Italian industrial districts and the dual Chinese Challenge

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In addition to increased flows of international trade, foreign portfolio and direct investments, globalisation led to an intensification of distant labour migrations.

- Also Italy was affected by immigration flows coming from less developed countries and among them from China.

- In recent years many Chinese immigrants settled in some Italian Industrial Districts specialised in fashion goods (clothing, knitwear, leather goods) and gave rise to ethnic businesses.

- The most important instance is Prato, but other districts in Emilia Romagna, Veneto, Marche or Campania experienced a similar phenomenon.
QUESTIONS

• How was it possible that Chinese immigrants could start up businesses in Italian Industrial Districts (ID) specialised in fashion goods for which Italy has gained an international reputation for excellence?

• Which are the probable effects on the district economy and society, if the growth of the ethnic businesses is left to the power of market forces?

• Which could be the effects on the district, if, on the contrary, the growth of Chinese immigrants businesses were also consciously governed?
1- How could the Chinese immigrants start up enterprises in Italian Industrial Districts renowned for fashion goods?

- shortage of local labour supply willing to do subcontracting work and ID productive structure made by Small and Medium-sized Enterprises (SME)

- characteristics of Chinese immigrants mainly originating from Zhejiang Province: manufacturing skills, propensity to start their own business, access to cheap and flexible labour through family and community relations
How could the Chinese ethnic economy grow so fast?

- When the number of the ethnic businesses reaches a critical mass, they start to activate semi-automatic processes:
  - of division of labour (between ethnic firms),
  - of its integration (through ethnic markets of components),
  - of learning (by interacting)
- Those processes generate external economies (internal to the ethnic agglomeration of firms):
  - of specialisation (division of labour),
  - of flexible integration (through ethnic specialised markets)
  - of mutual learning (circulation of information enhanced by the common culture)
How could the Chinese ethnic entrepreneurs transform themselves from subcontractors into final firms?
(specialised in marketing goods made by subcontractors)

- **access to information** about fashion innovation and about changing preferences of sophisticated Western consumers allowed by their location in Italian IDs

- **trans-national and trans-local production and trade economies**, through their relations with the place of origin and membership in trans-local ethnic networks of compatriots all over the world. Ethnic firms start up as trans-national thanks to those relations.

* The success of Chinese ethnic businesses is due to a complex of advantages: some related to their access to cheap and flexible labour, others to the location in ID and to their membership in trans-national networks.
2- Which are the probable effects of the growth of Chinese ethnic businesses left to the market forces on the district of settlement?

ECONOMIC EFFECTS

- **time 1**: ethnic firms are an unexpected resource for district final firms;
- **time 2**: ethnic firms become competitors of the Italian subcontractors, while they continue to benefit final firms;
- **time 3**: ethnic firms become competitors also of district final firms. At this stage, there is a reversal in the perception of ethnic firms from the district business community and population: instead of a resource they become a threat.

* To the global pressure coming from outside on the district economy, there is an added pressure coming from the ethnic businesses **within the district**.
SOCIAL EFFECTS

• The success of the ethnic businesses is accompanied by the growth of Chinese immigrants and the expansion of their enclave, causing changes even in the urban landscape where some areas become alien to the local population.

• Moreover, the local people perceive the success of the ethnic businesses as a result only of conditions of work and production that they consider unacceptable and not right, hence a threat to their way of life and identity.

• All that generates increasing social alarm and leads to the paradoxical situation in which some of the factors that enable the economic success of the Chinese immigrants prevent their social inclusion.
III – Which could be the effects of Chinese immigrant firms in the Italian ID if properly governed?

- When left to the power of market forces, the growth of the ethnic firms is neither socially, nor economically sustainable over time.

- The local economy as a whole changes products/markets specialisation: from relatively physical and human capital intensive products to more standard labour intensive products.

- Consequently, the local economy as a whole shifts away from the high road to competitiveness (quality, innovation, intangible content) and decline becomes a probable outcome.
Reversing the Chinese challenge into an opportunity for new social and economic development

- In the new global context, **ethnic entrepreneurs can be a strategic resource to revitalise the Italian districts.**

- **Deliberate action (governance)** committed to that aim is necessary and requires
  - to envisage a **new perspective of local development** in which ethnic entrepreneurs are co-protagonists,
  - to **mobilise** a large **consensus** on the new perspective,
  - to **build cross-cultural relations** for mutual learning and
to **organize collaboration** on specific domain of common interest **between ethnic and district entrepreneurs.**

When the actions succeed, the **Chinese immigrants** no longer form an enclave, but **integrate in the renewed district** whose economy becomes **more trans-national and** society more **cross-cultural.**