

A Survey of the Business Climate in North America

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Overview

- The world is becoming smaller every day
- Global markets are increasingly becoming local markets
- Tremendous business opportunities exist in North America for well-positioned Italian firms
- Main markets include: High-end luxury goods, services, specialty foods/wines, high-tech and innovation, consulting services
- Doing business in North America is fairly straight-forward from an administrative standpoint. Laws and procedures are strictly enforced (in U.S. & Canada).
- Although an economic slowdown is being forecast by some, overall economic conditions are favorable, and will continue to be so



Advantages of Going Global

- **Increase your company's top line revenue growth** and profits
- **Gain global market share**
- **Diversify your business risk**—you are no longer tied to the business cycle of a single market
- **Increase your domestic competitiveness.** Going global increases demand, which can enhance economies of scale in production (lowering your per-unit costs) which in turn help the domestic business as well
- **Avoid having to deep discount excess production**
- **Compensate for seasonal demand**
- **Lengthen a product's lifecycle**
- **Company expansion opportunities**
- **Learn from the international experience.** Gain knowledge of new technologies, new business approaches, foreign competitors

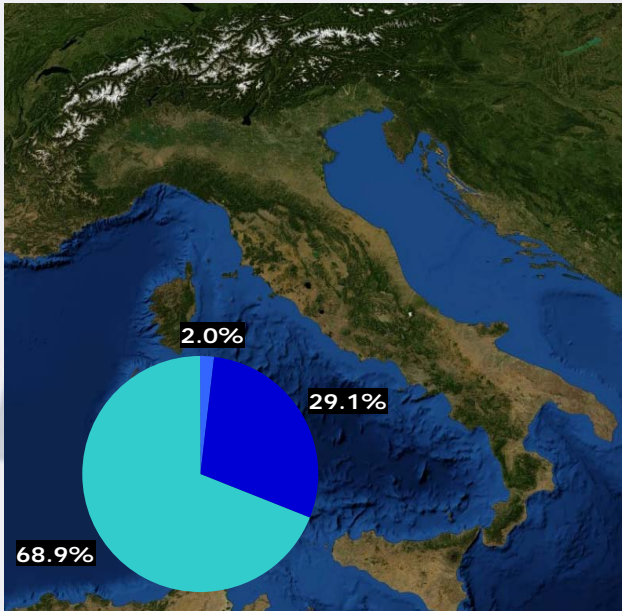


Challenges of Going Global

- Entering a new market requires:
 - Local market information
 - Capital (there are additional costs involved)
 - Local pricing information
 - Management buy-in
- Understanding local laws, licensing requirements, etc.
- Your product may need to be modified for the new market
 - Local labeling and packaging requirements
- Financial risk
- Exchange rate risk



GDP, Growth, Sector Breakdown



GDP \$1.78 trillion
GDP Growth 1.6%



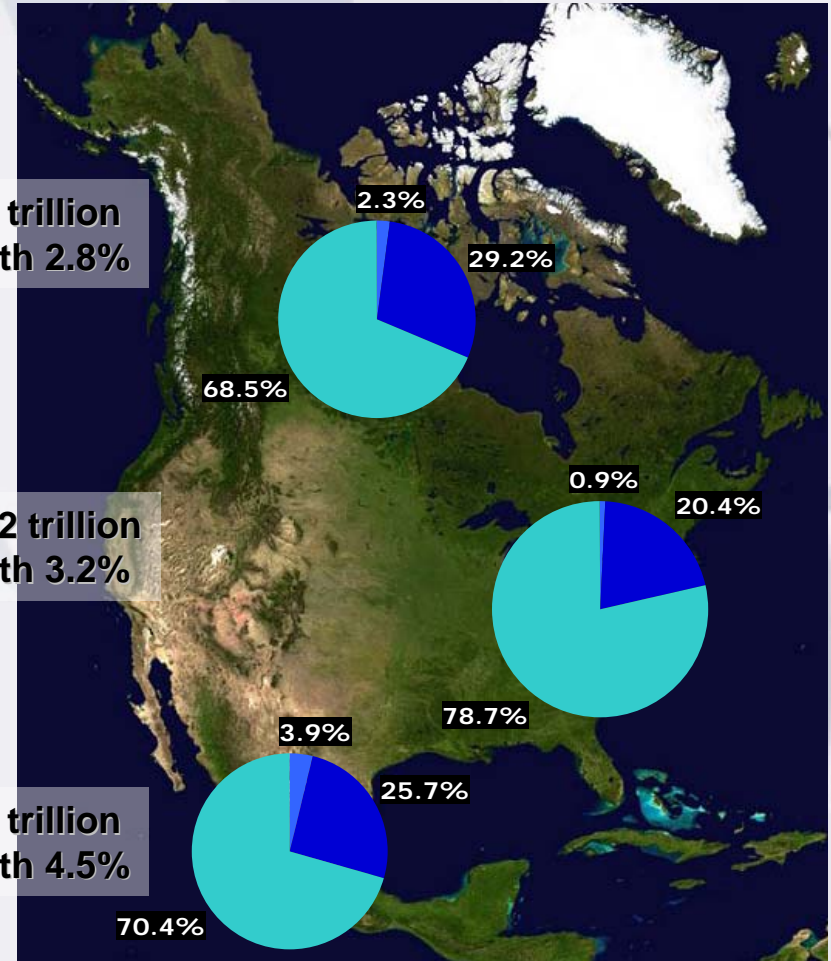
GDP \$1.09 trillion
GDP Growth 2.8%



GDP \$13.22 trillion
GDP Growth 3.2%



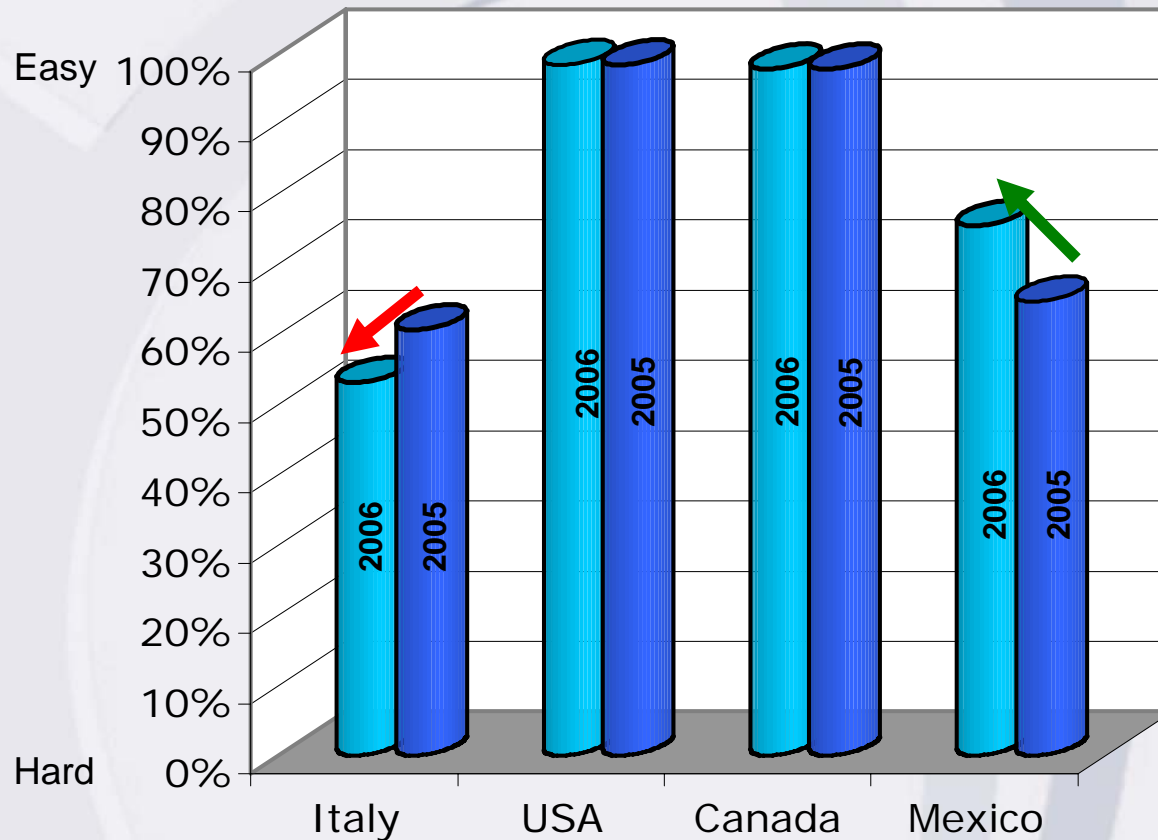
GDP \$0.74 trillion
GDP Growth 4.5%



Note: GDP numbers and GDP Growth rates are 2006 estimates.
Sources: CIA World FactBook 2007, IMF, ABC International Research



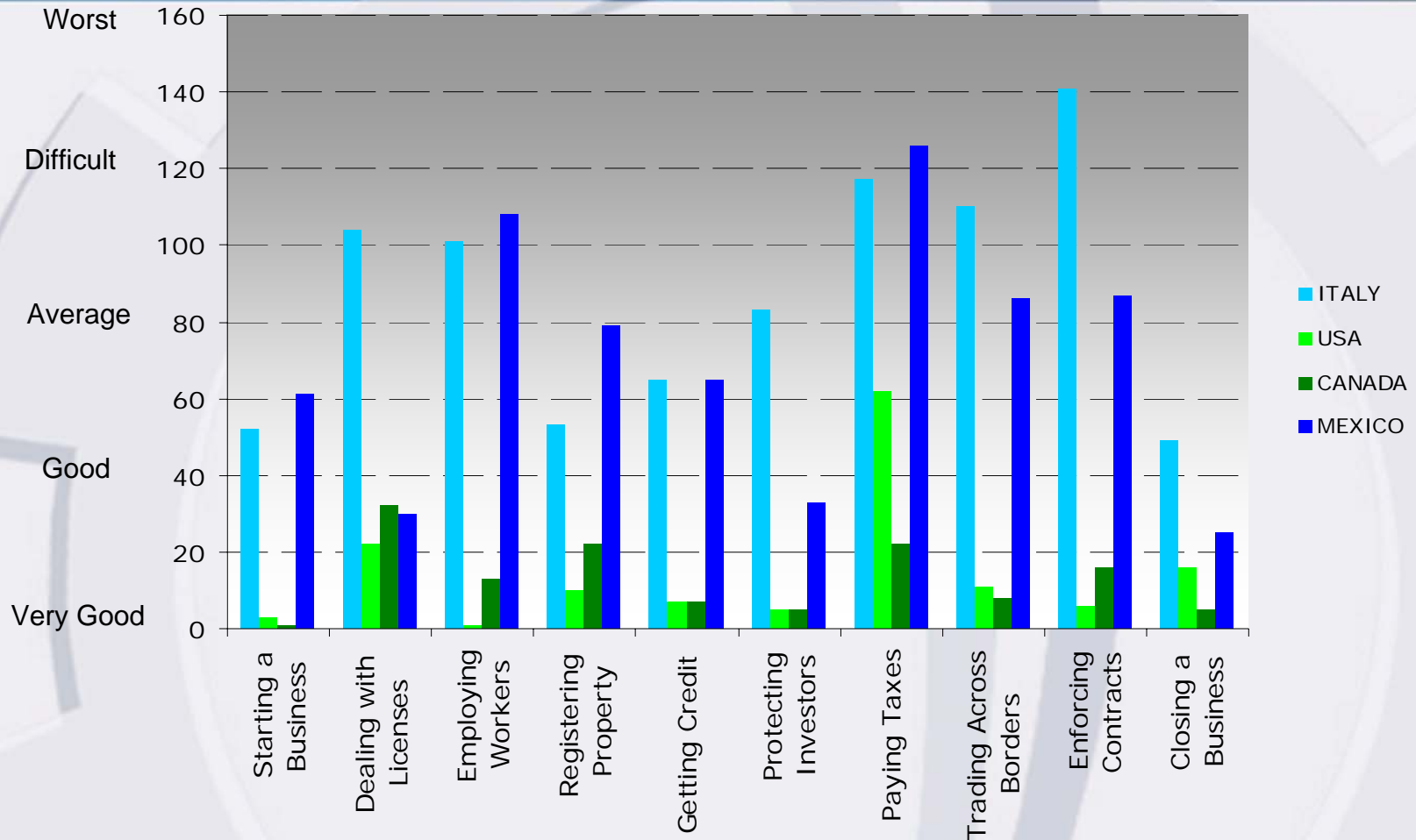
Ease of Doing Business (Overall)



Source: World Bank Group, ABC International Research. Note: Rating is based on percentage ranking of country among 175 comparables.



Doing Business: 10-Point Comparison



Source: World Bank Group, ABC International Research. Note: Rating is based on ranking of country among 175 surveyed for 2006.



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Starting a Business

	Procedures (number)	Time (days)	Cost (as % of income per capita)
Italy	9	13	15.2
USA	5	5	0.7
Canada	2	3	0.9
Mexico	8	27	14.2

Source: World Bank Group, ABC International Research. 2006 Data based on survey of 175 countries.



Licensing Requirements

	Procedures (number)	Time (days)	Cost (as % of income per capita)
Italy	17	284	142.3
USA	18	69	16
Canada	15	77	117.9
Mexico	12	142	104.5

Source: World Bank Group, ABC International Research. 2006 Data based on survey of 175 countries.



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Employment of Workers

	Difficulty of Hiring Index (Lower score is better)	Difficulty of Firing Index (Lower score is better)	Nonwage labor cost (% of salary)	Firing costs (weeks of wages)
Italy	61	40	41.6	1.7
USA	0	0	8.5	0
Canada	11	0	13.6	28
Mexico	33	40	23.9	74.3

Source: World Bank Group, ABC International Research. 2006 Data based on survey of 175 countries. Note: Hiring/Firing Indices are based on a 0-100 point scale with 0=easiest, 100=most rigid. Higher scores imply bureaucratic requirements, requirements to re-assign/re-train staff, etc.



Registering Property

	Procedures (number)	Time (days)	Cost (as % of property value)
Italy	8	27	0.9
USA	4	12	0.5
Canada	6	10	1.7
Mexico	5	74	5.2

Source: World Bank Group, ABC International Research. 2006 Data based on survey of 175 countries.



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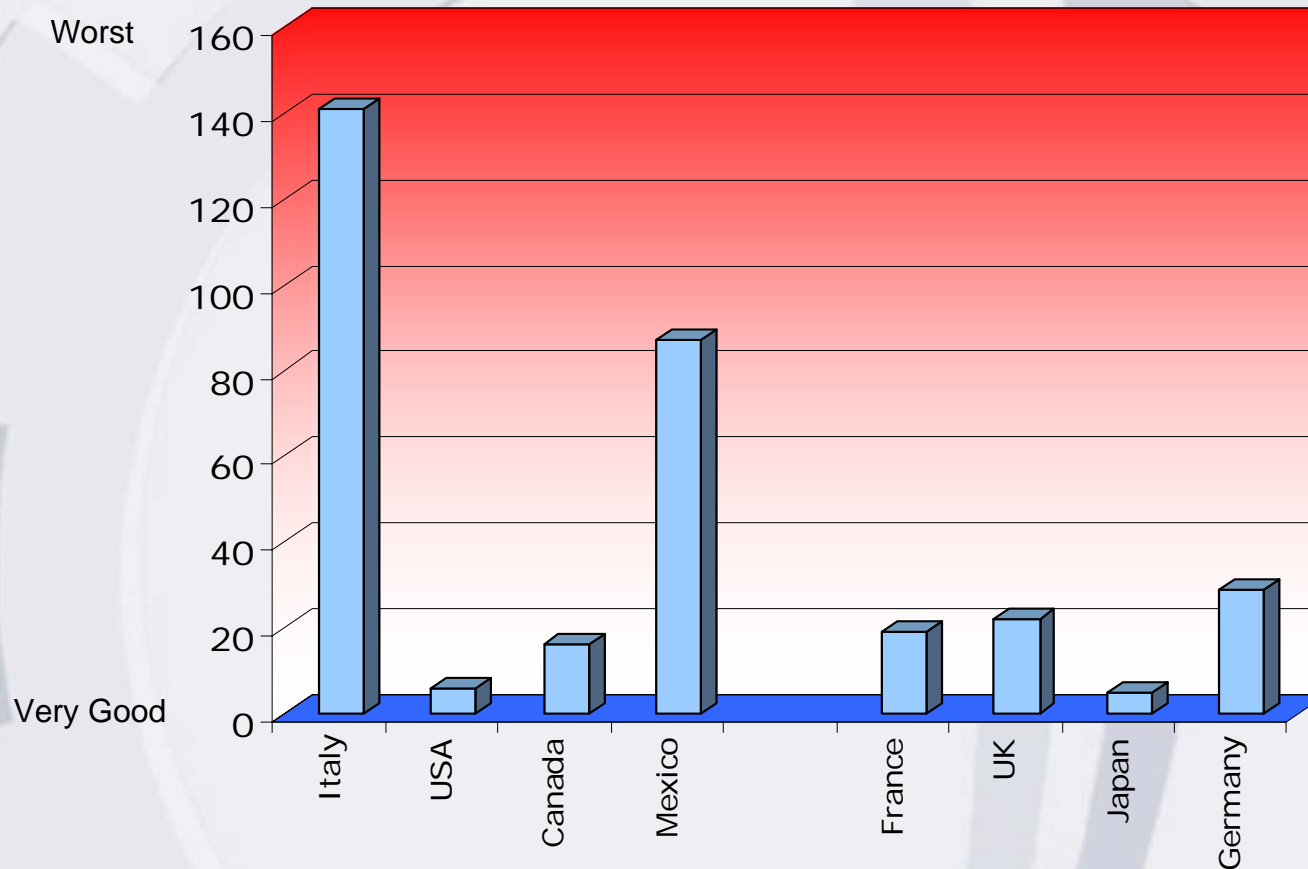
Taxes

	Payments (number)	Time (hours)	Profit tax (%)	Labor tax and contributions (%)	Other taxes (%)	Total tax rate (% profit)
Italy	15	360	26.9	48.2	1	76
USA	10	325	26.6	10	9.4	46
Canada	10	119	20.3	12.9	9.8	43
Mexico	49	552	5.3	30.2	1.6	37.1

Source: World Bank Group, ABC International Research. 2006 Data based on survey of 175 countries.



Contract Enforcement



Source: World Bank Group, ABC International Research. 2006 Data based on survey of 175 countries.



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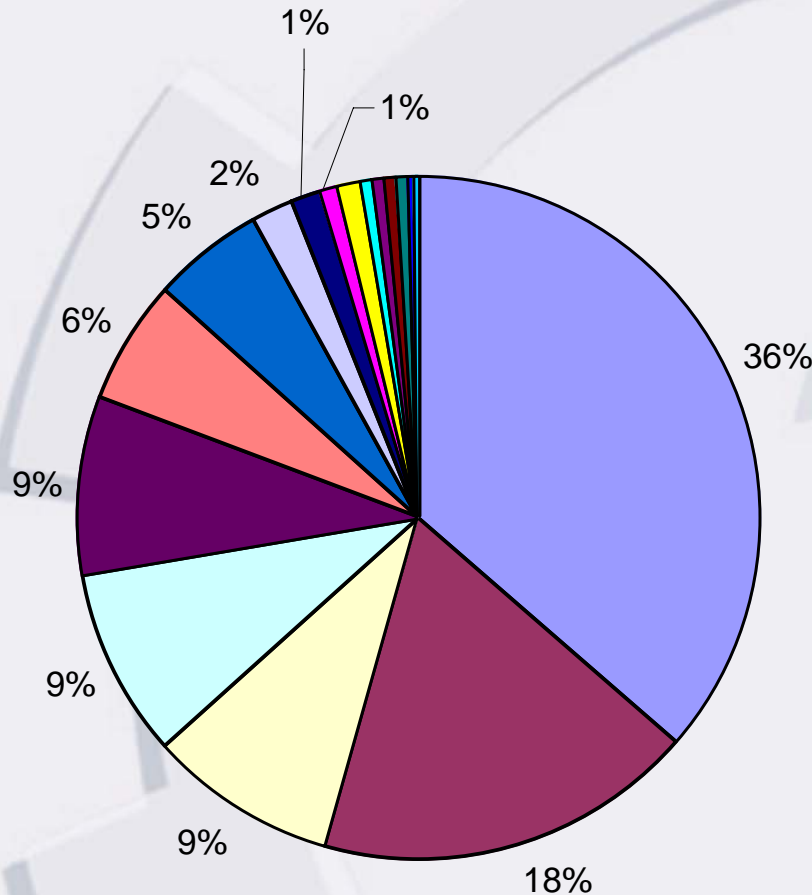
Closing a Business

	Time (years)	Cost (% of total value)	Recovery Rate (Cents on the Dollar)
Italy	1.2	22	39.7
USA	1.5	7	77
Canada	0.8	3.5	89.3
Mexico	1.8	18	63.2

Source: World Bank Group, ABC International Research. 2006 Data based on survey of 175 countries.



Foreign Direct Investment (FDI) Projects in the USA since 2002



- Three quarters of FDI projects involved Manufacturing, Sales, Marketing & Support, Retail, and Business Services



Source: LocoMonitor™, ABC International Research



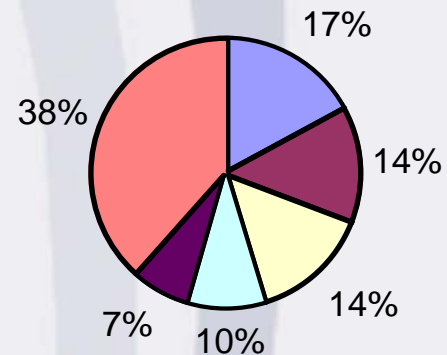
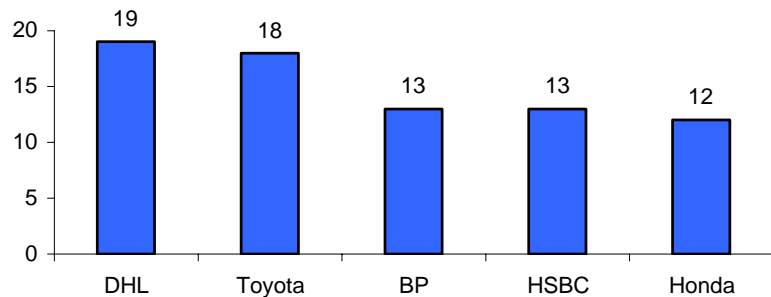
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Who is doing business in the USA?

Source Country of Multinationals Investing in USA

Top Multinational Companies in the USA



■ Japan ■ Germany ■ UK ■ Canada ■ France ■ Other

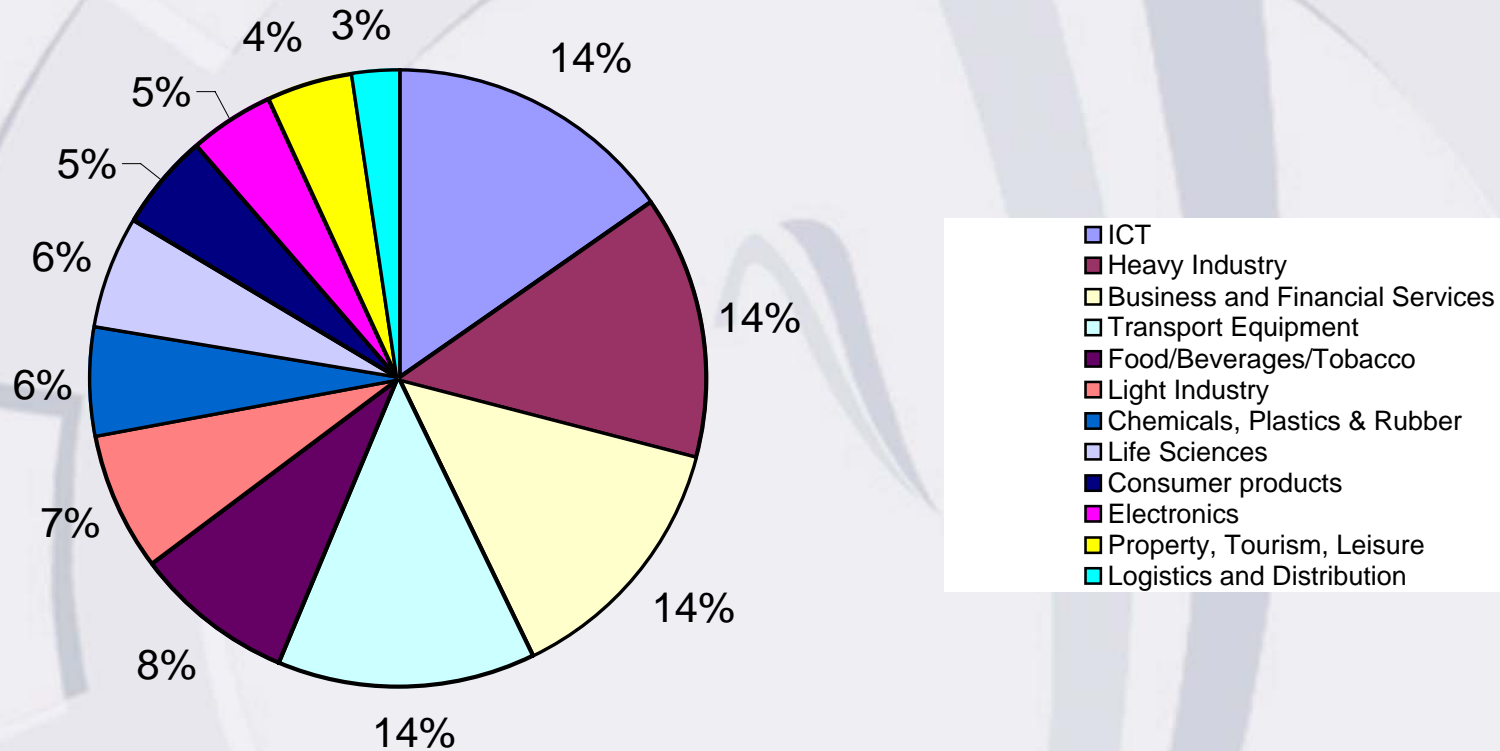
Source: LocoMonitor™, ABC International Research



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FDI Projects in Canada Since 2002



Source: LocoMonitor™, ABC International Research

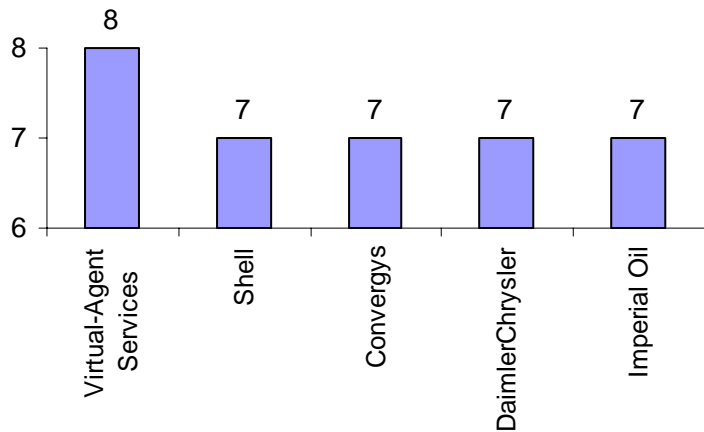


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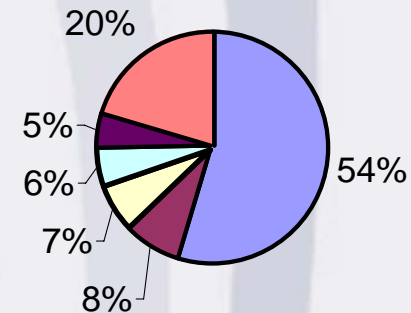


Who is doing business in Canada?

Top Multinational Companies in Canada



Source Country of Multinationals Investing in Canada



■ USA ■ France ■ UK ■ Germany ■ Japan ■ Other

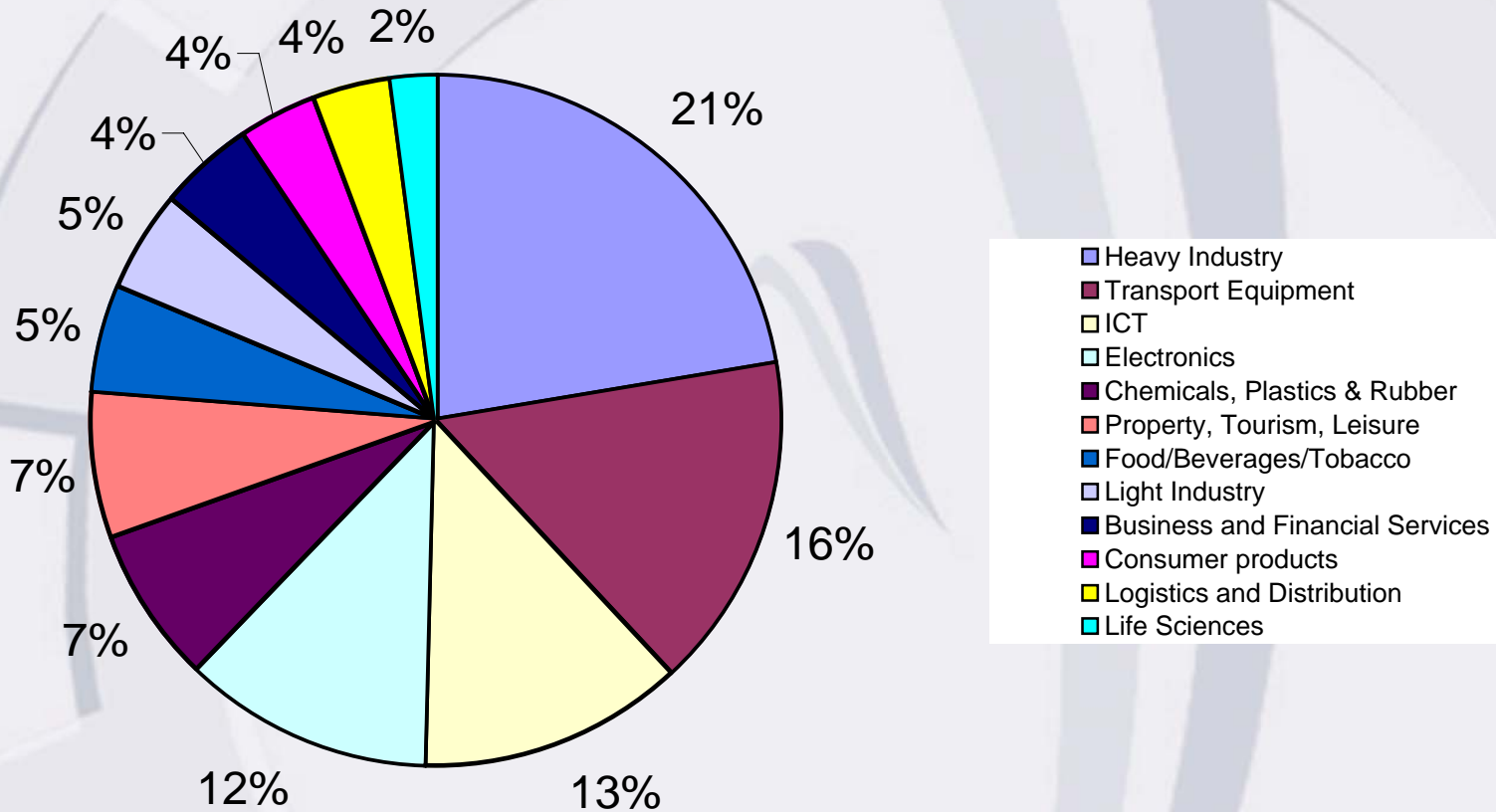
Source: LocoMonitor™, ABC International Research



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FDI Projects in Mexico since 2002

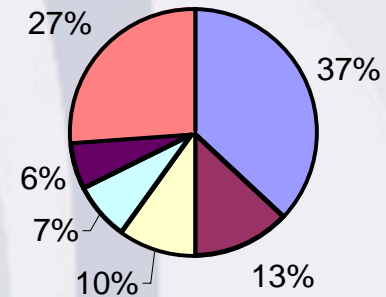


Source: LocoMonitor™, ABC International Research



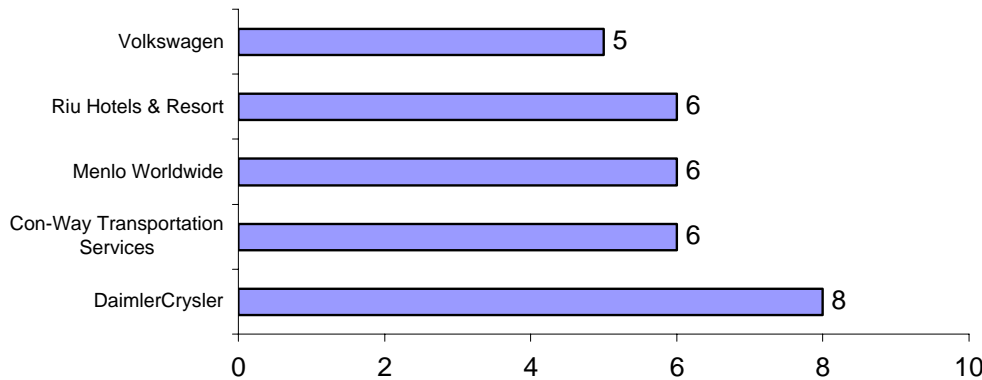
Who is doing business in Mexico?

Source Country of Multinationals Investing in Mexico



■ USA ■ Canada ■ Japan ■ Germany ■ Spain ■ Other

Top Multinational Companies in Mexico



Source: LocoMonitor™, ABC International Research



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Final Thoughts

- United States:
 - A generally easy bureaucratic environment.
 - Economically, Real GDP is expected by some (although Ben Bernanke, Fed Reserve Chairman was fairly optimistic on his 28 Feb speech) to slow in the next four quarters, but could start to pick up by 2008.
 - The U.S. dollar is expected to continue its downward trend, and there is a prospect of lower interest rates.
 - Consumer spending, though appears resilient--the housing market slowdown notwithstanding
- Canada:
 - Straight-forward bureaucratic environment.
 - The Prime Minister is working to implement significant reforms and policy changes for the next two years.
 - Real GDP is expected by some to slow in 2007, as in the U.S. with accelerating growth anticipated in 2008 (owing primarily to an expected growing U.S. economy).
- Mexico:
 - Complex political situation. Felipe Calderon faces huge challenges in governability and will have to work hard at advancing the stalled structural reform agenda.
 - Real GDP growth is expected by some to slow in 2007 (being tied to the U.S. business cycle), and then pick up again in 2008.
 - Widening Trade deficits.

Source: The Economist



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