COUNTRY BRIEFS

Italy Market-Entry Brief

The Italian defense-industrial lane, from Leonardo's US corporations to the family-controlled sensor makers standing up compliant US production in New England.

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THE DIRECT ANSWER

An Italian defense or sensor manufacturer wins Department of Defense work by standing up a compliant US operation: a US entity, a US-person data boundary that keeps controlled technical data inside the American operation, and a floor built to a CMMC Level 2 and ITAR-ready posture from the day it opens. Italy is a DFARS qualifying country, which gives Italian end products a procurement preference against Buy American restrictions. That status is a procurement preference and nothing more: it waives neither ITAR nor CMMC 2.0, and it does not resolve foreign ownership questions. Leonardo reaches the American market through American corporations. The mid-market path is the same move at a different scale, and the data boundary is the build.

The move Italy's large caps already made

Leonardo operates in the United States through two American corporations, Leonardo US Corporation and Leonardo DRS, and employs nearly 8,000 people there out of more than 60,000 worldwide. That is the structural fact this brief turns on. An Italian parent reaches American defense customers through an American operation, not across the Atlantic.

The Atlantic Council's October 2021 issue brief on the US-Italian partnership records the pattern. Italy is the second-largest manufacturing power in Europe, Italian firms are integral to the US defense-industrial supply chain, and they expanded abroad largely by acquiring foreign firms, with the United States among three main markets. It also names the tier that matters here: alongside the primes sits a multitude of small and medium subcontractors specializing in high-quality subsystems and components. That is the shop this page is written for.

> The large caps made the move with corporate development teams and decades of runway. A mid-market sensor, controller, or electromechanical maker makes the same move at a scale where an embedded operator matters more than a department.

What qualifying-country status does, and what it does not

Italy is a DFARS qualifying country under a reciprocal defense-procurement agreement with the Department of Defense, confirmed against DFARS 225.003. That gives Italian end products a procurement preference against Buy American restrictions. Read the sentence for exactly what it says. It is a procurement preference, and the ITAR, CMMC, and foreign ownership regimes all apply in full behind it.

Before anyone quotes you a timeline, know which class of defense work you are chasing. Each class is a different build.

- Commercial and dual-use. Parts carrying no controlled technical data. Needs a US entity and a clean quality system. Most Italian parents reach this class on their own.
- CUI and ITAR-controlled, unclassified. The bulk of sub-tier DoD manufacturing, and where a sensor or automation maker's US defense work lives. Needs DDTC registration, a US-person

data boundary, and CMMC Level 2 in the workflow. A foreign-owned US entity reaches this class without a facility clearance. This is the class I build and run.

- Classified. Needs a facility clearance and FOCI mitigation negotiated with DCSA. That is your cleared-facility counsel's work and DCSA's call. I coordinate with them, and the clearance stays with them.

> Qualifying-country status moves your parts past a procurement preference. It does not move controlled technical data across the Atlantic. The US-person data boundary is what lets your American operation hold that data, and transfers to the parent in Italy happen under DDTC authorization or not at all.

The gap I watch for in an Italian shop

The Italian precision manufacturer has a recognizable shape. Engineering-led, frequently family-controlled, commercially relationship-driven. All three are strengths, and none of them translates on its own into a DoD sub-tier gate. What follows is my judgment as an operator rather than a citation, and I would rather label it than dress it up.

Engineering-led means the product is excellent and the process around it lives in people's heads. A shop can hold a tolerance to the micron and still record the reason for a design change in a conversation instead of a system. An assessor does not accept a conversation, and neither does a prime's flowdown. The undocumented step a skilled European floor absorbs through tenure is the exact step you are asked to evidence. That is the Hidden Factory, and on an Italian floor it hides inside real competence rather than sloppiness.

Relationship-driven means the commercial side runs on trust built over years, and that trust is why your customers stay. American defense sub-tier procurement runs on flowed-down clauses, documented controls, and evidence a third party can audit. The two systems are not opposed, they simply do not translate on their own. My work is building the second one into your floor without breaking the first.

> An Italian shop rarely fails a US defense gate on engineering. It fails on evidence. The work is making excellent practice legible to an assessor without turning your floor into a paperwork department.

New England, and the operator already standing there

New England is the landing zone. My base is Brookline, New Hampshire, and the corridor across Greater Boston and Southern New Hampshire is where the primes and the regional supply base already are.

GEFRAN is why I can say the pattern holds in this corridor rather than in theory. It is an Italian multinational specializing in sensors, systems, and components for the automation and control of industrial processes, and its melt pressure sensors are made in North Andover, Massachusetts, less than an hour from my desk. I ran its North America operations. I have been the Italian parent's operator in the United States, on the ground an Italian precision manufacturer is walking onto.

Be precise about what that plant proves and what it does not. GEFRAN's North Andover line is marketed for the plastics industry, not for the Department of Defense, and I am not presenting it as a defense operation or as a client of this practice. What it proves is narrower and more useful: an Italian sensor maker runs real production in this corridor, and I have run it. The defense layer, meaning the US-person data boundary and the CMMC Level 2 floor, is the part I would be building for you.

> I stand up and run the compliant US operation: the floor, the operating model, the IT and OT build, the US-person data boundary, and the readiness evidence for the gate you are racing. Entity formation, FOCI mitigation, site selection, and any CFIUS question stay with your counsel and a site-selection advisor. I coordinate with them and own the operating outcome.

FREQUENTLY ASKED

Does Italy's defense partnership with the United States waive ITAR or CMMC?

No. Italy is a DFARS qualifying country under a reciprocal defense-procurement agreement, which gives your end products a procurement preference against Buy American restrictions. It is not an ITAR exemption, a CMMC exemption, or a resolution of foreign ownership questions. An Italian-owned US operation still builds the full US-person data boundary and CMMC Level 2 posture. That build is the work, and it is the part I own.

We make sensors and controllers, not weapons systems. Is this defense work?

If your components go into a US defense program, then yes, and it is the controlled technical data that pulls you in, not the product category. High-reliability position, pressure, and force sensors, PID and power controllers: once they are specified into a DoD platform, their design data routinely carries controlled information. The class of work decides the build.

We are family-controlled. Does a US operation mean losing control of it?

This is the first question a family-controlled parent asks, and it deserves a precise answer rather than a reassuring one. Most Italian sub-tier work lands in the unclassified CUI and ITAR-controlled class, which needs no facility clearance, so many Italian makers never enter DCSA's FOCI mitigation process at all. Where foreign ownership questions do apply, the instrument is negotiated between your counsel and DCSA. I am an operations architect, not counsel, and I will not tell you how that negotiation resolves. The operating half is mine: a US-person data boundary sits around controlled technical data, not around your authority as the owner. Designing it so it protects the data without severing the parent from its own operation is exactly the work.

Italy's large caps entered the US by acquiring American companies. Should we?

That pattern is real, and the Atlantic Council records it: Italian defense firms expanded abroad largely by acquiring foreign firms, with the United States among the three main markets. It is also the path carrying the most regulatory weight. Acquiring an existing US business puts CFIUS in play, while a greenfield build is currently outside CFIUS jurisdiction, and Dechert's analysis adds that this exception is not as broad as it may appear. Which path fits you is a question for your counsel before it is a question for me. What changes on my side is smaller than people expect: acquiring a shop means inheriting somebody else's undocumented process, and building one means writing the process before the floor exists. I would rather write it.

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