian firms with U.S. investments transferred back to Italy what they learnt in America and to what degree has Italy in the broader sense benefited from FDI in the United States. Here the story can only be told on the basis of a few anecdotes on what is now known as "talent mobility". Olivetti's Esterino Piol managed the only Italian venture capital fund in New York, before he went on to become an independent venture capitalist in Milan. Similarly, ATC was a huge bank of talent and opportunity. A number of former Olivetti stayed on in the San Francisco Bay Area, and most members of the Silicon Valley Italian Executive Council (SVIEC) are said to be former Olivetti employees.[200] A particularly successful ATC alumnus is Guerrino De Luca, the CEO of consumer-electronics company Logitech International, a company whose helm he took in early 1998. Logitech, incorporated in Switzerland and with headquarters in Fremont, CA, was then known mostly for selling mice to PC makers and today sells webcams, wireless keyboards, game controllers and speakers.

Andre Meyer, who ran Lazard after the war, and Enrico Cuccia, Mediobanca's founder, were allies and pioneers in modern financial engineering. In 1956, Lazard took a stake in Mediobanca. That connection is also unraveling now.

[199] "Diplomazia commerciale," *La Rivista Commerciale*, 21 August, p. 2 (our translation). One week later the magazine returned to this issue, only to further stress the inability of Rome-based bureaucrats to understand what was needed to promote Italian firms in New York ("A proposito di Diplomazia Commerciale," *ibid.*, 28 August, pp. 2-3).

[200] ATC Cupertino professionals included Enzo Torresi (president in 1979-1982), Tiziana Perinotti (the Olivetti representative in Redmond during a joint venture OEM project with Microsoft to develop the international Windows 2.0 release and the Windows version for the first 386 PCs), Piero Scaruffi, Giampiero Caprino, Marco Paganini, Gianmaria Clerici, Marco Graziano, Gunjan Sinha, Peter R. Jones, Salvatore Amato (now at University of Siena), Antonella Fresa, Mauro Meanti (Microsoft EMEA), and Giovanna Petrone and Marino Segnan (now both at University of Turin).

In the end, what can Italian companies today take away from the experience of their predecessors in the United States? That history in general – and business history in particular – is about change and change is not linear. Generalizations that are legitimate in one period may not be valid subsequently. Case studies of single firms over long periods of time can provide a powerful means to explore central issues such as knowledge transfers and cross-cultural learning processes within multinational firms.

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Annex Table 1. Majority-Owned Nonbank U.S. Affiliates of Italian Companies

	1970	1971	1972	1973	1974	1975	1976	1977	1978
Affiliates								82	107
Assets								2,004	1,680
Assets %								1.40	0.93
VA									
VA %									
Sales								2,120	2,199
Sales %								1.09	0.91
Employees								12,161	11,211
Employees %								1.00	0.78
Exports								331	445
Imports								738	886
R&D								3	4

	1979	1980	1981	1982	1983	1984	1985	1986	1987
Affiliates	122	165	182	195	200	202	204	206	n.a.
Assets	1,861	2,221	2,818	3,711	3,554	3,917	4,423	4,663	n.a.
Assets %	0.81	0.76	0.69	0.78	0.67	0.65	0.60	0.56	n.a.
VA									n.a.
VA %									n.a.
Sales	2,232	2,334	3,399	3,355	3,351	4,506	4,399	4,034	n.a.
Sales %	0.68	0.57	0.67	0.65	0.62	0.76	0.69	0.60	n.a.
Employees	11,552	12,557	14,139	14,472	12,317	13,183	13,593	10,616	n.a.
Employees %	0.66	0.62	0.59	0.59	0.48	0.49	0.47	0.36	n.a.
Exports	446	448	1,013	1,050	1,033	1,283	958	588	n.a.
Imports	951	718	767	612	754	748	813	834	n.a.
R&D	5	9	24	22	15	31	44	36	n.a.

	1988	1989	1990	1991	1992	1993	1994	1995	1996
Affiliates	232	251	257	272	n.a.	268	279	281	282
Assets	22,510	24,819	30,407	22,088	n.a.	20,931	23,401	23,481	21,266
Assets %	1.87	1.73	1.96	1.26	n.a.	1.01	1.06	0.98	0.79
VA			1,260		n.a.				
VA %			1.2		n.a.				
Sales	13,494	15,382	14,058	13,394	n.a.	14,113	15,466	14,769	15,474
Sales %	1.52	1.46	1.20	1.13	n.a.	1.06	1.07	0.96	0.93
Employees	32.4	37.5	40.2	46.4	n.a.	46.5	46.4	52.2	52.7
Employees %	0.84	0.83	0.85	0.95	n.a.	0.98	0.96	1.06	1.03
Exports	1,862	2,458	1,433	1,926	n.a.	1,835	1,131	1,073	1,239
Imports	1,417	1,398	1,540	1,967	n.a.	2,751	3,036	3,292	3,368
R&D	75	96	155	148	n.a.	142	183	183	139

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Affiliates		404	219	228	225				
Assets		21,986	33,868	36,123	36,521				
Assets %		0.62	0.81	0.74	0.67				
VA	3,180	D	4149	4765	4665	5824	5380	6354	7202
VA %	1.0	D	1.0	1.1	1.1	1.3	1.1	1.2	1.3
Sales		16,794	20,328	22,304	22,685	24,140	21,417	23,877	26,132
Sales %		0.90	0.99	0.96	0.97	1.19	1.00	1.04	1.05
Employees		62.2	90.8	89.8	96.1	92.9	89.4	102.3	100.3
Employees %		1.10	1.51	1.38	1.72	1.71	1.70	2	1.97
Exports	2,058	1,341	1,697	1,612	1,512	1,773	1,861	1,866	2,336
Imports	3,122	2,983	3,348	3,567	3,767	3,461	3,224	3,670	3,685
R&D		144	302	253	263	261	234	230	270

D Suppressed to avoid disclosure of data of individual companies

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Annex Table 2. Chronology

Year	Milestones
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1978	Pirelli purchases cable activities.
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1987	Italcementi buys 33% stake of R C Cement.
1988	Pirelli fails to take over Firestone and ends up buying Armstrong.
1989	
1990	
1991	
1992	
1993	
1994	Pirelli Armstrong Tire Corporation sold its Des Moines tire plant to Titan Wheel International Inc
1995	
1996	
1997	
1998	
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2001	
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2003	
2004	Marangoni Tread North America starts production in Madison, TN.
2005	
2006	