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**Chinese firms in the Italian
industrial district of Prato**

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在米兰之后，普拉托城市的华人移民人数居意大利第二位。根据 ISTAT（国家统计局）的数据，到 2017 年初该城市共有两万一千两百华人居民。大多数中国移民来自浙江温州地区，从事不同的经济活动，其中有饭馆、酒吧、小商店，但是普拉托华人企业主要集中在生产制造，尤其是服装产业。普拉托曾经以它的纺织产业闻名于世，但由于经济危机，普拉托的主导产业逐渐从纺织业转变为快时尚服装产业集群。从 1998 年开始华人企业的数字一直增长了。现在中国移民作出的贡献不可磨灭。

由于我住在普拉托，并且部分地看到这些企业的兴起和发展，对这个现象的兴起使我对这个主题做了进一步研究。这个论文的目的有两个。第一个是描述属于服装产业的华人企业的发展过程。第二个跟这些企业的规模有关：考虑到小型企业占多数，目的是了解哪些因素会阻碍企业扩大。这篇文章分为四个部分。

第一部分包括两个话题：工业区和华人往欧洲的迁徙。关于第一个话题，它来源于马歇尔的理论，是在 1890 年提出的。理论的一个要点是反对垂直整合。工业区是在一特定地区由小型专业化公司组成的，每个地区生产自己传统的产品。马歇尔认为这种集中能够获得大规模生产的许多好处。所谓产业氛围是指企业间劳动力的流动、认知和技术的形成和转移等。马歇尔还强调地方社会与产业的不可分割性。并认为社会价值对创新和经济协调有关键的作用。马歇尔之后，有一些经济学家重提关于工业区的理论。在意大利，Becattini（著名经济学家）作出了积极的贡献。在继承马歇尔理论的基础上，他认为产业区是“一个社会地域整体”。社区的人口和大量企业是在同一区域诞生的；社会和企业合并，相互依存。现意大利工业区大约有两百个，其中一个就是普拉托工业区。以前意大利工业区为经济发展的核心，但经济危机之后，工业区未来的发

展面临越来越多的困难和不确定性。事实上，意大利工业区以前的成功已经过时。

关于第一部分的第二个话题，就是华人往欧洲的迁徙，最老的移民潮追溯到第一次鸦片战争。但从 1970 年代开始到达欧洲的中国移民一直在增长：他们叫做新移民。中国新移民多元化，主要有四种类型：第一种是学生，他们在学成之后留在欧洲国家工作和生活；第二种是连锁移民，他们以家庭为基础，投奔已是国外的亲人；第三种是专业人士，是指受到高等教育并拥有工作经验的移民。除了英国、荷兰、法国等国家，新移民还选择东欧国家以及南欧国家，比如说匈牙利、罗马尼亚、西班牙作为主要的移民国，其中大多数来自意大利。关于华人经济活动，它们主要集中在餐饮业、进出口贸易、零售和批发和制造业。这个话题还包括华人的移民原因，主要有四个原因：第一个是出国政策的放宽，第二个是中国与欧洲之间的经济合作增加，第三个是贫富差距，一部分穷人选择出国发展，第四个关于裙带关系。

第二部分关于华人企业的发展过程，它包括三个阶段。第一个阶段体现在 1980 年代。那个时候，华人企业主要是为意大利生产商代加工。由于当时服装产业开始发展，并且普拉托的服装加工厂不足，中国移民填补劳动力的空缺。由于普拉托当时可以为外来的移民提供大量的就业机会和创业机会，所以很多温州人纷纷来到普拉托。第二个阶段体现在 1990 年代末期。有能力和资历的中国移民加工厂升级成为生产销售商，这一些开始不断增加。它们与很多由中国移民经营的裁剪公司建立合作。随着时间的推移，越来越多公司就从事快时尚服装生意，让普拉托成为一个快时尚集散地。这期间普拉托纺织产业面临严重的危机。并且本地的年轻人不愿意从事衣车工这么繁重的手工劳动。华人企业的不断发展引起了当地普拉托人对华人的不满。华人企业与本地居民和企业的矛盾开始显现。第三个阶段体现在近年。它包括两个现象：华人企业的

跨国化和多元化。跨国化这一词是指华人企业的销售市场扩展到欧洲、美国等意大利以外的一些国家。并且从原料方面来看，华人企业使用的织品是从中国或土耳其进口的。关于华人企业多元化，是指除了服装领域，中国移民还开始从事其它行业，其中有纺织产业、批发贸易、但是最突出的发展是服务行业，尤其是房地产、个人服务和信息服务。

这篇文章的第二部分还介绍华人企业的工作方式。它以灵活性和快速交货为基础，并凭借两个因素：企业内的稳定性和华人企业之间的灵活性。关于第一个因素，指的是工人工作和生活的地方通常一样。第二个因素关系到中国工人从一个工场转到其他一个的可能性。这个空间的新位形带来的好处很大：延长工作时间、加速交货时间、减少劳动成本。虽然上述的好处，但是这种工作环境和生活方式引起安全的问题，因此受到很多的争议和批评。

第三部分介绍工业区和全球化。虽然意大利经济体制一直建立在工业区的生产上，但是全球化造成对工业区生产模式的冲击。大量意大利工业区因国际激烈竞争而陷入经济危机。普拉托工业区也受到经济滑坡：越来越多纺织企业被淘汰出局。在这种新国际环境中意大利工业区发生了翻天覆地的变化，以至于由 **Becattini** 提出的定义无法使用。关键的问题就是工业区与在全球范围内发生的事情的关系。虽然根据理论工业区的形式是内部和外部因素的结果，但其实工业区是一个忽视了全球方面的自给自足经济系统。在全球化的背景下，与大型企业相比，小型企业所面临的困难比较多，调整比较复杂。最近研究发现，发达国家的小型企业有三个战略：继续从事地方市场、进入国际市场和参与全球价值链。在最后情况下，小型企业应该进行功能升级。虽然这种升级过程是不很容易实行，但有一些欧洲工业区获得了成功。

第四部分主要关于华人企业为什么是小规模形式。阻碍成为大企业的原因有多方面。介绍这一些原因之前，这个部分描述华人企业的主要特征。首先，数字显示华人企业发展迅速，它们不断增加。华人公司在 1990 年末期增长最快。此外，关于企业组织形式，中国移民一般建立个体户公司。这个选择不出人意外：与其他企业组织形式相比，为了建立个体户公司的法律手续比较简单和直接，所以是在国外移民中最常用的形式。但近年有限公司呈增长的趋势。根据意大利普拉托商会 2016 年的调查报告显示，有限公司的增长率达到百分之九点八，而个体户的为百分之四点二。这一部分另外的一个话题是关于劳动市场：中国企业家选择的工人一般属于华人移民。并且最常用的工作合同是无限期的，但是调查显示，合同期都比较短。这种情况取决于工人的流动性，以及工人想成为老板的结果。最后，华人小型企业占服装企业的多数。一家公司，如果雇佣的工人是十个或十五个以上，就被认为是比较大的企业。从华人企业开始出现到现在，公司的规模保持原样。

最后部分还介绍阻碍扩大企业的因素。通过对华人企业的采访，了解到一些原因。首先，有的受访者表示无意扩大企业。此外，有两个关键的问题：第一个是关于华人企业系统中出现的挑战，第二个是关于中国移民与本地社会交往引起的矛盾。关于第一个，它包括两个因素：人力资源和管理能力的缺乏。中国移民的回国意愿仍在增长、工人流动性和第二代步父母后尘的反感就导致工人很难雇佣。关于第二个，它包括第一代移民的意大利语语言缺乏障碍问题、以及提供各种合法文件的困难和来源对中国企业的检查的压力。

综上所述，华人企业如果要扩大规模，必须解决以上的问题。我觉得华人企业的未来，以及中国移民与本地的社会共同发展的未来，要寄希望于第二代身上。他们在意大利增长、了解意大利语言和文化、熟悉本地环境，因此许多困难就不复存。

Chapter one. Prato district and its migrants.

First part

1.1 The origin of the district: the Marshallian Industrial District

The industrial district plays a fundamental role in the Italian economy, but is also a relevant economic phenomenon for other different countries. In order to understand its features a step back to the economist Alfred Marshall is needed.

The idea of a new configuration of production comes from the critique to the common belief of that time that highly vertically integrated production systems, where all the manufacturing processes take place under one roof, were more efficient than less integrated and more concentrated production systems. From this conviction, a new model arises: small locally owned firms concentrated in the same territory, each of them charged with a step of the manufacturing process of a certain product.

As Marshall outlines in its *Principle of Economics*, first published in 1890, the industrial district has four main advantages:

- 1) Hereditary skill. In a concentrated area “the mysteries of the trade become no mysteries; but are as it were in the air, and children learn many of them unconsciously” (Marshall, 1920, p. 271). Specific skills can be transmitted from one generation to another and become the special feature of that area;
- 2) The growth of subsidiary trades. The establishment of a number of firms in a particular area may lead to the spread of subsidiary firms in the neighbourhood acting as suppliers;
- 3) The use of highly specialized machinery. This is the result of the high division of labour and specialisation that characterizes a district.
- 4) Local market for special skill. A localized industry such as the one that characterizes an industrial district allows small firms to find workers among a locally available specialized pool. On the contrary, an isolated factory may have problems finding workers. As far as local market is concerned, another important feature is the high flexibility that characterizes workers. Individuals move from one firm to another, sharing skills and information, creating a sort of industrial atmosphere, as Marshall defines it. Workers appear to be committed to the district rather than to the firm. This feature let the district appear like a sort of community.

Two advantages may be added to the previous ones (Belussi and Caldari, 2009). The first is industrial leadership: this aspect derives from an industrial atmosphere in which firms are

immersed that stimulates more vitality. The second one is introduction of novelties into the production process. Ideas flow because they are in the air, they can combine together and lead to novelties.

1.2 Post-Fordism

1.2.1 The decline of Fordism and the rediscovery of the Marshallian industrial district

The rise of the model of the industrial district in Italy is linked to the decline of Fordism. Around the Seventies some contingencies lead to the abandonment of the Fordist model that dominated in Italy in particular after World War II. Despite Fordism crisis's manifestations differed from one country to another, some worldwide general causes can be outlined:

- 1) Saturation of mass product markets. A tendency towards more differentiated products is shown by consumers. This factor clearly made not possible the realization of one of the main prerequisites of Fordism, the economy of scale.
- 2) Oil shock. In the early Seventies the first oil shock came, consequently the prices of oil and raw materials raised. This factor undermines another conviction at the base of the system: the endless availability of inputs and their decreasing costs as a result of increased production volumes.
- 3) Increasing resistance of workers. During the Seventies a lot of strikes, acts of resistance and sabotage of production took place, especially in Fordist plants.
- 4) The end of fixed exchange rate regime. This factor lead to instability at the level of international markets.

In particular, in Italy towards the end of the Sixties, we could notice two developments: in certain regions, for example Tuscany, large private and public-sector companies began to show clear signs of weakness, while small manufacturing businesses started appearing; these small companies from a technical point of view were equally equipped as the larger ones (Becattini, 2000).

The overcoming of the Fordist model did not automatically result in the rise of the industrial district. As Becattini states, two groups of conditions have to occur: local supply conditions and general demand conditions. The first group refers to “the existence of countries that, throughout the classical period of industrialization and the First and Second World War, retained in some parts of their territory: a) sufficient cultural complexity, made up of values, knowledge, institutions and behaviours (...) that elsewhere had been pushed aside by a generally industrial and massifying culture, and a manufacturing system that included factories, craft or artisanal

workshops, home workers and family production units; and b) a credit system (...) ready to finance small but promising businesses and help people use their increasing amount of spare time to produce goods that could be sold in the marketplace.” (Becattini, 2000, p.23). The general demand conditions refers to the existence in some countries of a segment of the middle class looking for more differentiated and personalized goods. Comparing large factories and small businesses, the emergence of the set of conditions described above will privilege the second ones, characterized by stronger ties to the surrounding community and where people work separately but as part of a single process.

In conclusion, we assist to a shift from an environment characterized by relationships based on hierarchy to another one characterized by transactions that occur between independent firms. This creates a positive atmosphere that results in a reduction of costs for the entire district.

1.2.2 Flexible specialisation

Talking about industrial districts, another concept is worth mentioning: the flexible specialisation. Michael Piore and Charles Sabel (1984) were the first to elaborate this concept.

They place flexible specialisation as an alternative to mass production. It is based on the flexible use of general purpose machinery by skilled workers, capable of manufacturing a wide range of products for constantly changing markets. The key elements of flexible specialisation are the following (Piore and Sabel, 1984):

- 1) Multi-purpose equipment and innovation, skilled labour, with an innovative and flexible mentality, reactive to consumers' demand.
- 2) Clusters of enterprises or small firm communities. Vicinity facilitates the exchange of ideas and the development of institutions.
- 3) Interaction/networking, i.e. the collaboration between both smaller enterprises and between smaller and larger ones.
- 4) Collective efficiency, obtained through the presence of innovative producers in the neighbourhood.

In order to link flexible specialisation with industrial district, Piore and Sabel consider the concept of industrial district as one of the four faces of flexible specialisation.

1.3 Italian districts

1.3.1 From the Marshallian Industrial District to the Italianate Industrial District Model

Among researches conducted on Italian industrial districts, the contribution on the topic of the Italian economist Giacomo Becattini is significant. He was the first to use the term “industrial district” in reference to the industrialization of Tuscany (Becattini, 1978).

Before going a step further in the description of the characteristics of Italian districts as outlined by Becattini, an analysis of the differences between the original Marshallian Industrial district and the Italianate Industrial District should be made.

The first main difference concerns co-operation. While in the Marshallian Industrial District it was not necessary that any of the local actors should be consciously co-operating with each other in order for the district to exist and operate as such, in the Italian formulation grown in the 1970s researchers argued that concerted efforts to co-operate among district members and to build governance structures would have improved the stickiness of the district (Markusen, 1996).

Another important feature that distinguishes the Italian industrial District from the Marshallian one is the congruence between the requirements of a specific kind of organization of the production process, and the social and cultural characteristics of some group of people. The merging of daily life and production process appear to be dominant (Alberti, 2001).

The third fundamental characteristic of Italian districts is the link between the local system of small firms and the external final markets of their products. As a consequence, the success of the industrial district is also the result of building a strong network with final markets, by developing an “image” of the district that is a puzzle of each single firm that makes up the district.

The following table further illustrates the peculiarity of the Italianate model, compared to the Marshallian model.

Marshallian Industrial District
<ul style="list-style-type: none"> - Business structure dominated by small, locally owned firms - Scale economies relatively low - Substantial intra-district trade among buyers and suppliers - Key investment decisions made locally - Long-term contracts and commitments between local buyers and suppliers - Low degrees of co-operation or linkage with firms external to the district - Labour market internal to the district, highly flexible - Workers committed to district, rather than to firms - High rates of labour in-migration, lower levels of out-migration - Evolution of unique local cultural identity, bonds - Specialised sources of finance, technical expertise, business services available in district outside of firms - Existence of 'patient capital' within district - Turmoil, but good long-term prospects for growth and employment
Italianate variant (in addition to the above)
<ul style="list-style-type: none"> - High incidence of exchanges of personnel between customers and suppliers - High degree of co-operation among competitor firms to share risk, stabilise market, share innovation - Disproportionate shares of workers engaged in design, innovation - Strong trade associations that provide shared infrastructure, management training, marketing, technical or financial help - Strong local government role in regulating and promoting core industries

Table 1: comparison between Marshallian Industrial District and Italianate variant. Source: Alberti (2001).

1.3.2 The industrial district: a definition by Becattini

Becattini defines the industrial district as a “socioterritorial entity which is characterized by the active presence of both a community of people and a population of firms in one naturally and historically bounded area. In the district- and unlike any other environment, such as the manufacturing town- the community and the firms tend, as it were, to merge.” (Becattini, 2004, p.19).

From Becattini’s studies, some stylized features of the industrial district emerge:

1) The local community of people. One important trait of a community is its homogeneous system of values and views, which defines each aspect of life. This system of values is the expression of an ethic of work and activity; it is a fundamental prerequisite for the existence and the development of a district. As Becattini (2004) specifies, this does not imply that only one combination of values is compatible with the growing of a district, but rather that some combinations are admissible, while others are not. In order to let these values spread among the community, a set of institutions is needed. When talking about a set of institutions Becattini refers to the market, the firm, the family, the church, the school, but also the local authorities, the local structure of political, cultural and charitable, religious and artistic bodies. Of course, for this kind of organism to work well, these institutions must be permeated with the same system of values. Despite this system of values may appear like a sort of limitation, Becattini specifies that they are

functional to the economic activity and that they are the key to success. This way the inhabitants of the district will perceive them as reasons for pride and self-satisfaction.

One important characteristic of the local community of people, which is fundamental for this research, is the continuous flow and the exchange with the external world. Of course, it has to be remembered that the presence of individuals that are not originally part of it may result in problems of social integration.

2) The population of firms. First of all Becattini (2004) stresses that the presence of small firms is not accidental. It is the result of the historical development of the territory. Each firm specializes in one phase, or just a few phases, of the production processes typical of the district. Becattini defines the district as “an instance of a localized realization of the process of division of labour” (Becattini, 2004, p. 21). It follows that a single firm has to be considered both as a separate independent element with its own history and as a cog of one specific district. Becattini further adds that for the merging of working activity and daily life to occur, the working process must involve all sections of population: the young, the mature, the elderly, both men and women.

These firms belong to the same industrial branch, which has to be considered in a broad sense. For instance, with the word textile branch one has to include also machines, chemical products and the various services for that industry.

With regard to the dimension of each unit of production involved in the process, Becattini specifies that there is no statement. However, the number of phases implies the existence of fairly small firms. This does not exclude the presence of larger firms, especially because the target of the district it is the external world as well, rather than just the district itself.

As far as personal relationships and coalitions and agreements are concerned, they are a vital part of the district. However, as long as their weight increases too much, then we are out of the canonical definition of Marshallian district.

3) Human resources. The ethic at the base of the district consists in the fact that one must unceasingly search for the work activity that best fits his capabilities and aspirations. Therefore the changing from one activity to another is not perceived as a negative aspect, it actually is one of the conditions for the competitiveness and productivity of the district. What is important is that the specialisation of the worker is not lost when he moves from one firm to another, but it becomes a sort of “public good”.

The evaluation of professional and personal qualities of workers is undoubtedly easier for small firms being part of a district rather than for an isolated firm. Beside this, one important

advantage is the consequence of the fact that information is not only easily available, but it can also be obtained with little effort and at low cost. Furthermore, comparing the district with larger firms, a highly specialized worker tends to be more appreciated in such an environment, and thus tend to concentrate and remain in it.

Another category of agents linked to human resources, to which Becattini attach importance, is the so-called pure entrepreneurs. Becattini (1990) uses the “*impannatori*”¹ of Prato district as an example of the ideal pure entrepreneur. On one side he coordinates activities within the district; on the other side he monitors the outside world, obtaining information about improved machinery, new processes and markets. His duty is to translate into products (for a defined market) the potential of the district.

4) Market. Despite the competition within and between the districts, the ideal market for a district is not a large, homogeneous agglomeration of buyers indifferent to producers and places of production, concerned only about the prices of machinery, goods and services, raw materials, etc. On the contrary, the market for which the district operates is usually not provided with enough information about prices; from here the need to supply more information.

Being the district a big purchaser of raw materials as well, a great number of specialized buyers will normally concentrate in it. As a result, making profit possibilities also come from the sale of raw materials, not linked to the traditional activity of the district.

5) Co-operation and competition. As already said before, co-operation occurs as a result of the intense network of personal relationships. However, competition takes place too among equal firms, that is to say firms working on the same product or the same activity. Several written and non-written rules limit competition within the district, for example those concerning prices of the most common exchanged goods. Of course, those “local” prices, as Becattini defines them, are influenced by both the local and the external (national) dimensions.

Considering the district as a whole, it combines a great deal of horizontal competition but at the same time considerable vertical co-operation.

In conclusion, from the description that emerges from Becattini’s studies we can discern the nature of the industrial district. It is shaped by the local dimension, with its own socio-cultural traits, its own geographical characteristics, its own production process styles; contemporary, it is shaped by the interaction with all those elements outside of it.

¹ “*Impannatori*” is a term which refers to those producers who charged other firms with production phases.

1.3.3 Other definitions of industrial districts

Industrial districts have been one of the few phenomena that were analyzed by non-Italian scholars: starting from the Eighties, the international literature started analyzing the topic, discovering districts in another parts of the world. This field has been treated through different perspectives, i.e. from the standpoint of quantitative geographers, development sociologists, economists and strategy scholars. As a result of different approaches, several definitions of industrial district emerged, each of them stressing a specific aspect.

The definition used by Becattini is the canonical definition, taken from Marshall and then re-elaborated. It stresses emphasis on the centrality of the community, as explained in the previous paragraph. This definition has been embraced by several scholars, despite with some little modifications to it and despite different approaches to it. For instance, considering Becattini's definition as the starting point, Dei Ottati lays emphasis on the benefits that result from cooperative relations: they function as elements that lower the costs and as an instrument for coordination. Furthermore Brusco in 1991 underlined the importance of local habits and their efficacy on the district, admitting the existence of several rules that if not respected, they imply the exclusion from the community. In 1990 Porter focused on the competitiveness of small enterprises agglomeration, arguing that regional industrial clusters make firms more internationally competitive. Sufficient resources and competencies give its business a sustainable competitive advantage over other activities concentrated elsewhere.

However, there have been some theories that dissociated from the canonical one, by removing one or more of the following aspects at the foundation of the Marshallian concept of industrial district (Minoja, 2002):

- 1) The existence of only one sector being the specialisation of the district, as stated in the definition by Paniccia.
- 2) The interdependence between the social and the economic dimensions, which is expressed through the sharing of a common culture. This condition is refused by Lorenzoni: after empirical investigations in both Italian and foreign districts, he argues that social embeddedness, sense of belonging and collective identity are not essential elements of the district.
- 3) The sole existence of small enterprises. For some scholars, this is a possible condition which can occur in a district, but not the requirement for a district to exist.

In conclusion, the canonical definition of industrial district has its basis on some principles that were actually considered secondary by other scholars. This results in a different identification of industrial districts, as a consequence of different parameters used to identify them.

1.3.4 The new Italian economic geography

The spread of industrial districts in Italy led to a new configuration of economic geography, which carried out a sort of reassessment of its nature. Economic geography in Italy, but also worldwide, had always been based on location theory, which is concerned with the optimal allocation of factories, shops and such other facilities, where distance plays a fundamental role. In particular, Weber formulated a theory based on the least cost principle (Friedrich, 1929).

The revised aspects that shaped the new Italian economic geography concern the concepts of territory and space. As far as the first concept is concerned, it now refers to “the versatile integrator of firms, sectors and society, all of them localized in the same place and therefore belonging to a network of places which approximates the global to the local dimension” (Sforzi, 2002, p.444). In other words, the territory is viewed as a territorial society identified by common residence and formed by demographic features and the operation of an indeterminate number of interests (Nice, 1987). As far as the second concept is concerned, i.e. the concept of space, the new Italian economic geography defines it as “a portion of territory to which a human group attributes an individuality which derives from the functions and overall role that it performs in the society’s system of spatial structures” (Sforzi, 2002, p.444), becoming a social construct. For a simple reason, the term “place” can be now replaced by the word “local system”. Along with the habitative function, a place performs a variety of other functions, as a result of the supply of goods and services to both its inhabitants and those living in more or less distant places. As a multifunctional system, the diversified set of residential and productive settlements contribute to the importance and the individuality of a place. Therefore, looking at the territory from this perspective, it can be seen as a pattern of local systems, each of them characterized by different product activity and different level of development.

In short, territory becomes the key to interpret society and economy, considering the local system as the unit of analysis.

1.3.5 Geographical identification of industrial districts: ISTAT 1996 annual report

A further step in this context was made with the scope of identifying geographical areas that could be classified as industrial districts. Efforts have been carried out by the Italian researcher Fabio Sforzi and by the Italian National Institute of Statistics (ISTAT).

In particular, in 1981 Sforzi, using data from the population census, divided Italy into “local labour market areas”, where the workers who live and work there are the majority, while

those who reside in that local system and leave it to go to work are few, as are those who work inside the system but live in other areas. Even when they change their work place, workers will tend to stay within the same local system (Brusco and Paba, 2002). From the 995 local systems identified, Sforzi distinguished 161 “light industrialization areas”, whose “social and economic structure can be considered as the habitat of the industrial districts” (Sforzi, 1990, p.90). Lastly, among the latter he identified the “Marshallian industrial districts”; the remaining ones (61) corresponded to the industrial districts.

In 1991, the same process was jointly repeated by Sforzi and ISTAT. Among the local systems identified, “districts” were considered to be those possessing the following characteristics (ISTAT, 1996):

- 1) The percentage of employees in manufacturing industry out of the total of non-agricultural employees must be greater than the national average.
- 2) The proportion of employees in manufacturing firms with less than 250 employees must be greater than the national average.
- 3) In at least one sector the proportion of those employed out of the total employed in all manufacturing industry must be greater than the national proportion.
- 4) In at least one sector in which the local system has a percentage of employees greater than the national one, the proportion of those working in firms with less than 250 employees must be greater than the national proportion.

If, in a local system, conditions 1 and 2 are satisfied, and if for at least one sector conditions 3 and 4 are jointly satisfied, the local sector is called “district”, and the sectors for which 3 and 4 are satisfied are called the “specialisations” of the district (Brusco and Paba, 2002).

Considering these criteria, 119 districts were identified, with around 2 million employees working there, equivalent to 42.5% of manufacturing employment as a whole (ISTAT 1996, p. 261). From these data, it is important to note the fundamental role played by small and medium manufacturing enterprises, in particular in the north-east and in the centre of Italy. Going more deeply in the reading of the annual report from ISTAT, a sort of map of the distribution of Italian districts is drawn. The north-east area presents the highest concentration of industrial districts (32.7% of the total amount of districts), followed by the centre area and the north-west area (30.2 % and 29.6 % respectively). In particular, north-west districts are characterized by medium-size (from 51 to 250 employees), while those in the centre are characterized by small-size. Generally speaking, the industries that predominate are the textile and clothing ones, followed by the industry of furnishing products.

As far as the southern part of Italy is concerned, the percentage of districts compared to the above-mentioned areas is negligible. A different scenery appears and two industrialization models prevail (ISTAT,1996): the first is linked to small and medium entrepreneurship, specialized in textile/clothing and leather industry, the second one is the traditional model for the South, i.e. big industrial plants (with more than 250 employees) belonging to transports industry, petrochemical industry, mechanical industry and metallurgical industry.

The identification of a method to draw a map of industrial districts has certainly been a fundamental step for future studies in this field, allowing a deeply understanding of the features of industrial districts and their contribution and role in the Italian economic scenery.

1.4 The industrial district of Prato

Prato now hosts one of the most important concentrations of textile activities. In particular, production includes fabrics for clothing industry, fabrics for furniture, yarns for knitwear industry and items of clothing.

The origin of the specialisation in the textile production dates back to the 12th century, when the production of fabrics was controlled by Arte della Lana Corporation. The transition from craftsmanship to industrial production systems occurred during the second half of 19th century (Italian Districts' National Observatory). The end of that century was characterized by the first boom of Prato's industry, letting it becoming known as the "Manchester of Italy" (Cardini, 2004). A significant contribution to industrial expansion was also due to the lower costs of carded wool processing, caused by the gradual increasing production of recovered wool obtained from shredding old clothes and industrial scraps ("combing").

During the period in-between the two wars, the production system was organized around the double-circuit model, with a co-presence of small and larger firms. The two circuits were separated: on one hand the larger wool factories engaged in the manufacturing of standardized products, such as plaids, blankets and flannel, accomplishing all the task, from the purchase of raw materials to the selling of finished product to other countries (South Africa, India and China); on the other hand small factories specialized according to functions, for example weaving, carding, spinning and finishing, worked for wool factories and for "impannatori", already mentioned earlier (Bracci, 2016).

After the Second World War a metamorphosis took place: the way the whole industry reacted to the post-war crisis lead the foundations for the development of the district. Several entrepreneurs started charging former employees with some phases of the production cycle, built on

mutual trust relationships, letting former employees rent machineries from them (Dei Ottati, 1993). As a consequence of terminations, the former employees had no alternative but becoming artisans working for those who rent them machineries, but not as subordinates.

In the attempt of describing the history of Prato district, a second phase emerges. During the twenty years in-between 1954 and 1973 the crucial problem in the economic scenery of Prato was the organizational and technological change of the local production system. Going into details, this change took different shapes (Becattini, 1997):

- 1) At the level of production organization, the transition from vertical integration to a “team” of specialized enterprises.
- 2) The introduction of nylon, which could be spun into yarns having a much finer count and could be interwoven with wool as “backing”. This innovation made possible a more plentiful textile production, composed by more durable and lighter fabrics, available in different colours and shapes. This way, woollen factories could manufacture fabrics that until that moment could only be produced using virgin wool. A crucial consequence resulting from the usage of nylon was a restructuring of company’s organization: the cycle of production of textile carded being held by a single company is not a possible solution, further specialisation is needed instead.
- 3) The way the adaptation of values, knowledge and institutions adapt to market conditions, to technology and culture in Italy and in the whole world.
- 4) The deep desire of starting one’s own business, a common tendency spread among Prato citizens.
- 5) The way the district’s specialized enterprises expanded following the increase of worldwide competition.
- 6) The appreciation shown by public administration of the new forms of local socio-economic development.

During the period that goes from 1974 to 1993, after a growth phase, the development of the textile district followed a different trend. Until 1979-80 the textile production continued to expand, while in the following years it progressively shrank. External pressures, coming from worldwide tendencies, were the major factors of this new situation. In particular, the most relevant factor was the worldwide predominance of fashion, which prevailed over the carded wool, benefiting the usage of combed wool and other natural and artificial fibres. Furthermore the monetary politics adopted by Italy did not favour export. As far as the first period of the twenty years examined now is concerned, a new incredible growth of industrial system has been registered: the local textile units grew from 11,000 up to 14,700; at the same time employees raised from 50,000 to more than 61,000 (Becattini, 1997). A more relevant aspect concerned the

new organization structure of the district that took shape: the proliferation of summer fabrics, quite far from the traditional production, the expansion of worsted spinning, the growth of knitwear, delocalization of semi-finished products and sub-contraction of some activities outside the district. Conversely, from 1981 to 1991 the production of carded spindle diminished from 770,000 to 500,000, and the combed ones from 400,000 to 280,000.

During the following phase, covering the years that go until 2011, Prato's textile industry underwent a serious downsizing in terms of companies, workforce, turnover, exports and added value. When trying to find reasons that lead to this situation, globalization must undoubtedly be mentioned. Since the Nineties, globalization shaped new forms at international, national and local level, in which enterprises found themselves competing (Dei Ottati, 2016). The restructuring of production process resulted in a global economy structured around global value chains (GVCs). GVCs link firms, workers and consumers around the world and often provide a stepping-stone for firms and workers in developing countries to participate into the global economy (Gereffi and Stark, 2016). This change brings about completely different scenery from the one typical of Italian industrial districts. Additionally, some other factors played a significant role, for example the entry of Eastern Europe economies in the international market following the fall of the Berlin wall, as well as the economic reforms of China and the delocalization of production in low labour-cost countries.

The decline of the district coincided with the increasing presence of Chinese immigrants, who let the district turn towards a new specialisation: the fashion world. Due to the importance of Chinese migration in Prato, which lead to economic and social transformation, it deserves a separate discussion in this research in the following part of this chapter.

1.4.1 The social basis of the local model of the industrial district

Before moving to the second part of the chapter, a brief description of the socio-cultural features of Prato district is necessary in order to obtain an accurate comprehension of the evolution of the district. Factors such as commitment to work, the orientation towards self-entrepreneurship and the centrality of the family have been decisive for the development of the district. The requirements to survive in this type of ambience were on one side the capability of adaptation and the ability of overcoming difficulties with instruments a person has, on the other side a strong self-discipline and hard-work typical of former sharecroppers and of the inhabitants coming from the mountains (Pescarolo, 1997). The image of the typical Prato worker can be depicted as a tireless person, willing to sacrifice other aspects of life for his job (Nigro, 1986).

As far as the centrality of family is concerned, it deserves careful attention. In particular, the relevance of family in the district must be analyzed looking at two aspects: the first considers family as the pool for the transmission of the business, the second one looks at family in its adaptation and flexibility features.

Talking about the first aspect, an essential primary remark has to be made: the history of the district of Prato is the history of family names, of their successes and failures. The centrality of family inside the organization is not only the result of holding the majority of the capital, but also the result of the influence of the family values, which are exported from the members to the entire firm, letting them being shared among those employees not belonging to the family (Leonardi, 2007). In this kind of context the transmission of the business from father to son is essential for the firm to survive. The son or the daughter are seen as the heirs of the enterprise; taking their point of view, running their parents' business is the one of the few possibilities for their future (Pescarolo, 2007). However, it is important to clarify that this tendency started being abandoned towards the beginning of the Nineties, and ended up being absent now in the district. Social transformations have been incredibly sped up by globalization, which let local societies abandon some traditions (Valzania, 2007).

As far as the second aspect is concerned, i.e. the adaption capabilities of a family running a business, a brief explanation will follow in order to better understand the context. The element I want to underline is the involvement of the family in the business, which results in the necessity of adapting to the trends of the firm. First of all, there is the economic risk the entire family is exposed to when starting the business: capital is needed both for machineries and possible rent, in the case the family house dimensions do not permit production activities take place there. Secondly, family has to adapt to crisis periods and economic upswing periods: if the firm undergoes a difficult period, the sources of household income may diversify; if the firm undergoes a period of intense production, family member will likely be the first being asked an effort, in order to help the firm meet delivery times (Cioni, 1997). An example, taken from an interview, clearly explains both the centrality of work and the commitment of the entire family to it:

R: At those times...we didn't have so much time, I always remember an anecdote: there was my sister first communion... so I think she was 7 or 8 years old, isn't it? I was 13 or 14 years old, I remember my father came back from work only one hour before to change his clothes, to have a shower before going to the church, because those were times in which you continuously worked, in spinning workshop. Neither Saturdays nor Sundays did exist...maybe Christmas, Easter...but not always.²

² Interview found in "Il distretto delle donne", Leonardi L. (2007), p. 19, translation by the author.

This involvement of the family has been possible also due to the so-called “mixité” or “promiscuous development” that characterized the area. Prato’s peculiar urban development has been clearly described by Bernardo Secchi in 1996. In particular, in the attempt of designing the city’s urban plan, he defined the promiscuous development as the mixing of activities and the mixture of “materials”, as the factory building, the housing, the loading yard, the car park, the allotment, etc. These “materials” are brought together in processes that, however imperfectly, work. For this reason, Prato has been called the “factory-city” (Secchi, 1996).

A last important point related to the social basis of the district is the presence of two cultures inside the so-called “Città degli stracci” (“City of rags”)³. One is the culture whose symbol was the usage of combined fibres, both natural and artificial, which resulted in mediocre quality and good prices (Absalom et al., 1997). In other words, this is the culture linked to the traditional production of the city, based on rugs. The other one is the culture that represents a sort of exception, constituted by those more modern, more developed, more future-oriented industrialists. This group was seen as the symbol of the progress, which concentrated on the production of higher-quality items (for example through the usage of real wool).

In conclusion, the focus of this paragraph on the social basis of the district not only is fundamental for understanding the development of the district itself, but it is also important to have acknowledged it for a future comparison with the culture that will appear in the following years, i.e. the Chinese one.

Second Part

1.5 Chinese diaspora in Europe: the first migrants

China is today a powerful state with a strong nationalist agenda that includes cultivating Chinese overseas. Overseas Chinese capital dominates parts of Southeast Asia, is influential throughout the world, including Europe, and fuels the China boom. A combination of the new self-consciousness of the Chinese in Europe and a growing interest in them on the part of governments, which see them as a relatively successful, largely self-reliant ethnic minority and a business phenomenon, has finally made visible the group whose sociological sobriquet was always “the invisible minority”⁴.

As Benton already stated in 1998, Chinese diaspora is a relevant phenomenon, whose numbers have grown enormously since the Seventies. As a result of it, Chinese communities are

³ The term “Città degli stracci” was first used in 1911 by a wool specialist to describe Prato at the end of the Thirties.

⁴ Benton, 1998, VII.

spread all over Europe. However, they present different characteristics, both for the multiplicity of their waves of migration and for the diversity of the geographic origins. For this reason an analysis of the Chinese migration flows, from the first waves to the more recent trends, is essential.

Chinese diaspora has been the subject of several studies starting from the Nineties, each of them concentrated on a specific aspect of the emigration flows: those concerning the international movement and working conditions of low-or un-skilled Chinese immigrants, those focusing on Chinese international student migration and circulation and those considering the history and latest developments of Chinese diasporic communities.

Trying to summarize the main trends in Chinese migration, the watershed moment can be identified around the Seventies, with the onset of the reforms and the open door policies: from that time on a massive transfer of population and labour force took place, as a consequence of relaxation of mobility restrictions, and new blood came into the existing communities of overseas Chinese.

Before moving to the trends of Chinese flows following the new emigration regime (the next paragraph), a brief excursus of the early migrant waves is needed, despite relatively small if compared to the recent ones.

In particular, the first wave of Chinese migrants can be traced back to the first Opium War (1839-1841), when China was obliged to open its doors to Western countries. However, year 1860 is probably more appropriate to be appointed as a date indicating the beginning of migration flows, since in that year Qing restrictions on emigration were lifted, allowing people to go abroad (Skeldon, 1996). The majority of people fluctuating in European countries during this period were seamen, who started settling communities in the Netherlands, Germany and the United Kingdom.

The following period, around the time of the First World War, labourers coming from Shandong, Shanghai and Zhejiang established Chinese communities in Western Europe, mostly Spain and France (Baldassar et al., 2015). This floating was contained during the Maoist period, despite the flow of Chinese people from Hong Kong, as well as the flow of hundreds of overseas Chinese escaping economic and political insecurity in Southeast Asia, was still present (*ibidem*).

In order to identify and classify Chinese migrants, they attributed themselves with the following labels: *huaqiao* and *huaren*. The first term, which means Chinese sojourners or Overseas Chinese were those who left the country before the First World War, whose political and cultural orientation was toward China; “All good males came home, eventually, if they could. If they did not, the officials, and even members of the family, would treat them as vagabonds, outlaws, a threat to social order” (Sinn, 1998, p.15). The second term, which means ethnic Chinese, adopted local citizenship and place their political allegiances with the residing nations. However, as Wang

Gungwu⁵ points out, the problem is the mismatch between the terminology used by the receiving country and the one used by the sending country. While China uses the mixed-term *huaqiao-huaren*, it is difficult for the receiving country to have a clear picture of its Chinese migrants, resulting in the inability to properly classify them (He, 2001).

A different classification of Chinese migrant waves, based on regional origins, has been offered by Pieke (1998). He identifies five migration waves: the first were arrivals from Wenzhou and Qingtian (south of Zhejiang province), during the First World War and even earlier, who settled in France, the Netherlands, and Russia; the second wave was composed by Cantonese seamen from the Pearl River Delta around the time of the Second World War, who worked in all the major north-western European ports; the third group included Chinese refugees, including 75,000 Indochinese who fled to France after 1975 and 10,000 Chinese from Indonesia to the Netherlands in the Fifties and Sixties; the fourth wave, coming from Fujian, had the peculiarity of being organized by the so-called “snakeheads”⁶, with Germany as the main destination country; the last flow addressed Western Europe, in particular Hungary. Pieke (1998) further specifies a distinctive feature of Chinese migrants settled in Western Europe: most of them were well-educated city dwellers from northern China whose drive for abandoning the home country was the result of a personal decision. On the contrary, the other groups’ areas of origin already had a long tradition of emigration, with the result of fostering ethnic enclaves in the receiving countries in Europe.

Following this classification, Baldassar et al. (2015) added another group, i.e. the one that settled in Prato starting from the Nineties. Furthermore they associated it with the first and fourth waves, as a consequence of the same area of origin, i.e. the Fujian Province, in particular the city of Wenzhou.

The dimensions of the first waves of migration from China are not colossal; nevertheless these flows have founded the basis upon which actual Chinese communities took root.

1.6 Chinese Diaspora in Europe: the new Chinese migrants

The economic reforms and the new policy adopted in People’s Republic of China (PRC) in the late 1970s have brought to an increasing circulation of capital, technology, information between China and the rest of the world. More importantly, the so-called *xin yinmin* (new migrants)

⁵ Wang Gungwu is a famous scholar who wrote about the Chinese Diaspora. He objected the use of this term to describe the flow of Chinese migrants, as it tends to consider them all the same and it perpetuate fears of “Chinese threat”.

⁶ “Snakeheads” (*shetou* in Chinese) are gangs smuggling Chinese people to Western countries for high rate of payment.

have been the protagonists of an unceasing flow to Europe. However, the path they followed has been completely different from the previous one of their co-nationals (*huaren* and *huaqiao*), both in quantitative and in qualitative terms. Shown in this paragraph are the most relevant features that distinguish this new flow of migrants, in comparison with the previous ones.

Firstly, who are the new Chinese migrants? Four categories have been outlined (Liu, 2008). The first type of migrants is composed by students-turned-immigrants, i.e. those who leave the country for studying abroad and afterwards, once graduation is completed, decide to stay more permanently in the receiving country (*ibidem*). The second type corresponds to those migrants joining their families or relatives (who are foreign citizens or permanent residents) connected by kinship, blood ties or pre-existing marriage (Liu Lihui and Liu Hong, 2008); they are called chain migrants. The third group is labelled emigrating professionals, which corresponds to those emigrating to the West because of their educational credentials and professional experience (Liu, 2008). The last group is composed by illegal migrants, who sneak across national borders to seek their fortune in countries such as the United States, Japan, Europe or Australia (Liu, 2006). Furthermore Hong Liu (2006) inserts the above-mentioned four types of migrants into two categories, those with portable-skills, (student-turned-migrants and emigrating professionals) and menial labourers (chain migrants and illegal migrants). This kind of classification is similar to the one made by John Armstrong in 1976, when he discussed the mobilized and proletarian Diasporas' different characteristics. The former group corresponds to those who bring needed skills for the host-country, and who enjoy "many material and cultural advantages compared to other groups in the multiethnic polity" (Armstrong, 1976, p. 393); the latter group, defined as a "disadvantaged product of modernized polities" (*ibidem*), has no economic resources and lacks the prospect of access to advantageous occupational roles.

Secondly, what are the new main destinations? Central and Eastern Europe, but southern Europe as well, have experienced an incredible flow of Chinese migrants, starting from the Nineties. As far as central and eastern Europe are concerned, Chinese migration was based on engaging in informal "shuttle trade"⁷, which has characterized the economies of scarcity in Eastern Europe since at least the Sixties, but Chinese traders brought it to an unprecedented scale (Nyiri, 2003). The shuttle traders themselves were a heterogeneous category, including urban laid-off private entrepreneurs, Wenzhou traders working from their base in "Zhejiang village" in Peking and even some Fujianese coming from rural and urban areas (Pieke, 2002). Looking from Chinese

⁷ "Shuttle trade" refers to the activity in which individual entrepreneurs buy goods abroad and import them for resale in street markets or small shops. Often the goods are imported without full declaration in order to avoid import duties. This practice has characterized the economies of Eastern Europe, some Baltic states and former Soviet Union countries.

migrants' perspective, Central and Eastern Europe attractiveness is based on the absence of Chinese competitors and the need, for a post-socialist economy, of cheap consumer items, mainly clothes and shoes. In this context, a fundamental role has been played by Hungary. The so-called "Hungary fever" (*Xiongyali re*) brought more than 27,000 Chinese migrants in the country (Nyíri, 1994). What led a consistent flow to Hungary was the newly liberalized market, a relatively well-developed business environment and prospects of rapid economic development; most of all was the visa-free entry for Chinese citizens allowed by the Hungarian government between October 1998 and April 1992. As a matter of fact, after 1992 the number of Chinese immigrants considerably diminished. During that period, Hungary has been considered as a stepping-stone to enter other European countries, such as Romania and Czechoslovakia, Germany, France and Italy.

As far as Southern Europe is concerned, the principal new destination has been Italy, which will be discussed later in a separate paragraph. New destination countries such as Greece, Spain and Portugal attracted Chinese migrants in their catering trades in the tourist areas. Spain and Portugal's migration started in the Seventies, and saw people coming from Hong Kong and Vietnamese Chinese as protagonists (Pieke, 2002).

Despite the above-mentioned new destinations, it is important to clarify that the old core countries of Chinese migration in Western Europe, such as England, the Netherlands and France, continued attracting both old and new migrants.

Thirdly, what are the main sectors in which the new Chinese migrants operate? Of course, each country has its own specific situation, which depends on the history of the migration flows. For instance, in the United Kingdom, which has the largest Chinese population in Europe and where second- and third- generation of Chinese migrants are present, over the past five years Chinese activities have diversified, including sectors other than the traditional catering trade: the older migrants find employment in the mainstream UK labour market, while new migrants run businesses in Chinese medicine, possess hairdressing salons and nail parlours and others engage in import-export trade (Latham and Wu, 2013). France, where is present one of the oldest Chinese community (with a strong presence in Paris), hosts Chinese people engaged in activities such as retail and wholesale, import-export, fashion manufacturing and other general trades (*ibidem*). A slightly different situation can be found in Romania, where Chinese people specialized in shipbuilding, construction and agriculture. Generally speaking, the above-mentioned are the sectors where Chinese migrants in Europe have founded work.

1.6.1 Factors behind Chinese migrations

Reading through the studies conducted upon the field of recent Chinese migrations, some factors that are behind the consistent flow of Chinese migrants emerge.

First of all, as it has already been repeated several times, Deng Xiaoping's open door reforms have played an important role. Beside this, the state-owned enterprise (SOE) reform contributed in fostering the process. During the Nineties the privatization of hundreds of thousands of small- and medium-sized enterprises lead tens of millions of SOE employees being made redundant. This has been particularly visible in the north-east of China, the heart of heavy industry in the country. Many workers there were forced to recur to internal migration or international migration as well; in particular most of them were directed to Europe. This group became a consistent part of Chinese migrants in Europe, along with those coming from the south of China, in particular from Zhejiang and Fujian provinces.

A second pushing factor has been the rapid development of China-Europe economic collaboration. From 1999 to 2009 international trade between China and Europe increased 6.26 times, from US\$ 68.1 billion to US\$ 427 billion (Wu and Lathan, 2013). Relations between PRC and the European Union (EU) already started in 1975 with official meetings organized between the two parties; however these relations were formalized in 1985 by the Agreement of Economic and Commercial Co-operation (Rastrelli, 2002). This intensification of economic relationships accelerated two processes: on one hand it encouraged the diversification of business activities, from the traditional catering sector to other areas of commerce, manufacturing and personal services (Pastore and Castagnone, 2011); on the other hand it created new demand of Chinese migrants with the scope of filling job vacancies in Chinese business activities.

A third factor that cannot be ignored is the increasing consumer power in China. Over the last twenty years GDP per capita, which is a signal of the rise of economic power, grew from US\$ 828 to US\$ 8,583 (World Atlas Data, 2017). However, the benefits of the economic development have not been equally distributed. This resulted in a part of population being dissatisfied, whose option was turning to migration, even via illegal channels.

A fourth factor has been decisive in pushing Chinese migrants to Europe: the presence of extensive family networks. The latter, generated by the diaspora, are real migratory resources, since they facilitate personal mobility by shaping traffic channels, identifying potential destinations and permanent residence points and providing transport logistics as well as means of employment and housing opportunities (Baldassar et al., 2015).

Finally, globalization can be considered as the background where all the preceding factors take shape. In particular, Cohen (2008, p. 141) has emphasized four aspects of the global age that have particular bearing on the mobilization of diasporas:

- 1) A globalized economy that permits greater connectivity, the expansion of enterprises and the growth of new professional and managerial cadres, thereby changing but creating new opportunities for diasporas.
- 2) New forms of international migration that encourage limited contractual relationships, family visits, intermittent stays abroad and sojourning, as opposed to permanent settlement and the exclusive adoption of the citizenship of a destination country.
- 3) The development of cosmopolitan sensibilities in many global cities in response to the multiplication and intensification of transactions and interactions between the different peoples of the world.
- 4) The revival of religion as a focus for social cohesion through dispersal, renewed pilgrimage and translocation, resulting in the development of multi-faced world religions connected in various and complex ways to the diasporic phenomenon.

As Cohen states, “Globalization and diasporization are separate phenomena with no necessary causal connections, but they ‘go together’ extraordinary well” (2008, p. 154).

1.6.2 The impact of Chinese migration

Chinese diaspora to Europe is not merely a phenomenon that involves its migrants leaving the country and settling in a new one. On the contrary, its consequences and its impacts are clearly identifiable both in the sending country and in the receiving country.

As regards the impact on the sending country, the centrality of remittances and donations to the economic development of the PRC is widely acknowledged. Of course, this does not apply to the entire Chinese territory, but mainly concerns the areas of provenience of migrants residing in Europe. Generally speaking, Overseas Chinese, through remittances and donations, become the bridge that links the area of origin in China with the rest of the world. In order to let this aspect be better understandable, two examples will follow.

The first example concerns the county of Qingtian, in south-eastern Zhejiang province. Its emigrants, who have a long history of migration to Europe, contributed to their county’s development through remittances for an amount equal to US\$ 300 million in the first years of the Two-thousands (Zhang Xiuming, 2007). Another considerable contribution was represented by donations, which were primarily placed in education, sanitation, communication and other public

welfare projects, for instance the Oujiang bridge located in Qingtian (Overseas Chinese donated 300 million RMB) and the Fuqing highway (Overseas Chinese donated 5 million RMB) (ibidem). Another significant source of collaboration comes from direct investments, despite this entails more effort and risk. An increasing number of Qingtian migrants invest in their hometowns, for example in founding or helping founding new enterprises.

The second example concerns the city of Wenzhou, in particular Guifeng township⁸, where the majority of Wenzhou migrants come from. Here donations are more typical compared to investments, and they are more likely to favour the economic development of the area, by fostering local infrastructures and by improving local human capital. According to data from 2006, in Wenzhou 1.5/2 million RMB are invested every year (Zhang Xiaolu, 2009). In Guifeng donations took shape through three models (ibidem): the personal model, which occurs when Overseas Chinese from Guifeng donate funds in their own name or their family's name, implies a close relationship between the donor and the benefactor; through the non-government model Overseas Chinese donate funds to organizations or associations; finally, if the most-popular model is used, i.e. the government model, donations are collected at local government and managed by the government or by Overseas Chinese themselves.

Important not to forget, Chinese migrants contribute to the reinforcement and improvement of the economy of their hometowns not only through remittances and donations, but also through “new skills and ideas, managerial experience, technological transfer and market connections, which they gain from the places of destination and bring back to their hometowns” (Zhu, 2011, p.10).

Continuing discussing the economic contribute of Chinese migrants, does it exists for receiving countries as well? A first benefit coming from Chinese presence in Europe is the growth of trade between China and Europe that we already mentioned in the previous paragraph. A second contribution derives from the increasing presence of Chinese students, especially in the UK. The growth of Europe's ability to attract Chinese students can result in an opportunity for member states to convert this trend into more high skilled labour. Germany, for instance, is working in this direction, facilitating visa procedures for students, who deserve a longer period of permanence (Mariani, 2013). Finally, despite contradictory thoughts, a real economic contribution of the Chinese activities in Prato's district has been showed by the reports of the Institute for the Economic Programming of Tuscany (IRPET). However, this topic will be discussed later in the following paragraphs.

⁸ Guifeng territory is composed by seven villages and is located in Rui'an district, two hours distant from Wenzhou.

1.6.3 Challenges of Chinese migration

Chinese migration is now facing several challenges; here I decided to discuss the more relevant and serious ones.

The first one refers to the problems Chinese migrants are facing in trying to integrate in the society of the receiving country. This is a complex and broad topic, especially if we consider the heterogeneity of Chinese migrants themselves: third-generation migrants should probably be considered the same as the local citizens of the receiving country. However, a brief discussion on the topic will follow. Attitudes of local citizens towards Chinese migrants is not identical all over Europe, neither are identical the Chinese migrants in each different country. Despite this, common beliefs about Chinese people arise. First of all, they are considered to be a “closed”, homogeneous community. The stereotype of considering the Chinese people a withdrawn and inaccessible population is sometimes seen as a positive factor, in the sense that people do not expect them committing any delinquent acts to locals, especially if compared to other ethnic minorities existing in the city. At the same time Chinese culture may attract and fascinate; in some countries, for instance France and Italy, Chinese classes have been introduced in secondary schools. A part from the stereotypes about Chinese culture, that do not favour the process of integration, but that diminished their impact in recent years, another problem in this context is represented by the frequent aggressions made on Chinese people. This is not only true for Italy, where Prato is a clear example, but for other European countries as well. For instance, the increasing number violent thefts of cash, mobile telephones and handbags in Belleville (a district in Paris) lead many associations to organize manifestations, asking public authorities for security measures (Ma Mung, 2015).

The second challenge concerns cultural identity. On an online survey conducted in 2007, participants were asked to answer the following question: “If there was another life, would you like being Chinese again?” 60% of the participants answered negatively (Chen and Ochsmann, 2009). Younger generations of Chinese migrants are born in Europe, absorb the culture of the country where they live, consider themselves as European citizens; more than this, they may not even know Chinese. In a globalized world, characterized by an increasing mobility of people and capital, cultural identity crisis is quite common: people tend to identify themselves in their roles rather than in their nationality. A representation of this phenomenon is symbolized by Chinese workers concentrated in Prato. Four causes of identity crisis have been delineated by Chen, Ochsmann and Gutenberg (2009). The first cause is the unfamiliar working environment: a considerable number of new workers coming from China had different expectations for their job, for example some of them

had never imagined before they would work as sewers. The second cause is the unfamiliar social network: as emerges from the study, some workers in Prato must deal with questions such as: “Am I just an employee or are we a family?” (Chen et al., 2009, p.206). The third cause is the unfamiliar social life: Chinese workers appear not have contacts with the local society, especially because of the absence of free time. The last cause is the unfamiliar Italian society: the absence of contacts with local society involves the risk of losing any kind of identity, some of them do not even feel being part of the Chinese community in Prato.

The last challenge to deal with involves migrant workers spread around Europe, in particular the working conditions in which they operate. Despite surveys show an improvement to a certain degree, the treatment of migrant workers still has a long way to go. One main concern is the labour intensity, which still remains very high. Noises during the night in Prato’s Chinatown are not new to anyone. However, the more important challenge facing Chinese workers lies in security in workplaces. Security refers both to exploitation and insecurity as a result of the promiscuity between work place and place to live. A survey, conducted in the East Midlands of the UK, suggests that not only irregular migrant workers are exploited, but workers with residence permit as well, for example chefs or doctors of traditional Chinese medicine (Bin and Latham, 2014). As a result, many Chinese workers are inclined to work with Italian-owned businesses. The issue of security has been particularly central in Prato, especially after the death of seven Chinese workers in 2013. However, this topic will be discussed later.

1.7 Chinese migration to Italy

Despite a long discussion of Chinese migration flows in Europe, a focus on the Italian case, and later on the Prato case, is fundamental. As Ambrosini points out (2001), the traits of Chinese flows to Italy are diversified from those that delineated the other European countries. “Immigration has not been explicitly demanded by employers, nor has it been ruled by agreements with the immigrants’ countries of origin, nor perceived as necessary for the economic system. For all these reasons, immigration has been chaotic and managed in an emergency and approximate way (Ambrosini, 2001, p. 61).

The inflow of migrants in Italy took advantage from a series of amnesties that were issued from 1986 to 2002. These amnesties had two results: on one hand they contributed to tackle the closure of borders and the presence of illegal migration; on the other hand they indirectly attracted new migrants (Ceccagno, 2003a). Generally speaking, migrants work perfectly adapted to the

economic system in Italy: their presence started being necessary in a country where small-medium enterprises prevailed, which could now count on extremely flexible low-cost labour.

Explaining in greater details and concentrating on Chinese migration, in Italy before the Eighties a Chinese community already existed, in particular in Milan, Bologna, Florence and Rome. However, this community was small in number. As numbers show, after the above-mentioned amnesties Italy became the destination country for a big mass of Chinese people: the number of residence permits granted Chinese immigrants grew from 463 in 1981 to 68,727 in 2008 (Ceccagno, 2003a, p. 43). Of course, it must be taken into account the number of illegal Chinese migrants on the territory. It has been estimated that the number of illegal Chinese migrants in Italy in 2009 amounted to 23,000.

As far as the place of origin is concerned, Italy does not represent an exception, if compared with the other European countries described before in the chapter. As a matter of fact, between the Eighties and Nineties Italy experienced a flow of migrants coming from Fujian. Besides this, the last arrivals during the Nineties originate from north-east provinces, namely Heilongjiang, Jilin and Liaoning. Compared to the other flow of migrants, their background is quite different: they come from big urban areas and their level of education is fairly high. For this reason, their work opportunities are slightly different from those available to their co-nationals coming from Zhejiang and Fujian: for instance, they were employed as baby-sitters and were more inclined to work for Italian people; one main advantage provided by them, which let them being hired, was the knowledge of *putonghua* (standard Chinese).

Continuing discussing occupations, first of all a distinction between subordinate and independent work has to be made. The incidence of the latter group was higher in 1990; the highest number of residence permits issued for subordinate work could be found in Lombardy, with an amount equal to 2,160, while the amount of the former group was 1,432. The only exception was Tuscany, where independent workers prevailed over subordinate workers (Campani et al., 1994). The discrepancies between regions can be explained by considering the different entrepreneurial abilities and the different level of persistence in succeeding that were present in each urban community.

As already mentioned before, Chinese migrants perfectly integrated in the Italian economic framework. Compared with other migrants, the Chinese tendency has been characterized by availing themselves of opportunities coming both from local market labour and from market labour coming from their co-nationals. Considering the first case, Chinese migrants found occupations in domestic labour, in the construction sector and itinerant trade. In the second case, a

substantial number of workers is employed in the catering sectors and in leather and clothing industries.

Certainly, these data date back to a first examination made during the Nineties. A part from numbers, the demographic features and the typology of activities of Chinese migrants are still current. In order to have a general idea of the ongoing impact of Chinese migration in Italy, it is sufficient to look at recent data: 281,972 Chinese people now reside in Italy. The majority of them is concentrated in Lombardy (64,283 migrants), followed by Tuscany (49,533) (ISTAT, 2017). However, despite the biggest Chinese community in Italy is in Milan, what distinguishes Prato from the other cases in Italy is the incidence of Chinese people compared to local population.

1.8 Chinese migration to Prato

According to recent data, 20,695 Chinese people reside now in Prato, with a total population of 193,325 people (Prato's municipality website, 2017). The hike of the Chinese flow to Prato occurred between 1998 and 1999, as a result of the above-mentioned amnesties. In 1999 the residence permits issued by the police headquarters were 13,360; among them, 7,900 were requested by Chinese migrants (Rastrelli, 2003).

During that time Chinese migrants in Prato were not only migrants coming directly from China, but a consistent number of them was the result of the influx coming from neighbouring municipalities, in particular from Campi Bisenzio municipality. In San Donnino, a locality of Campi Bisenzio, a considerable number of Chinese migrants operated as sub-contractors for some Italian firms working in the leather industry. The Chinese presence was so evident that the locality was called San Pechino. However, the local population started manifesting hostile reactions and local administration opted for a double strategy: on one hand police forces and Local Health Authority (ASL) increased controls in Chinese laboratories, on the other hand the dialogue with the Chinese community was established (Bracci, 2016). One of the effects of this strategy has been the dilution towards neighbouring municipalities, in particular Prato.

The increasing flow of Chinese migrants caused several concerns among local population and among local institutions as well. The Chamber of Commerce of Prato asked for the regulation of migration flows and the mayor exhorted the Italian government more law enforcement authorities and an agreement with PRC to repatriate illegal immigrants. The multiplication of criminal episodes among the Chinese communities aroused fears; they started talking about Chinese mafia. Local citizens felt deprived from "their" Via Pistoiese, where Chinatown has its roots. The incomprehensible and mysterious Chinese characters on the walls along the streets

contributed to raise preoccupations. However, according to local institutions and citizens, the major threat of the Chinese presence came from the business activities, carried out in the so-called “parallel-district”, characterized by irregularities. However, this topic deserves a separate paragraph in the following chapter.

Fortunately, this adverse attitude towards Chinese migrants diminished over the years, with efforts coming from both the Chinese community and local institutions.

Chapter 2. Chinese firms in Prato: a path of evolution.

According to the elaboration of the data of the Chamber of Commerce in Prato, out of a total of 8,430 of foreign-run businesses, 5,676 companies belong to Chinese citizens. Despite more recent trends towards a diversification of production of Chinese activities, which concerns the textile industry, wholesale trade and service industry, the focal point of Chinese entrepreneurial structure persists being garment industry. As a matter of fact, among the businesses run by Chinese people, companies specialized in garment sector are 3,529 (Chamber of Commerce of Prato, 2017). Due to the relevance of this sector, the entire discussion about Chinese firms in Italy that will follow will mainly concern the garment industry.

2.1 The beginning of Chinese business: from the role of sub-contractors to final firms

Contrary to what happened in Campi Bisenzio, Chinese first businesses did not substitute Italian pre-existent enterprises: in Prato district the phenomenon of substitution has been less relevant than the one that led to the establishment of new production segments.

The first role performed by Chinese migrants in Prato was the one of sub-contractors for Italian manufacturers. Of course, garment industry already existed since the origin of the district; however, its relevance started increasing during the Eighties. During the period of formation of this specialisation sector, the number of local sub-contractor firms actually decreased. This coincided with the arrival of Chinese migrants, who started working as suppliers of Italian firms. Therefore it can be stated that the flow of Chinese migrants answered to a local need, i.e. the one coming from the increasing number of final firms working in the garment industry.

It is important to clarify why the formation of Chinese entrepreneurship in the traditional textile industry did not occur. Explanations can be found in the crisis that affected the textile industry in Prato during the Eighties. A result of it has been the closure of many local units and the loss of many work places. As a part from this consequence, the crisis gave birth to a repositioning of the district towards new productions and market segments. This led to the creation of many material and immaterial entry barriers that determined a sort of selection among the existing companies. In this context, Chinese migrants could not have the possibilities to enter the textile segment; it has been far easier for them to serve as suppliers for garment companies (Colombi, 2002).

What has characterized Prato industrial district and what made of it a special case has been the transition of Chinese workers from sub-contractors to final firms. From the end of the Eighties,

they could count on basic stitching skills; they rented crumbling spaces that belonged to local small entrepreneurs who had previously closed down. However, over the years they managed to improve their skills and upgrade to the role of manufacturers, counting on co-nationals as sub-contractors. From this point on, Chinese migrants contributed to the birth and the development of the clothing industry in Prato, specialized in Pronto Moda (Ceccagno, 2014).

It is important to note that the up-grading of Chinese firms did not occur immediately, at their arrival. It took about two decades for Chinese migrants to play a major role in the Pratese clothing industry. As a matter of fact, numbers show an increase in Chinese workshops specialized in pronto moda only starting from the first years of 2000s (Lan, 2014).

In conclusion, in this paragraph two steps of the path of evolution of Chinese firms in Prato have been outlined: the first is Chinese firms acting as sub-contractors; the second one is Chinese firms acting as final firms.

2.1.1 The organization inside workshops

In order to have a whole picture of the growth process of Chinese firms, it is necessary to have an insight into their organization. Before proceeding with it, in particular at the time when they covered the role of sub-contractors, it is important to specify who their clients were and who commissioned them orders.

During the first years of the Two-thousands, Chinese productions started upgrading from the quality point of view. According to a Chinese entrepreneur interviewed in 2002 (Ceccagno, 2003a), 60/70 % of Chinese workshops manufactured medium-quality products; only 10/20% engaged in low-quality products, while the rest opted for high-quality products. On the contrary, during the first period of the Nineties, Italian consumers did not have high demands; they used to commission products that did not require accurate processings.

An increasing number of Chinese firms started manufacturing for big brands, such as Versace, Armani, Ferrè, Valentino and Max Mara. In these cases, it was usually an intermediary that commissioned manufacturing to Chinese firms, rather than the big firms having a direct contact with Chinese sub-contractors. However, it appeared to be difficult for Chinese firms to work for big brands, mainly because of the high mobility of Chinese workers (ibidem). In order to acquire skills to produce high-quality clothing, workers needed training, which also means extra expenditures for the owner of the firm, in terms of both cost and time. Serving a big firm when workers, and in this case trained workers, are inclined to change workplace certainly implies several challenges.

In general, small workshops worked for two or three Italian clients, while the bigger ones (with twenty employees) worked for a maximum of five clients. The majority of customers was composed by medium-sized companies, that asked for medium-quality products, and that operated in another part of Italy, for instance Florence, Lucca, Bologna, Milan, Vicenza, etc.

Generally speaking, in a typical sub-contracting Chinese firm, where both bosses and workers are Chinese, an employee first fills the role of *zagong* (unskilled worker), which includes cleaning, cutting loose threads from clothes, folding the finished garments, for a salary of € 400/500 per month. If particularly capable, within a few months the worker upgrades to the role of *shougong* (manual worker), which requires basic skills of ironing and sewing, reaching a salary of €600 per month. The final step consists in the role of *chegong* (lathe worker), for a salary that varies from €8,000 to 12,000 per year (Pieke, 2004). One workshop usually hosts one *zagong*, while the percentage of *shougong* and *chegong* can vary.

2.2 Local reactions to Chinese entrepreneurship

Before going further in the analysis of Chinese firms, it is interesting to have a general overview of the reactions of local citizens and local institutions to the spread of Chinese business activities in Prato district. On the part of local institutions, two different strategies have been adopted, as a result of different approaches towards Chinese firms and, more in general, towards Chinese migrants: from 2007 to 2013 a severe strategy has been adopted, while after the fire of Teresa Moda workshop, where seven Chinese people died, a different approach characterized both institutions and citizens. Of course, this division is not to be taken as the precise moment when attitude towards Chinese migrants immediately changed.

2.2.1 Before 2013: a strategy to fight the enemy

Starting from the publication of the volume of Silvia Pieraccini in 2008 “L’assedio cinese” (the Chinese siege), this word, as well as “distretto parallelo” (parallel district), have been extensively used by authorities and in the public debate (Bracci, 2016).

The first term “assedio cinese” contributed to the diffusion of the idea of a Chinese invasion, which required an intervention: “We under-estimated them. What they are doing here is giving rise to unfair competition. In order to keep them under control we need a battalion, an operation like the

one in Iraq”⁹, these were the words pronounced by the President of the Chamber of Commerce of Prato (Ehlers, 2006).

The second term, “distretto parallelo”, assumed that Chinese activities did not operate in the same district of the Italian ones, but in a separate context. As a consequence, according to this approach, Chinese migrants do not contribute in any way to the wealth of both the city and the industrial district. This suggests that those who supported this theory identified the city only with the textile district, not considering the alternative for the district to prosper with an industry not corresponding to the traditional one.

Simultaneously in Prato the concept of dual Chinese challenge became widespread. What does this term refers to? According to this concept, Chinese migrants are perceived as a threat looking from two perspectives: on one hand, at the global level, they exert pressure through the production and selling of goods at competitive prices; on the other hand, at the local level, they provoke fear and impatience as a consequence of their success in clothing industry. As a result, the Chinese presence is interpreted both as an economic threat and a social emergency (Dei Ottati, 2009a). What it is interesting to note is the context in which this “attack” to the Chinese presence arouse.

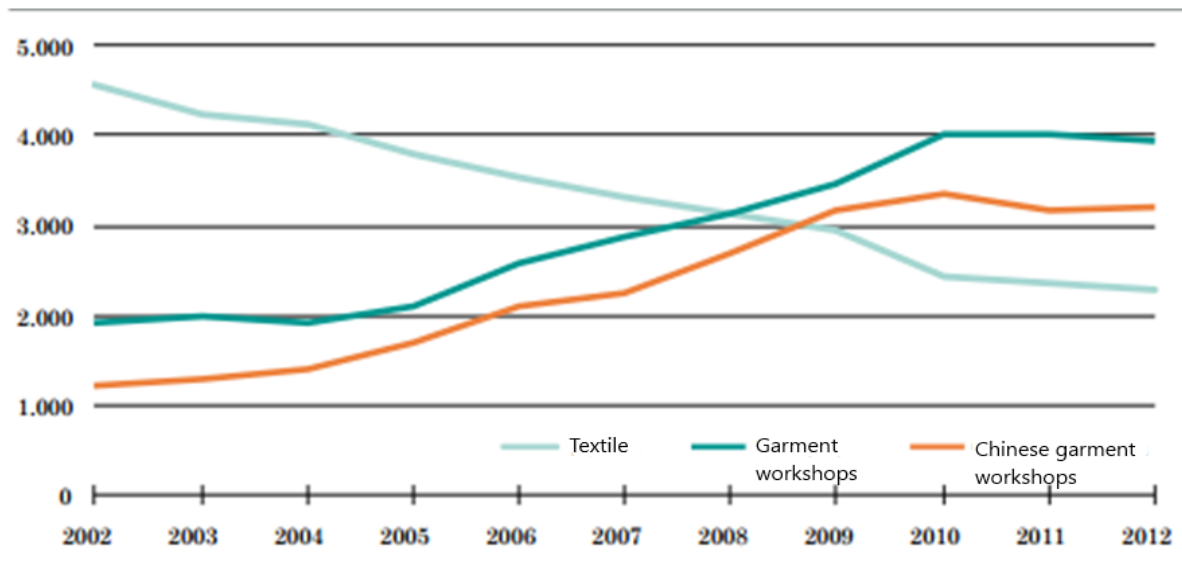


Figure 1: textile and garment industry in the Province of Prato. Source: IRPET (2013).

As shown in the figure above, two divergent trends characterized the two sectors in the district, i.e. the textile and the garment sectors. In particular, the textile district began undergoing the crisis during the Eighties, but the peak occurred in the Two-thousands. In contrast with this recession, that brought many people to their knees, the garment industry was fastly growing. Furthermore it is important to remember that in these years Chinese workers were jumping to being

⁹ Translation by the author.

owner of final-goods firms, causing envy among those Italians who were seeing their companies closing down.

Those elements contributed to give rise to the so-called “Chinese issue”¹⁰, whose fundamental is the conviction that Chinese migrants do not constitute a resource but a threat; they are considered to be the reason for Italian firms’ failure in the textile district. This ideology had the intervention of local institutions as a necessary corollary.

As a matter of fact, following the emission of *Patti per Prato sicura*¹¹ from 2007 to 2013, the Chinese presence is portrayed as a real matter of security. An article of the first *Patto per Prato sicura*, issued in 2007, provides for an intensification of activities for combating economic illegality, with clear reference to Chinese businesses. The following *Patto* establishes a task force composed by all those bodies whose competence is needed when trying to spread legality and security in companies: ASL, law enforcement authorities, fire department, National Social Insurance Agency (INPS) and national institute for Insurance Against Industrial Injuries (INAIL) (*Patto per Prato sicura*, 2008).

The numbers of checks carried out and sanctions imposed to Chinese companies were triumphantly published through press releases. Local medias reported the daily checks as well. The principal irregularities concerned the promiscuous use of factories, hygiene requirements, undeclared employment, electrical installations and the presence of gas bottles. The spectacularization of checks with dogs, armoured tracks and helicopters flying over Chinese factories did not certainly contribute to create a calm and peaceful atmosphere among Chinese migrants. Moreover pressure came from the amount of sanctions to be paid as well (Ceccagno, 2014a).

Despite during this period an act of rebellion did not occur, several episodes of tension actually took place. For instance, in May 2010, during some checks, there was a real hand-to-hand between two Chinese people and the police (Blitz, 2010). The same year, in January, after a spectacular control with an helicopter flying over Macrolotto 0 (via Pistoiese) and seventy Chinese people brought to the police headquarter, with the background of Italian people applauding (Fedeli, 2010), the reaction of the consul Gu Honglin was not positive: he compared the Italian police to Nazi SS that took away women and children from their homes (Poli, 2010).

What kind of strategy lies behind this attitude? According to Bracci (2014 and 2016), the behaviour of local actors is the result of the willingness to preserve the district order, not taking into consideration other alternatives in a context of profound transformation. Contemporary to checks in

¹⁰ My translation, from the Italian word “Questione cinese”.

¹¹ *Patti per Prato sicura* belonged to the national strategy of that time, whose aim was to increase security in cities with special funds. Prato was considered to be a town who needed intervention from the security point of view.

Chinese companies, another strategy seems to be adopted by Tuscany Region: checks were not sufficient, regularization paths were needed as well. Apparently these two strategies are diversified, but as noted by Bracci, they share some aspects with a different rhetoric, both with the aim to preserve the traditional district.

2.2.2 After 2013: a new strategy

Attention was brought again to Chinese working conditions in December 2013, when the fire that swept through Teresa Moda factory caused the death of seven Chinese people during the night. Immediately, local authorities showed the necessity to have collaboration both at local and national level, with a participation of People's Republic of China as well, in order to solve the problem of Chinese working regime (Reali, 2013).

Of course, reactions and polemics coming from Prato citizens could not miss. In particular, they criticized local authorities for being aware of conditions of Chinese workers in their workshops and for no consequent intervention (ibidem). On the Chinese part, the consul Wang Xinxia entrusted Chinese associations with printing booklets to explain basic norms for security in workplaces (Lardara, 2013).

In the aftermath of the fire, a new strategy took shape. First of all, it was important the political shift in May 2014 from a centre-right city council to a centre-left one. The new mayor underlined the centrality of checks, but affirmed the need of a different strategy to implement them (Tarantino, 2014). More in general, a new conviction aroused: the blitz policy did not have success; controls required the support of regularization path for Chinese companies.

This time, it is the Tuscany Region to guide the policy towards Chinese companies. As a result of this new attitude towards Chinese entrepreneurship, which did not consist in seeing them as a threat, new projects aroused. For instance, the project "Lavoro sicuro" ("Safe job"), a three-year special plan to increase controls in Chinese companies, which also involved the municipalities of Florence, Empoli and Pistoia. However, as it has been repeated several times, the aim of inspections was to protect people's life, rather than letting Chinese firms close down; not only checks, but also regularization paths carried out with the collaboration of trade associations. Furthermore, other three main projects were carried out. The first one, "Progetto Prato" ("Prato Project"), was ideated in 2011, gave priority to the following problems: aid to work, regularization of irregular work, processes of social cohesion, policies of legality and security. The second project, already finished, brought to the training of fourteen technicians, with multi-disciplinary and multi-cultural competences, able to do companies check-up. Consecutively with this project, a third project concentrated on other objectives as well: it offered training courses for company

owners and workers. The project provided an intense activity of information and consciousness about security in workplaces.

Therefore, the rhetoric at the base of the above-mentioned projects diverge from the one used before 2013. The emphasis is now posed on collaboration and dialogue, with the necessary involvement of Chinese associations existing in Prato.

However, the situation is not as peaceful as it appeared, and as local institutions wanted it to appear. A proof of this are the facts happened in June 2016 in Osmannoro, in the province of Florence. The area hosts a conspicuous number of Chinese enterprises, particularly specialized in leather and shoes sectors. After a control carried out by ASL in one of the workshops, the situation degenerated. Reconstruction of facts is difficult to be delineated, since several different versions (a Chinese one and the one of the personal charged of controls) exist. What is sure is that hundreds of Chinese people gathered around the workshop to see what was happening, becoming a little bit later the protagonists of a clash with the police (Serranò, 2016). This event came as a surprise to local institutions. Ceccagno, in an article published in the aftermath of the happening, argued that the reasons behind what happened dealt with pressures coming from two aspects: the first were sanctions imposed to Chinese firms; the second was the lack of security in streets, since many Chinese people were asking authorities to intervene in order to put an end to the frequent thefts they were exposed to (Ceccagno, 2016).

2.3 The working regime of Chinese firms

2.3.1 *The reconfiguration of space*

Flexibility and speed are two main features of Chinese firms. How are those characteristics achieved?

Despite being used to link Chinese competitiveness with illegal work and exploitation, according to recent analysis, the main benefits enjoyed by Chinese companies appear to be the result of a reconfiguration of space, achieved through both intra-firm stasis and inter-firm mobility (Ceccagno, 2014b).

The first concept, i.e. intra-firm stasis, refers to the sleeping regime typical of Chinese companies in Prato. Workers are usually offered board and lodging in the workshop contracts. This permits longer working hours and complete workers' availability whenever is needed, for example for off the book practices.

The second concept, i.e. inter-firm mobility, refers to the temporary mobility that takes place in the whole system of Chinese workshops (also at the national level). In other words, Chinese workers can easily move from one workshop to another without incurring into additional costs for sleeping arrangements. More important than this, orders can be executed in a very short time, as a consequence of the fact that workers can be asked to move to another workshop and contribute to production.

According to Ceccagno (2014b) the offering of a place to leave (the workshops) has been an important factor in attracting co-nationals and thus in leading many Chinese migrants establish in Prato.

As a result of this reconfiguration of space, Chinese firms gained considerable advantages. The main benefit refers to what Ceccagno (2003b) defined as in-situ offshoring: the convenience of offshoring abroad, in particular the advantages of obtaining lower costs of production and cheap labour-costs, are actually achieved by Chinese firms inside the district itself. Besides this, Ceccagno (2014a) added a further advantage. The tendency of many big brands corresponds now to onshoring (or reshoring) some of their production phases in homelands, as a result of the difficulties to be faced abroad: increasing labour costs, higher transport costs, product quality concerns and advantages of collocating R&D and production (Foresight, 2013). Ceccagno argues that Chinese firms will play a fundamental role in this context, offering big brands the same advantages of onshoring. Finally, it is important to note that the reconfiguration of space explained before had been fundamental for the Italian manufacturers, when Chinese workers arrived and started serving them as supplying firms.

2.3.2 *Work overwhelms personal life*

I arrived in Italy in 2005, my parents were already here. My task in the firm is *paotui* (run errands): I pay the bills, go to the accountant, and collect goods. I studied until the first year of school, and then started working. You know, when you are studying you complain, but when you stop you would like to. I wish I could have continued studying. And when I do not have to work, I stay at home, and I feel bored (23-year-old Chinese girl).¹²

Having acknowledged the working regime typical of Chinese workshops in Prato, the fact that personal life is almost absent does not come as a surprise.

¹² Interview n. 3, 8th May 2017.

This does not mean that the family is kept outside the production activity: all the family members are actually considered fundamental for the business; each of them is an important resource for working and has to be exploited.

As emerges from some interviews made by Blanchard and Castagnone (2015), the propensity to self-employment is something innate, belonging to Chinese culture. In order to become *laoban* (boss) they adopt the practice of *chiku, nailao* (bear hardships and endure heavy labour) (Blanchard and Castagnone, 2015). This entails sacrifice and risk, leading them to take difficult decisions, for example families that have to split up, young people sacrificing their personal and social life for work and parents forced to leave their children in China.

Work overwhelming personal life can also be explained through the choices made along the path of maternity and the raising of children (Ceccagno, 2007). For instance, Chinese women living in Italy who decide to terminate pregnancy are more than the Italian ones. Furthermore, a more common practice since the first Chinese migrants started business in Prato is the one of leaving the children in China with their grand-parents. Chinese women, together with men, decide not to breastfeed their babies and not to keep them for the first few years of life. Some others opt for in-home baby-sitters, in particular those coming from north-eastern China, who speak Mandarin Chinese more fluently (as explained in the first chapter).

However, it is important to keep in mind that new generations of Chinese, born in Italy, grown with Italian friends, with a different level of education, being more familiar with the territory and thus feeling themselves more Italian than Chinese, probably may not want to follow their parents' footsteps; they probably strive for a different future, far from the ethnic business (Ceccagno, 2004).

2.3.3 *Is it an exclusive Chinese productive system?*

Some scholars, among them Ceccagno (2014), argued that the Chinese *modus operandi*, widely criticized, and not only by local actors, can trace back to a common practice used also at the European level.

Going into details, the author links the Chinese productive system with the ethnicization of people and places as a means of generating profit which is now prevalent at the global level. In order to have proof of this theory, some examples are made.

Ceccagno made a comparison with Foxconn factories located in Europe. First of all, Foxconn is the third-largest private employer in the world after Walmart and McDonald's. The compression of workforce diversity and outsourcing social reproduction are measures adopted by

Foxconn in Czech Republic, for example (Ceccagno, 2014b). The composition of workforce in Czech Foxconn plants is divided along various lines: nationality, type of contract, gender, age and wages. Furthermore workers are offered dormitories: migrants usually sleep in dormitories, while locals live in private accommodations. As far as working hours are concerned, employees are supposed to have flexible shifts, according to production needs.

This mode of production can be comparable with the one Chinese have adopted in Prato. A study with focus on Foxconn factories spread around Europe aimed at demonstrating that by diversifying several components of the production process, locating factories in different countries, manufacturing systems become able to localize close to the market while exploiting low wages and minimal labour regulations (Sacchetto and Andrijasevic, 2015). This is exactly what Ceccagno claims: these practices are becoming more and more accepted because of the global restructuring of capital; therefore it is not a typical Chinese *modus operandi*.

Another contribution about this topic comes from some scholars that argued that the frequently criticized Chinese productive system was actually used in the past by those entrepreneurs and workers that lead the Pratese textile district to the success. In particular, Bracci (2016) analyzed three dark sides, as he calls them, of the textile district: illegal employment, self-exploitation and security in workplaces. As far as the first dark side is concerned, illegal work was on the agenda; more than this, it was tolerated and allowed. “I remember a basement where mother, father and sons used to work at the loom twenty-four hours per day”¹³. Moreover, promiscuity of place to work and place to live has not certainly been a Chinese invention. For this reason, Prato has been widely criticized around Europe during the Seventies, comparing it to India and defining it as the hell of textile industry. Going further with the description, self-exploitation was the pillar of textile activities. Small phase producers knew that they could count on extended working days and self-exploitation, which used to involve the whole family; while dependent workers could count on extra working hours to increment salaries. Finally, talking about the last point, i.e. security in workplaces, the percentage of work accidents was incredibly high. The risks Pratesi workers were exposed to mainly concerned the intervention for repairing machineries without stopping production, the loss of hearing and the exposition to cancers. The above-mentioned aspects have been neglected and little has been made to solve those problems.

What I would like to remark here is that this comparison between Chinese productive system and working habits of the textile industry does not aim at justifying the current working regime of Chinese firms; but it lets reflect about the widespread attack to Chinese entrepreneurship, whose success, according to many people, has been achieved only through illegal practices.

¹³ Interview found in “Oltre il distretto”, Bracci (2016), translation by the author.

However, what has been omitted is that these illegal practices are exactly the same as those used by Pratesi workers years before.

2.4 Chinese contribution to Prato

Despite for many years attention has been mainly focused on the negative effects of the presence of Chinese migrants in Prato, the contributions and the benefits of Chinese business, but more in general of Chinese migrants, must not be neglected.

First of all, they contribute to the wealth of the city as consumers. During the last years the birth of a middle class has been observed, whose peculiarity, compared to the older generation, is the possibility of having free time, which can be dedicated to consuming (Valzania, 2014). In particular, a portion of Chinese population is oriented towards the purchase of luxury items, such as SUVs and jewellerys. As observed by some researches, the presence of Chinese migrants let luxury cars sellers maintain high sales. “Fortunately I sell to Chinese people” (Berti et al., p.5): this sentence, pronounced by an Italian trader, clearly shows the relevance of Chinese migrants for local business activities.

Secondly, a part from Italian sales representatives and designers that could find new work opportunities in Chinese firms (Ceccagno, 2010), and factories’ owners whose real properties have been appreciated (Ceccagno, 1997), those who took advantage the most from Chinese migrants arrival have undoubtedly been the Italian manufacturers belonging to the clothing industry, among them Sasch and Patrizia Pepe. From an economic point of view, Chinese enterprises were able to offer cheap clothing items; from a strategic perspective, Chinese firms were able to guarantee short delivery times, thanks to their flexible organization (see paragraph 2.3.1).

The most important contribution comes from the economic role they play. Its impact on the whole productive system of Prato is so significant that it determines its evolution and equilibrium. As stated by the Chamber of Commerce of Prato, the whole development rate of the firms in the territory would certainly be negative if not considering the foreign enterprises¹⁴. Concentrating on the manufacturing industry, a major role is played by Chinese migrants, who sustain the growth of the whole manufacturing industry of the Province (Caserta, 2017).

Furthermore, authoritative studies have shown how the collapse of Prato’s economy has been attenuated by entrepreneurial activities run by Chinese migrants. As a matter of fact, as already said before talking about the two opposing path of textile and clothing industries, during

¹⁴ Data refer to all foreign activities, not only the Chinese ones. However, concentrating on the manufacturing industry, the Chinese presence prevails.

the period 2008-2012 an economic growth has only been registered for Chinese enterprises (Marsden and Caserta, 2013).

In conclusion, having shown the advantages brought to the city by the presence of Chinese migrants, why for many years people complained about Chinese business activities and their negative impact on the local economic system?

Some scholars argue that the dominant rhetoric that presents Chinese presence as being dangerous is the result of two elements. The first refers to the fact that local institutions only identified with local stakeholders of the textile industry, rather than looking at the welfare of the city on its whole; the second element consists in the fact that despite having sustained the economy, Chinese firms have not been able to contrast, only to alleviate, the consequences of the crisis.

2.5 Pronto Moda

2.5.1 A definition of Pronto Moda and its origin

An official definition of Pronto Moda has not been formulated¹⁵. However, it can be described as a mode of production typical of the clothing industry. It is characterized by extremely reduced production and delivery times; its production features result in low-end products and low prices for the final items. The term is literally translated into “ready to wear”, reflecting the nature of its business model: items must come on the market as quickly as possible, thus in a standardized manner, and must easily follow trends.

In Italy, Pronto Moda first appeared during the Seventies. In particular, in Prato the clothing industry, as already mentioned before, experienced a different development if compared to the traditional textile industry. It gradually grew during the Eighties with capital and workers coming from closed textile industries. These first firms traced the traditional organizational model of the district: small dimensions, labour division and turning to sub-contractors (Toccafondi, 2010). However, it represented the antithesis of the core production of the district in terms of quality and accurateness of final products, far from the so-called “programmato” (programmed production), based on an ideation of samples made one year before the sale season.

Pronto Moda in Prato started offering collections that made in Italy stylists proposed one year later, at far more convenient prices, achieving success among young people and being able of capturing trends and, if necessary, change the items during phases of production.

¹⁵ Recently, a differentiation between Pronto Moda and Fast Fashion emerged, and it concerns a different level of quality. However, the whole discussion will not take care into consideration this difference and will use the two terms interchangeably.

As mentioned before, the pronto moda system is very similar to the textile production: a labour division between final firms and subcontractors exists. In other words, in the clothing industry final firms receive orders coming from outside the industrial district and subcontract production phases to different specialized firms.

In contrast with the textile district, in general the clothing production consists of fewer production phases: design, cutting, stitching and dyeing. The first two phases are usually carried out by final firms, while the other two are realized by sub-contractors. Opposed to skills needed for textile industry, some operations, such as stitching, require less capital and less technical skills (Lan, 2014). However, low level of abilities required does not translate into an easy task to perform: some activities, for example cutting and dyeing, have been automatized, while some others, such as stitching, depend upon a worker sitting in front of sewing machines for many hours.

2.5.2 Chinese migrants start dominating Pronto Moda

As it has been already mentioned in the first part of this chapter, discussing about the first phase of the evolutionary path of Chinese entrepreneurship, Chinese migrants started their activities in the clothing industry in Prato first as sub-contractors, subsequently as final firms. This paragraph aims at explaining into details the conditions that permitted Chinese migrants to lead the sector and how they operated.

First of all, despite contradictory opinions about the either positive or negative effects of the Chinese migrants' presence, it can be now assessed that their assimilation in the clothing industry has been also the result of a lack of local human capital. Low fertility and occupational preferences among young people provoked a vacuum that have been filled by new Chinese migrants (Becattini et. al, 2003). Many young Italians did aspire neither to follow the career of their parents in running a firm, nor to engage in some tedious and repetitive activities such as stitching.

Secondly, another important factor has been fundamental in letting Chinese migrants enter the Pratese production system better than others; this factor concerns the place of origin of those migrants. As said before, the majority of Chinese migrants who arrived in Prato comes from Wenzhou. As a coastal region with few natural resources, the city was not attractive for the Chinese state. As a consequence, it lacked the presence of state-owned enterprises. This apparent disadvantage turned out to be a sort of benefit for Wenzhouese people: they had no choice but start their own businesses, letting them develop entrepreneurial capabilities. The proliferation of small and medium sized enterprises in clothing and leather industries created a "Wenzhou model" of

economic development (Lombardi, 2010). The abilities developed during this period have certainly helped those Chinese migrants integrate in the ID system, in particular in the clothing industry.

Thirdly, there is one last factor, in my opinion the most decisive one, that lead Chinese firms to success: their productive system described before, characterized by both stasis and mobility, allowed them satisfying the needs coming from fast fashion: speed in designing, projecting and realizing items, and reducing the so-called time to market . The flexibility characterizing the modus operandi of Chinese firms perfectly matched with the tendency of that time.

The above-mentioned factors lead Prato from being the so-called “Città degli stracci” (city of rugs) to being a centre for fast fashion.

2.5.3 Organization inside final firms of Pronto Moda

Referring to the organization inside the first pronto moda workshops appeared during the Two-thousands, following a series of studies conducted in that period, it emerged that Chinese final firms specialized in fast fashion usually concentrated on design, cutting and coordination of production phases.

Final firms used to externalize production phases to four-eight sub-contractors, based on production rhythms needed. The reason why they divide production into several sub-contracting workshops is that they need to assure themselves about the effective capability of fulfilling all the orders. Therefore one final firm usually offers work to more than one workshop. As shown in one of the interviews (Ceccagno, 2010), even though orders could be fulfilled with workforce coming from only one workshop, Chinese final firms tend to distribute production among all the workshops they manage, in order to maintain a relationship with them and to fulfil orders in half of the time. As noted by Dei Ottati (1994), relationships, mutual trust and loyalty among firms was a typical feature of the traditional textile district as well.

However, coordinating several factories has its drawbacks, since several troubles may come. In particular, as already mentioned before, one of the challenges comes from the high mobility of workers. They do not feel bound to a single firm, also as a consequence of the lack of any contractual security: they rarely deprive themselves from leaving their job whenever they are offered better work opportunities, or whenever there is the possibility to start its own business.

In this context, a crucial role in the expansion of Chinese pronto moda workshops is played by stylists, both Italian and Chinese (Ceccagno, 2010). They are usually charged with both

ideating and copying items that are successful at the moment. Besides, they are expected to foresee the future successful elements of the following season.

The following scheme perfectly explains the internal organization of Chinese companies inside Pronto Moda.¹⁶

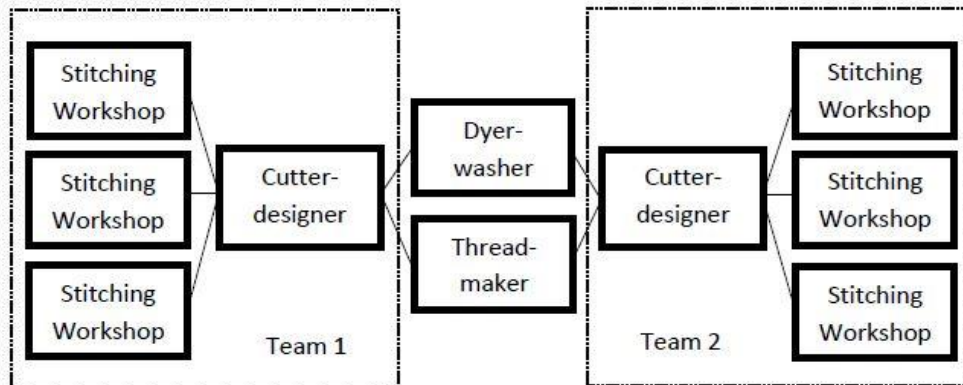


Figure 2: production teams in the Chinese pronto moda. Source: Lan (2014).

First of all, it is fundamental to clarify which are the companies that operate in the Chinese Pronto Moda: the final firms (*caijian gongsi* in Chinese), stitching firms (*buyi gongsi* in Chinese) and dyer-washer (*ranxi gongsi* in Chinese). The description of each of them will follow.

Final firms are organizers of production and manage the design of clothing items. As noted by Lan (2014) designers' approach appears to be similar to the one of the textile district, based on what Becattini defines as "imitative resonance" (Becattini, 2000): small-medium enterprises (SMEs) tend to copy design from the others. In general, they imitate the designs of French and Italian high-quality brands. However, final firms usually do not have brands. There are two reasons behind this: brand-name is not relevant for lower-cost market, therefore buyers usually do not care about it; since Chinese final firms often imitate big brands, being brand-less is the common way adopted to avoid legal matters. The other two tasks of final firms are buying and cutting fabric. As far as cutting is concerned, they usually hire one or two cutters, who are engaged in a long-hours manual work, since final firms are usually not provided with laser cutting machines.

As far as stitching firms are concerned, their percentage exceeds the one of final firms. Due to low requirements asked to open a stitching workshop, competition is very high. Timing is fundamental; during the peak season they have no choice but working overnight. Talking about

¹⁶ The following description of internal organization of Chinese pronto moda has been taken from "Made in Italy by Chinese: how Chinese migration changed the apparel production networks in Prato", by Lan Tu, 2014.

size, it can vary more than final firms. Based on the interviews conducted by Lan, a medium-sized stitching firm has eight to ten workers, while the larger ones may hire up to fifty workers.

As regards dyer-washer firms, those run by Chinese people represents a very small percentage. The process of dyeing actually requires much more capital and technology; as a consequence they are almost owned by Italians. However, it has been showed that Chinese firms usually do not rely on Italian dyeing firms. Reasons for this will be explained later.

2.5.4 Traders across Europe

Recent literature about Chinese entrepreneurship has focused attention towards two characteristics assumed by Chinese firms in the last few years: from being final firms to being transnational and diversified firm. This is exactly the third step of the growth process of Chinese firms in Prato.

The aspect that I would like to focus on is the transnationalization feature, which concerns the firms operating in pronto moda. However, before going further in the discussion of this topic, a brief explanation of the concept of diversification is needed.

In particular, the term diversification refers to the recent opening of Chinese entrepreneurship towards activities other than the manufacturing ones. The last report (2017) of the Chamber of Commerce of Prato confirms the signals of precedent reports: the percentage of Chinese firms in “new” sectors, at least new for them, is growing. In particular, growth rate above total average are registered for the textile industry (387 companies, +6.3% if compared to 2015), wholesale trade (658 companies, +6.1%); however, it is the services sector the most interesting evolution, with 356 companies, +9.2% compared to 2015 (real-estate business, personal services and IT activities).

Moreover, as already said before, the Chinese ethnic entrepreneurship focused on clothing industry may no longer be an attractive alternative for young Chinese born in Italy: “I recently opened an activity (on March), that concerns e-commerce on-line. Yes, it is far from the traditional activities managed by Chinese people”¹⁷, says a young Chinese, with a strong Pratese accent.

Going back to the transnational element that has characterized the recent evolution of Chinese firms, an important element of the organization of Pronto Moda has been voluntarily omitted here until now: who are the buyers of Chinese fast-fashion items? This is the key for understanding the transnational feature of Chinese firms.

¹⁷ Interview n.4, 8th May 2017.

It is now widely acknowledged that Chinese firms have been able to supply not only stallholders, wholesalers and chain stores in Italy, but fast-fashion markets spread all over Europe as well (Dei Ottati, 2014). The up-grading to an expanding market for immigrant entrepreneurship is considered fundamental in this kind of context (Kloosterman, 2010).

Bustle of lorries is quite common in Macrolotto 1 (where the majority of Chinese fast-fashion factories are concentrated), especially on Tuesday and Friday, the days for sending merchandise (Becucci, 2014). They do not only come from northern Italy, but from Eastern Europe as well (ibidem). “The majority of clients come from Spain and France. They come here once or twice a month; when good relationships are established, the Chinese sellers send pictures and the European clients order items, without the need to come here”.

The Chinese pronto moda firms located in Prato are often the source of apparel for the many buyers of pronto moda items spread all over Europe. Usually, Rome and Prato are the first tier. However, a distinction between the two is made: Rome offers Made-in-China apparel, while Prato provides the Chinese Made-in-Italy (Lan, 2014). The ability of distinguishing what is fashionable and what is not is a key component of the competitive advantage offered by Chinese firms to European buyers.

I come to Prato every month or half month. Clothes are made here have many advantages over clothes from China. They change fast, have more diverse models and colors, adjust to buyer's taste. Just tell them what you want, and they will do the magic for you. Since they produce right here in Europe, they are fast. Containers from China usually take 45 days to arrive, and model (of Made-in-China) are quite limited. If you need a specific color or size, you have to buy an entire box. That means a large quantity of leftovers if you made a wrong decision. These Italian goods are more flexible, instead. You pick only one or two hundred pieces for each model. If they are welcome, you come back to order more with particular color and size. In this way, storage is minimized and turnover is much faster. This is unique in Italy¹⁸.

This system has been compared to the one used by other fast-fashion chains, for example Zara. They are both characterized by a limited storage which changes often within a short period of time. However, such big chains cannot represent direct competitors of the Chinese apparel industry, since they have different targets.

According to data, the manufacturing sectors, that cover almost the entire percentage of exports (2.6 billions of Euros), registered a variation of +4.5 % during the fourth trimester of 2017, compared to the same period in 2016. Inside the fashion industry, on one hand the textile sector

¹⁸ Interview found in “Made in Italy by Chinese: how Chinese migration changed the apparel production networks in Prato”, by Lan Tu (2014), p. 125.

suffered a decrease of -3.0 %, on the other hand the clothing sector experienced a strong increase, +11.9 at the end of the year (Confindustria Toscana Nord, 2018).

If looking at the latest tables (2014) where export destinations are specified, the first European markets for Chinese clothing and accessories items is France, followed by Germany and the United Kingdom (Chamber of Commerce of Prato, 2015).

Therefore Chinese enterprises have been able to create a parallel value chain in pronto moda. Not only do they work transnational by exporting apparels: looking from the supplying point of view, they import textile from other countries, in particular from China, as will be explained later.

2.6 Factors that lead to a Chinese ethnic enclave

When emigrating to Europe, Chinese migrants followed two different trends: those who were well-educated city dwellers from northern China, for whom migration was an individual decision, could easily enter the mainstream labour market, without recurring to the help of a sort of network established among the other Chinese migrants; those who came from areas with a long story of emigration, who could not count on high labour skills, fostered the development of ethnic enclaves (Baldassar et. al, 2015).

This second trend has been the one adopted by Chinese migrants who arrived in Prato. In particular, there has been the formation of an ethnic enclave labour market. Chinese workers prefer finding an occupation in their co-national businesses, and Chinese employers prefer hire Chinese people.

Four main reasons have been found in order to explain why an ethnic enclave labour market in the apparel industry exists in Prato (Lan, 2014).

Firstly, in Italy some industries were more difficult to enter than some others. For instance, limitations for foreigners to enter wholesale business existed until 2007. This is the reason why after 2007 the number of wholesaler businesses owned by Chinese incredibly grew.

Secondly, the Pratese economy did not offer many opportunities other than the manufacturing sector. As already explained before, the textile industry could not be the most suitable choice for the new wave of Chinese migrants. Furthermore, and more importantly, Chinese migrants entering the apparel industry could rely on “untraded interdependencies”. Lan (2014) explained this concept, by focusing on two types of “untraded interdependencies”, which Chinese workers can benefit from. The first one exists between Chinese workers and Chinese employers, as a result of mutual trust, not based on contracts. What drives Chinese workers to

sacrifice their labour rights? Usually, this has to deal with the willingness of becoming self-employed: workers initially decide to trade off their labour rights for obtaining their employer's financial support in future, after deciding to run their own business. The second "untraded interdependency" exists between contracting firms of Chinese Pronto Moda, which explains why Chinese companies are keener on sub-contracting production to other Chinese firms, despite some exceptions. In other words, Chinese firms decide to trade off higher profit, which would come as a consequence of sub-contracting to Italian firms, in exchange for something else. A part from Chinese firms not being able to satisfy high-quality standards of Italian brands, Lan (2014) identified another possible cause: Chinese companies concern the uncertainties of Italian contracts and their disadvantaged position when disputes occur.

Thirdly, Prato gained the reputation among Chinese people of being the first stop for Chinese immigrants in Italy, as the easiest place to find a job. Furthermore workshops usually provide free food and lodging for workers, which helped the owner building a paternalistic ambience within the workshop and thus stabilize the workforce.

Finally, the last important factor that contributed to the creation of a Chinese enclave labour force in the apparel industry is the matching between Chinese *modus operandi* and needs coming from fast fashion (ivi, paragraph 2.5.2). According to some researches, a typical Chinese work-day can be twelve hours long, seven days per week. Of course, this violates Italian labour law. This working regime has prevailed over the majority of Italian competitors, leaving the sector being run almost by Chinese workers.

2.7 Relationships between the textile and the clothing industries: are there any?

If one looks at the district as a whole, the textile industry, mainly run by Pratesi citizens, and the clothing industry, dominated by Chinese migrants, may appear to be a perfect combination: Chinese firms producing items using the fabrics produced by the textile industry. However, this is an image that actually does not belong to Prato district.

Firstly, who provides the fabrics that Chinese firms will use to produce final items? It is not new that Chinese enterprises usually do not buy fabrics from local suppliers, but they prefer importing them from China (Ceccagno, 2010). Two reasons behind this reality are the causes for a lack of contacts between fast-fashion industry and the textile industry. The first reason concerns the need for Chinese firms of fabrics which are no longer produced neither in Italy nor in Prato district, for example the poplin; this force Chinese entrepreneurs to import fabrics from China. The second reason deals with the inconvenience of buying high-quality fabrics from Italian suppliers

for manufacturing low-quality clothing (Dei Ottati, 2009a). In other words, the fast-fashion world is ruled by a just in time system, that is a pull system, while the textile industry is regulated by a push system. The first is influenced by customers' current demand, while the latter depends on the anticipation of customers' demand (Ong et al., 2015). This entails the usage of fabrics that do not have high prices, since the type and the quantity needed may vary in a short period of time, basing on fashion trends. Recently, Chinese firms have started importing fabrics from Turkey; however, the percentage is very low if compared to Made-in-China fabrics (Lan, 2014).

Secondly, contacts between textile and clothing industry have been tried to be found in one particular phase of production: the dyeing of the garments. However, positive results did not come out. Becucci (2017) has interviewed some Italian entrepreneurs; the majority of them (eight out of ten) declared not to have relationships with Chinese firms. One of them explained the reason behind: Chinese firms usually buy partially manufactured fabric, generally white or cream in colour, and make the clothing. Afterwards, after having observed the market trends, they dye the finished garment. The know-how required for dyeing the clothing is quite basic, therefore easily carried out by Chinese firms themselves, without the need of Italian dyeing firms.

To sum up, it can be assessed that contacts among the two industries prevailing in the district are quite rare, apart from some exceptions. This finding incited the theory of the "parallel district", which stressed the absence of relations between the two co-located industries.

However, before moving to the next paragraph, it is important to remember the following event: a part of the traditional textile district (despite small) has tried to meet fast-fashion needs, coming from Chinese firms. In particular, many Italian producers provide low-quality fabrics, at lower prices and seek to adapt to frenetic rhythms. This cause a restructuring of internal organization: for the low-quality segment the phase of controlling, extremely important for high-quality fabrics, is almost absent (Ceccagno, 2010). As a consequence, delivery times will be shorter and Italian firms will be able to keep up with Chinese rhythms.

2.8 Macrolotto 0 and Macrolotto 1

Macrolotto 0 and Macrolotto 1 are two key areas of the city. Despite they present different features, are now home to the majority of Chinese activities. The origin and causes of their promiscuity and disordered development do not trace back to the arrival of Chinese migrants. Prato district has not only represented a peculiar socio-economic model; it has also adopted a particular spatial configuration.

Macrolotto 0 is adjacent to ancient city walls. Walking through its main street, Via Pistoiese, the feeling of not being in Italy is perceived (at least for a non-Pratese citizen): Chinese restaurants, bars, internet-points, supermarkets, mobile-phone stores, jewellery stores, hairdresser shops etc. are widespread. However, if paying more attention, some Chinese workshops can also be found, in the form of factory houses.

How did Macrolotto 0 take this shape? The urban development of the so-called “factory city” has been explosive, following the growth of the textile district. This area was (and still is) made up of block divided by dead end roads. “The residential areas remain on the outskirts of the large blocks where the industrial warehouses are situated. The latter are accessed by dead end roads that often terminate in the internal yards of the factories” (Secchi, 1996). The scope of this spatial configuration was the proximity between the various activities making up the industrial textile circle (Bressan and Radini, 2009). Several plan were proposed for urban development, however they have never been implemented as a consequence of the struggles between the municipal government and textile producers. The result has been the creation of a space guided by family-based companies, who shaped the territory according to their needs, in absence of regulation. For its features, the area has been considered as a central inner-city suburbs, because of three elements that usually characterize suburbs: degradation of buildings due to deficient infrastructure network, poor access and high residential density and lack of public spaces of this part of the city (ibidem). When Chinese migrants arrived, and the textile district underwent the crisis, they “inherited” this area, by taking over abandoned places. This occurred thanks to the spatial potentials of this area.

After the arrival of Chinese migrants, this part of the city has been defined as a zone of transition, characterized by social and cultural heterogeneity as well as a process of physical transformation; it is also marked by the lack of public space and its poor physical and infrastructure conditions (Bressan and Cambini, 2009).

As far as Macrolotto 1 is concerned, it is placed in a strategic position, near Autostrada 11 (the highway). It was planned in the Seventies and first occupied by Italian entrepreneurs; however it is now the hub for Chinese Pronto Moda activities. The building typology is different from the one of Macrolotto 0: workshops do not have residential housing. Here, two kinds of workshops can be observed (Becucci, 2017). The first kind of workshop is 500-700 m² in size, which mainly acts as a showroom. In the final part of it can be usually found some machines for cutting fabric. An upper floor is often used to keep storage; however it is also thought to serve as dormitory. The second type of workshop is smaller, nearly 200-300 m² with no showroom space, having space only for around ten sewing machines.

Basing on her interviews, Lan (2014) noticed that Chinese workers prefer, not surprisingly, rent factory-houses that were designed both for living and work: sewing machines based on the ground floor and backyard, while bedrooms became workers' dorms. The alternative would be collectively share warehouses, with paperboards separating living and working areas. The first type of workshop described can only be found in Macrolotto 0, where shops and other facilities are far more diffused than in Macrolotto 1.

2.9 The role of business and ethnic networks in the evolution path of Chinese firms

Some scholars deeply concentrated on the role of ethnic networks in sustaining migrant entrepreneurship, especially for the case of Prato. However, their study has prevailed over business networks, whose role in fostering the development of Chinese enterprises in Prato has been only recently highlighted. This paragraph will analyze both of them, starting from ethnic networks.

Firstly, what do ethnic network refer to? Before giving a definition of ethnic networks, one should make a mention to social networks. Social networks are ties that bound together persons connected by social relationships within a population. Their presence turned out to be fundamental for migrant entrepreneurship: immigrants can count on an ethnic community for support. This support comes from two different levels: on one hand informal support coming from members of the family, friends, etc.; on the other hand the support coming from associations, organizations, etc. must not be neglected. Social networks are particularly relevant when migrants find themselves in a hostile environment (Aldrich and Zimmer, 1986). That said, ethnic networks can be defined as specific aspects of social networks which are characterized by personal relationship elements such as mother tongue, national origins, ethnic group and region of birth (Jean et.al, 2011). Moreover, they help migrants reduce costs related to information and resource acquisition (Gao, 2003).

Turning to business networks, they are defined as a set of relationships among firms. "Each firm in the network has relationships with customers, distributors, suppliers, etc. (and sometimes also directly with competitors) as well as indirect relations via those firms with the suppliers 'suppliers, the customers' customers'" (Johanson and Mattsson, 1984, p.4). Business networks are essential for value creation and they have no boundaries.

Making a comparison between the two, ethnic networks, as well as social networks in general, have sociological basis, rather than economic basis, as business networks do. This results in ethnic networks bounding one person to another one, and business networks bounding one company to other companies. Moreover business networks go further than the individual:

organizations have greater breadth and scope because they are not bound to limitations on individual's current degree of socialization or capacity for control (De Marchi et. al, 2018).

Before seeing the different roles played by both ethnic and business networks in the evolution path of Chinese firms in Prato, some other concepts related to the internationalization of firms must be introduced.

The first concept is liability of foreignness (LOF). A commonly studied concept in the internationalization process of firms, it refers to the major costs of doing business abroad for a foreign firms deciding going international, compared to local firms (Hymer, 1976). Hymer (1976) indicates three reasons for LOF: foreign firms have less information on how to do business in the foreign country than local firms; foreign firms are exposed to discriminations by local institutions, consumers and suppliers; foreign firms are exposed to foreign exchange risks.

The second concept is liability of outsidership (LOO). This concept has been emphasised in opposition to the concept of foreignness, which was thought to be one of the main causes for difficulties of going international (Hertenstein and Sutherland, 2013). It is "outsidership in relation to the relevant network, more than psychic distance, [which] is the root of uncertainty" (Johanson and Vahlne, 2009, 1412). A LOO occurs when a firm enter business environment without knowing business actors operating there, relationships among them, and the acceptable norms of behaviour.

Putting together the concepts explained in this paragraph, they can be included in the growth process of Chinese firms in Prato, looking at how ethnic and business networks shaped the evolution path and when liabilities of foreignness and outsidership occurred.

During the first phase, at the arrival of Chinese migrants, ethnic networks have been fundamental for the initial phase of the businesses: they facilitated information exchange, resource acquisition and opportunity recognition (Guercini et. al, 2017). As far as liabilities are concerned, the first phase both LOF and LOO dominate in the context. Mediation by member of the local Chinese community enabled the initial relationships with local actors (Guercini and Milanesi, 2017).

During the second phase, when firms transitioned from the role of sub-contractors to the one of final firms, business networks started emerging. The Chinese entrepreneurs occupied a more independent position in the market, resulting in a reconfiguration of business networks, not only at the local but also at the global level. As regards liabilities, during this phase the LOO reduces, although the networks of Chinese migrants differ from the one of the natives (Guercini and Milanesi, 2017).

During the third phase, in which Chinese businesses started both diversifying and being relevant at the global level, the centrality of business networks is clearly understandable. The key

of this phase is the capability of gate keeping between markets and inter-community and international cultural contexts, which poses its bases upon business networks, not only at the local level, but also at the global level (Guercini et. al, 2017). As far as liabilities are concerned, it is predictable that LFO and LOO are more and more reduced, as a consequence of the increasing partnerships with locals and the use of local human resources by Chinese firms, who are progressively acting as insiders (Guercini and Milanese, 2017).

In conclusion, it can be assessed that ethnic networks play an important role for the start-up and survive phases of migrant entrepreneurship, while their contribution becomes questionable for subsequent phases, ending up for being substituted by business networks.

In conclusion of the second chapter, a question arises: the growth of Chinese firms has been outstanding in terms of numbers, in the sense that they grew in quantity. Moreover, it can also be stated that a growth in terms of upgrading has occurred. However, an evolution in terms of firms dimension actually did not mark the development of Chinese companies in Prato. Data about this finding will be shown in the last chapter, and possible answers for this will be given.

Chapter 3. Industrial districts, globalization and global value chains.

This chapter illustrates the discussion about industrial districts facing an environment different from the one in which they first developed: globalization. It deals with how globalization re-shaped industrial districts and explains why Becattini's canonical definition does no longer suit the actual reality of industrial districts. Furthermore, global value chains will be introduced, and possible connections with local clusters will be presented, in the context of their co-evolution.

3.1 The industrial district model: a recipe for success

The industrial district model has been celebrated and considered as a recipe for success by both Italian and international literature for many years, starting from the Eighties. A system of small-medium enterprises has been interpreted as the key solution for the crisis in the capitalist system, which on the contrary posed its bases on large companies (Piore and Sabel, 1984).

Some factors, demonstrating positive results of the district system, contributed to creating a sort of myth around the industrial district:

- 1) The success and reputation of Made in Italy. A huge part of industrial districts (92.2%) contribute to the production of Made in Italy products, in particular they are mainly focused on mechanical sectors, textile and clothing, leather and foot-wear (ISTAT, 2011). In these sectors the Made in Italy has been driven being known internationally.
- 2) Contribution of industrial districts to national exports. A factor strictly related to the previous one, in 1996 the contribution of industrial districts to national exports exceeded 40% (Menghinello, 2004, p. 328). It is important to note that this high percentage is not only the result of products' export belonging to non-technology driven traditional sectors; sectors needing competencies oriented towards mechanical and electromechanical technologies constitute a consistent part as well (ibidem).
- 3) Profit increase and incredible growth. For three decades, starting from the Sixties, SMEs located in Italian industrial district could experience an incredible growth of their profits, thanks to the peculiar production system described in the first chapter. Italian districts became a formidable territorial production machine. Moreover, unemployment was almost absent. This could prevent social tensions during the Seventies, which were on the contrary a central issue in large industrial city at that time (Fortis, 2016).

The majority of scholars was confident in the success of this model, representing it as a "third way", a system to regenerate local economies all over Italy.

However, some scholars opposed to industrial districts' mythologizing. For instance, Amin and Thrift (1992) stated that it was impossible for that time to regard flexible specialisation areas as the unique sources of success for Italy. According to the two authors, the theory of localization was deemed wrong because of two reasons: a global trend towards localization of production was absent; a crisis process for multinationals was actually not occurring (Bracci, 2016). Multinationals were the main creators of global economy; they persisted being the most powerful agents of the restructuring process. Moreover there were few signs for irregular development and transnational integration to be out of date (Amin and Robins, 1991).

Another early critique to the identification of the industrial district model as a "third way" for the Italian economy was provided by Amin and Robins (1992). They stated that this identification postulated a sort of "binary thinking": the opposition of a rigid past and a flexible future, with actually did not find any confirmation in reality.

In conclusion, despite having been overestimated and presented as an invulnerable model for success, the industrial district underwent a crisis that lead many scholars agreeing upon its "obsolescence".

3.2 The district and its weaknesses

Considering its structural features, the industrial district itself presents some weak sides, which are typical of Prato district, but of industrial districts in general as well.

In particular, Bracci (2016) outlined some of these weak factors, which will be analyzed below:

- 1) Entreprises dwarfism and fragmentation. This is a recurrent issue which affects Italian economy. Generally speaking, the question arose during the years 2007 and 2008, when the poor performances at the national level turned the spotlight on the problem of dimension. On one hand small-sized enterprises did not have capabilities to take control over competitors that could manufacture the same kind of products of Made in Italy at lower prices; on the other hand they could not rely on big investments in R&D, a fundamental element for a company being successful. In particular, the discussion on Italian industrial districts accentuated the following aspect: the more the production chain is fragmented, the more it becomes inefficient, as a result of more intermediate steps (Calamandrei and Lembo, 2006).
- 2) Product innovation vs. process innovation. In the industrial district of Prato product innovation has always prevailed over process innovation. A planning of tasks was almost absent and roles were rarely differentiated. The only element that can be reconducted to process innovation

concerned the stylist aspect: research of new fibres and the training of old and new stylists. Generally speaking, attention concentrated exclusively on product innovation represents a major obstacle for a company.

3) Individualism and fierce competition. The so-called price war that has always characterized the district did not have positive results on its economic performances; in a context in which marginal enterprises work below cost in order not to exit the market, it rather lowers everyone's profit (Rullani et. al, 2010). Moreover, despite the harmonious collaboration that was thought to permeate industrial districts, individualism has always been a dominant feature of the economic and social model of Prato. In the past individualism has been the source for the spread of individual initiatives, where personal energies were needed. However, it turned out to be a disadvantage in more recent times if considering the need for commercial approaches based on the group (*ibidem*).

4) Scarcity of managerial replacement. Prato district has been marked by on-the-job training. A good manager was considered to be the one who had necessary technical and commercial skills, the one who was able to sell. However, this attitude towards manager training distanced Prato district small firms from more modern managerial practices, which on the contrary were adopted by some more dynamic Italian companies.

5) Difficulties from the commercial and promotional point of view. Some Italian firms operating in the textile and clothing sectors committed to deeply understanding consumers orientation, for example by establishing concept stores. This has partly been the result of the increasing importance of some aspects of the immaterial dimension of products, such as the brand and consumer experience. On the contrary, firms operating in Prato district did not preside over the final market; external distributors were charged with the commercial representations, but they were weak figures facing big distribution.

6) Low levels of education. The centrality and the propensity towards working, which induced many young people not to continue studying, was the cause for Prato being one of the cities in Italy with the lowest level of education, which is not a positive factor for the economic development of a community.

After having outlined the weaknesses of Prato industrial district, it is important to specify districtualists' attitude towards the above-mentioned insufficiencies of the model. Among them, there were the optimistic ones, who were confident in a transformation of weaknesses into strengths; some others simply underestimated those factors, assured that the district model brought about success.

3.2.1 Relationship with the global

One important issue, probably the most crucial one for this discussion, is the relationship between the districtualist theory and the global dimension.

The birth and the development of an industrial district is thus not only a result of the ‘local’ result of the meeting of a community’s socio-cultural traits (...), of a geographical area’s history-natural features (...), and production process’ technical features (...), which is not easy to realize at all; it is also the result of a process of a dynamic interaction of the labor division-integration inside the district and the market expansion of its products.¹⁹

What emerges from these words by Becattini is a strict relationship between the local district and what happens outside of it, and consequently at the global level as well.

Not only Becattini, other districtualists described the district as being an open and dynamic environment as well. Districts, in theory, were considered to be shaped by interactions with the rest of the world, through changes in the natural, cultural and competitive environment.

However, the idea behind the relationship between the local and the global was merely dualistic. Despite what has been written and said, districtualist has always identified the global as a mere condition for the district to survive, and not a constitutive part of it (Bracci, 2016).

Interpreting the district model as an auto-sufficient system lead to ignore the global capitalistic context, at least until the Two-thousands, when the district crisis brought to an update of the theory, which will be described later.

The question about the actual role played by the global dimension in Prato district, and more than this the neglect of it, assumes considerable significance if connected to the Chinese presence. The “Chinese shock” actually accentuated the radicalization of the local identity, rather than re-orienting the district towards a more open approach (Bracci, 2016). In this context, the district model actually appeared as a closed system, in contrast with the theory, not inclined to receive new actors inside of it. More than this, the district has not been able to capture the potential of Chinese economic activities at the global level.

The preservation of the district model has been the element around which the question about the Chinese presence has been managed. Local actors’ policies have been oriented following the principle of celebrating the district: it has not been accidental that Chinese migrants were perceived as an alien presence.

¹⁹ Becattini (1989), found in Bracci (2016); translation by the author.

With time passing by, the industrial district in Prato has become “the black box of Prato’s social, political and economic dynamics, the institutional and regulatory system through which actors have interpreted and represented the evolution of local context” (Bracci, 2014, p.90).

In conclusion, doubts aroused about the effective capability of industrial district of capturing the sense of changes. After having depicted itself through the image of perfect economic, social and political model, the district, with its original features, has been questioned. According to Bracci (2014), the district model should be re-conceptualized as the localized and temporary result of relationships and exchange flows between different scales, in primis between the global and the local scales. Moreover, the Chinese presence, which made evident the decline of the “classical” industrial district (without representing the cause of it), should be represented as a constituent and structural factor of the rising post-districtualist local system (Bracci, 2014).

3.3 Reformulations of the district theory

In light of the impossibility of reproducing the district model as it first originated and with its “classical” features, some scholars attempted to reformulate the theory about districts.

Generally speaking, scholars acknowledged the fact that the district model does not fit reality anymore. In particular, Becattini, Bellandi and De Propris’s (2011) reformulations came out from the recognition of districts’ crisis being a structural phenomenon rather than a situational one. Furthermore, they explicitly recognized that globalization had different impacts on industrial districts; the ones less hit by the crisis were those who already had relationships with metropolitan areas. As noted by Bracci (2016) this admission is not to be neglected, since those authors had previously considered metropolitan areas as not owning precise social norms. Moreover, the three authors (2011) underlined that the actual production system is centred on scientific and technological innovations, and on R&D activities, which radically differ from the learning by doing characterizing the industrial district model.

Bellandi (2011a), focusing on mature typical IDs in what are now old/post industrialized countries, outlined some of the challenges imposed to IDs by globalization: the reduction of the degree of local integration for manufacturing production, the increasing mobility of workers thanks to the progress of transportation infrastructures, the availability for multi-national companies (MNCs) to achieve cheap labour, land and capital. In another work of the same year (2011b), Becattini proposed the de-coupling of the Marshallian external economies from the local dimension, referring several times to a multi-territorial framework, where external economies should be generated by inter-connected territorial scales. According to Bracci (2016), Bellandi’s

work is the attempt of responding to critiques to the district model. First of all, he tries to resolve the problem of static nature of the district by introducing a dynamic element as the one of decoupled external economies. Secondly, he attempts to give importance to the global dimension, whose centrality has been neglected previously. Thirdly, he aims at reflecting on those policies which have the scope of accelerating socio-economic processes.

Bellandi, Becattini and De Propris, in their reformulation of the theoretic framework of industrial districts, still persist describing them as areas that are becoming global, however without undergoing a process of de-territorialization. Some industrial districts, according to the authors, began modifying some of their constituent traits, by opening to global production, but at the same time they continued adopting a learning process as a whole system, rather than as individual companies.

In conclusion, these reformulations of the district theory show the decline of the industrial districts, at least under the condition of preserving their “classical” features.

3.4 The transformation of Prato district

3.4.1 Crisis and de-districtualization

Some facts occurring at the global level had a significant impact on the destiny of Prato industrial district, in particular on affecting the traditional textile district. In this paragraph, those global factors will be analyzed and the concept of de-districtualization introduced.

First of all, starting from the last years of the Nineties, but more intensively during the Two-thousands, the textile-clothing industry in Europe was undergoing an incredible transformation, both structural and organizational. Firms operating in those two sectors saw the demand slowly decreasing, while on the supply side they were facing competition, coming especially from cheap labour costs countries. In order to solve those issues, two solutions have been adopted: delocalization and production shift towards higher market segments. This situation lead to a contraction of workforce: from 1988 to 1994 the European textile-clothing sector lost 700,000 workers (Dei, 2001). The re-organization of textile-clothing industry intensified on one hand the import of semi finished products from abroad, on the other hand the export of textile products.

Another crucial moment has been the year 2005, when the removal of the Multi Fibre Arrangement was decided. The agreement had been governing the textile and apparel industries for three decades. It imposed some quotas on the exportation of textile products from low cost

producers, in particular India and China, in order to protect developed countries' local industries. However, the impact of having lifted the quota in 2005 has been huge for those local industries. China, which entered the World Trade Organization (WTO) in 2001, benefited from this circumstance: its exports grew disproportionately, while those from nearly all the other regions fell (Brambilla et. al, 2008).

During the first years of the Two-thousands, the textile industry suffered another setback: the decreasing in the demand of wool, which resulted in the contraction of exports. The lack of interest of fashion houses for fine fibres (Piana and Scarpinato, 2008) was anticipating the global shift towards a new type of production system, following a change in consumers' demand. As already explained in the previous chapter, Pronto Moda started dominating the clothing industry, characterized by quick time-to-market. The value chain is no longer driven by producers, but it is now buyer-driven.

As a consequence of the above-mentioned events we talk about de-districtualization. This term refers to the changes that do not permit to apply to the case of Prato Becattini's theory of Marshallian industrial district. In particular, it concerns the gradual decline of the traditional textile activities that firstly made up the district. In quantitative terms, the reduction of textile firms has been dramatic. However some other sectors have mitigated the collapse of the district: a part from the already-mentioned apparel firms owned by Chinese migrants, the service industry developed as well. The real estate market knew a considerable development, as a consequence of Prato's urban expansion (Dei Ottati, 2009b).

In conclusion, the quintessential industrial district has actually abandoned the features that lead to being called this way, being now home to commercial activities different from the traditional ones.

3.4.2 Downscaling, disembedding and changes in local society

The industrial district of Prato can be treated as an example of downscaling, considered as the recession of the scale position of the local area compared to global tendencies. Bracci (2016) applied this concept to Prato city starting from the definition given by Glick Schiller and Çağlar (2011). Cities characterized by the downscaling process are those that present limited opportunities facilities and narratives focused on the disempowerment of the local area.

Before analyzing how Bracci interpreted this definition and applied it to the Prato case, it is necessary to better understand what disempowerment and disempowered cities mean. The concept has been introduced by Glick Schiller and Çağlar.

We suggest a term ‘disempowered cities’ for cities which responded to the pressures of neoliberal urban restructuring but entered the competition with a particular configuration of assets. These are cities where leaders and residents are able to retrieve a memory of the loss of power while confronting the challenges to restructure in order to once again successfully compete²⁰.

Downscaled cities are usually not able to provide public support for ethnically based community organization; neither do they offer opportunities for economic mobility to migrants (Glick Schiller, 2012).

Going back to the discussion, Bracci connected the first element of the definition of downscaling, i.e. the absence of opportunities, with the “cascade effect” of the crisis, and the subsequent fragmentation of the production chain (Bracci, 2016). A dramatic result appeared for the two historical sectors of the textile industry: the carded spinning and weaving (sub-contracting firms). The most evident proves of this decline have been the exports, as it has already been outlined previously.

As far as the second element of the definition is concerned, i.e. the local narratives of disempowerment, the perception of the decline of the district dominated over the city. Any other model has not been able to replace the traditional one. As noted by Rullani (2010), the unemployment resulting from the closing down of textile firms actually met the demand of other sectors. However, the implosion of the textile industry left a “qualitative void”; “It is the city, as a whole, that has to change” (Rullani, 2010, p. 7). A new shared identity must be recognized and must become a collective project.

As noted by Bracci, the question of downscaling only refers to the traditional textile district, and not to the Chinese component of Prato district. In fact they developed new dynamics, still occurring, that presented an opposed tendency if compared to the textile industry.

In this context, the concept of disembedding has to be introduced. Going back to the main features of the industrial district as Becattini conceived it, among them one was considered fundamental: the embeddedness of the economic and the social dimensions, expressed through the sharing of a common culture (ivi, p.9). Following the textile industry crisis, the district actually suffered the lack of the interdependency between the economic-production components and the socio-cultural ones, giving rise to a process of disembedding. Contrary to the main narrative that has prevailed in Prato for many years, the Chinese presence was only in part the element responsible for introducing socio-cultural discontinuity; however, it has been the most visible one.

²⁰ “Introducing Multiscalar City-making and Emplacement: Processes, Concepts, and Methods”, Glick Schiller and Çağlar (2017), p. 18.

Internal transformations of the local system actually contributed to the loss of a homogenous and cohesive community as well (Bracci, 2016).

Furthermore, the implicit rules governing Italian industrial districts, and therefore also those connecting the economic sphere and the social sphere, have been incredibly weakened by globalization (Brusco, 1999). Moreover the principle of trust as a collective capital at the base of cooperation among firms (Dei Ottati, 1994) was no longer applicable with the new external agents, for example suppliers.

Finally, as already anticipated in paragraph 2.5.2, another important social change occurred among the new Italian generations. Due to the availability of benefiting from better working opportunities and improved standard of living, the future expectations of young people were different from the background where their parents grew up. As a consequence, the commitment to work which permeated the district, and the involvement of the whole family, has been an element that gradually disappeared among Italian families, leading many firms to close down.

3.4.3 Changing and persisting elements of Prato district

After the presentation of the several changes that occurred in Prato district, this paragraph aims at identifying those intrinsic characteristics that the district is still possessing, and those that changed and will change in future, leading the district far from its “original” nature. In order to do this, all the elements introduced so far must be taken into consideration.

Looking at the district from a socio-economic perspective, as already mentioned above, some attitudes of Chinese workers were actually typical traits of the traditional textile district. More specifically, the attitude towards self-employment, the predominance of work over personal life, the informal economy among small firms, the importance of making money against the security in workplaces, etc. are features common both to the Chinese actual *modus operandi* and the once existing myriad of Italian textile firms’ working regime. Furthermore the mobility among employees that characterized the textile district, in particular concerning workers coming from the south of Italy, persists as a distinctive element of Chinese entrepreneurship. In that context, those dissatisfied with their working conditions and salaries opted for a new workplace; others, if provided with adequate capital and skills, decided to start running its own business. Exactly the same happened for Chinese migrants. As a result, it can be assessed that the actual economic system in Prato, in particular referring to the Chinese business activities, it can be assessed that the centrality of work has been one of the elements that has not been lost.

However, a fundamental difference emerges: the extreme flexibility which distinguishes Chinese entrepreneurship, following the fierce competition at the global level. This feature, despite being an element of the traditional textile district, has never been brought to the levels Chinese migrants reached in recent times.

Most importantly, a key ingredient of the traditional Prato district, but more in general of any industrial district to exist, has not been able to survive: trust among firms. Despite the competition permeating the district, trust has been one of the most important elements leading the district to maintain its competitive advantage; it has been the base for both economic and personal relations. However, this element has been lost with the arrival of Chinese migrants, whose economic relationships with Italian final firms has not certainly been created around the concept of trust. As explained in the second chapter (paragraph 2.2), the lack of a cohesive ambience can be explained through the perceiving of Chinese business as a threat to the local economy. The spread and strengthening of a particular individual and collective identity has been the key for the economic success of Prato district for many years.

Finally, the most evident change has occurred in terms of production and new business. The traditional textile district, which has been representing the source of wealth for the city for many years, made way for the clothing industry, whose contribution to the city's economic system can no longer be ignored.

3.5 Globalization's changes

Before introducing the topic of GVCs, a deeper analysis of new traits introduced by globalization is useful. The paragraph will describe the new division of labour, the new flexible integration and the new integration of external knowledge.

3.5.1 The new division of labour

Globalization and the liberalization of trade and investments lead to a new production framework, now centred on the GVCs, which will be later explained into details.

A new division of labour is the result of what is known as the “global industrial shift”, in which production, in particular some phases of it, have been transferred from developed countries, such as U.S., Japan, European countries, to developing countries, for example China, Vietnam, India and Latin America. On the contrary, the old international division of labour saw developing countries as merely suppliers of raw materials.

It can be assessed that MNCs first introduced this new *modus operandi*. By offshoring and outsourcing in developing countries they have been able to achieve considerable advantages, related in particular to low labour costs. What results now is a connected system of activities scattered around the world. Usually highly intensive capital investment and activities requiring skilled workforce, as well as key functions such as management and R&D are located in developed countries; while primary phases of production are commissioned to developing countries.

This new system incredibly grew the intensity of competition, being more difficult for small companies to survive, especially if we look at the Italian case and more specifically at Italian industrial districts.

Initially, Italian district enterprises tried to resist to this state of affairs; however, some entrepreneurs later recognized the insufficiency of local external economies, and the need to extend them in order to survive. As a matter of fact, some Italian districts (this is not the case of Prato, as the discussion concerns now Italian districts in general) decided to delocalize the most labour-intensive standard phases and the longer series (Dei Ottati, 2017).

As noted by Dei Ottati (2017), despite at first sight multilocalised division of labour appears in contradiction with industrial district concept, it actually had some positive results for a few districts, for instance Montebelluna and that of Santa Croce sull'Arno, leading them to specialize in high value added and capital-intensive manufacturing activities and services. However, these two examples do not eliminate the discussion about the challenges “imposed” to Italian industrial districts by globalization.

3.5.2 The new flexible integration

With globalization creating interdependent activities around the world, a high degree of integration among them is required. What are now increasingly important are the marketing function, as well as the contacts with the final market. As regards this aspect, Italian districts can no longer act the same way they were used to before the advent of globalization. In the past, the marketing function was carried out by “pure entrepreneurs”, who used to keep relationships on one hand with the district producers and on the other hand with external market clients.

It is important to note that the degree of integration that Italian industrial districts could previously achieve through the belonging to the same community was no longer reachable (and still is no longer reachable) with new conditions dictated by globalization. The absence of a shared

community and a feeling of cooperation among the actors in the district have to be connected to the concept of disembedding, as explained in paragraph 3.4.2.

In this new context many teams of businesses have become groups characterized by ownership relations between the final firm and the sub-suppliers possessing the adequate skills in order to let the first one be internationally competitive (Dei Ottati, 2017). Other teams of business have organized by means of long-term contracts and other explicit forms of agreements (ibidem).

3.5.3 The new integration of external knowledge

In a globalized world as the one we live in, most of all as the one companies operate in, the circulation of knowledge has acquired significant importance. “Knowledge is our most powerful engine of production” (Marshall, 1920, p.138).

Knowledge assumes a relevant role in particular for companies owning subsidiaries abroad. On one hand, through the so-called “mirroring back” effect they are able to let competencies, skills, practices, etc. flow from one subsidiary to another one. It has a huge potential in determining the success of a company. On the other hand, they continuously have to be attentive to the external world: technological, scientific, cultural, organizational etc. evolutions have to be constantly monitored. Therefore a company should try to exploit both internal and external knowledge.

As far as Italian districts are concerned, before the era of globalization a fundamental role in terms of “importing” knowledge was played by the final enterprises. In particular, they brought in the district knowledge concerning the technical skills that were crucial for district’s production and, more importantly, the knowledge concerning the trends affecting consumers’ demand (Dei Ottati, 2017). Contemporarily industrial districts could count on the internal knowledge, more specifically the knowledge and craftsmanship inherited from the past.

With the advance of globalization, however, IDs knowledge configuration and functioning diverged from the above-mentioned framework. As a matter of fact, globalizations lead to the emergence of two local actors being essential for the transfer of knowledge, both internally and externally (Camuffo and Grandinetti, 2011). The first actors are leader firms, i.e. larger and older firms in a given district. They usually have relationships with the other larger firms located in other industrial districts and they absorb knowledge by developing relationships with institutional actors, for instance universities departments and labs charged of a study research. The second actors are institutions providing knowledge-intensive business services (KIBS). In particular, not only do they include district firms, but other types of institutional actors as well, for example the municipal or provincial administrations, local business associations and trade unions, local banks

and schools, Chambers of Commerce and business service centres. More specifically, these organizations provide industrial districts with information about technological transfer, product and process innovation, quality certification.

It is clear that globalization has completely re-shaped Italian districts' different aspects. Among them, knowledge represents a vital element for any business activities and therefore it needed a reconfiguration of its transfer system.

3.6 Global value chains: a definition

As already stated above, globalization has introduced a new *modus operandi* where the stages of the production process are located across different countries. Therefore international production, trade and investments are organized within the so-called global value chains (GVCs). As dominant feature of world trade, they encompass developed, emerging and developing countries.

As a result, the goods and services people buy are composed by inputs from various countries of the world. Companies fragment the production process of goods, from raw materials to finished products, by choosing different countries where skills and resources are available at competitive cost and quality.

As far as GVCs networks structure is concerned, it is quite complex. Some GVCs can approximate sequential production networks, others simultaneous production networks, still others operate in a hybrid production network.

As far as sequential production networks are concerned, firms operating in it are part of a network which embodies diverse goods and services inputs from other domestic and foreign firms. Each task and output resulting from the first firm feed the subsequent one (Criscuolo and Timmis, 2017). The process has a pre-determined order. This type of network has been re-named "snakes" (Baldwin and Venables, 2013) and it is often associated with the processing of raw materials and the production of chemicals.

As far as simultaneous production networks are concerned, they are characterized by a central key hub and several intermediates. The configuration that comes out is twofold (Criscuolo and Timmis, 2017). In the first type of simultaneous production network intermediates' inputs conflate into the key hub, where they are simultaneously combined. This kind of production configuration is typical of assembly activities, where the inputs from several upstream processes are simultaneously assembled into a final good in the downstream sector. Conversely, the second type of simultaneous production networks consists in the central hub feeding into many other

processes. This reflects general purpose inputs, such as real estate and construction, finance and banking, information technology that are in turn used in other sectors (ibidem). This production system has been re-named “spiders” (Baldwin and Venables, 2013).

Finally, the hybrid production networks are a combination of both sequential and simultaneous production networks. Actually, they represent the majority of GVCs production networks.

According to the network a firm is involved in, a different intensity in the propagation of supply and demand shocks and transfer of embodied and disembodied knowledge will follow. For instance, in a sequential production network a supply shock in any of the upstream input suppliers will have immediate consequences for the subsequent supplier, propagating the shock to downstream buyers (Criscuolo and Timmis, 2017). Similarly, but in the opposite direction, a demand shock will first affect downstream activities, propagating the shock to upstream activities. Knowledge as well flows along the production line, since inputs embody themselves technologies (embodied knowledge). Furthermore disembodied knowledge, i.e. management practices and know-how, is transferred from large multinationals to their suppliers. As far as central hubs are concerned, they are crucial conduits in shock transmissions and knowledge diffusion.

In conclusion, the structure behind GVCs requires a high degree of vertical fragmentation in the process production, with phases located worldwide.

3.6.1 Changing GVCs: central hubs and peripheries

Globalization continuously affects local and regional economies. Economic development is changing dramatically, leading to a situation in which the former leading countries actually lost their central role in world’s economy, such as Piedmont and Tuscany in Italy and Midlands in England, whilst some others have made incredible steps forward, for example metropolitans region in Poland, Hungary and Czechia in Europe, and Malaysia, Thailand and China overseas (Parrilli and Blažek, 2018).

In particular, changes in the countries filling the roles of central hubs and peripheries occurred. According to a study conducted by the Organization for Economic Co-operation and Development (OECD), some profound changes in the organization of production networks over the period from 1995-2011 took place. In 1995 there were several key hubs scattered around the world: U.S. dominated the Factory North America, Japan the Factory Asia and Germany the Factory Europe, surrounded by several other central economies such as France, Italy and United Kingdom.

By 2005, as far as central hubs are concerned, Germany and U.S. maintain their leading positions. The only exception is Japan, which made way for the advancement of China and India. What actually deserves attention is the emergence of former peripheral economies as countries now being central economies. Some European and Asian countries are emblematic cases of this trend. For some industries, such as computer and electronic or automotive manufacturing, there has been a strong reallocation from developed economies to these emerging European and Asian economies, in particular China in 2011 resulted the principal computing and electronics manufacturer.

Among worldwide developments, the most amazing one has been the Chinese case. By 2011, the economic influence of China has risen; some of its industries became one of the most influential in the world. In particular, an incredible growth has been registered for processing and export sectors. Other Asian economies, such as India and Singapore, but China as well, witnessed large increase in centrality for IT and business services.

In conclusion, it can be assessed that GVCs are constantly changing, shifting centrality from some places to some others. As a consequence, local economic contexts are totally involved in them, despite local firms may not directly participate in GVCs. In a globalized context everything is connected; facts happening at the global level will certainly have consequences at the other scales; and local firms, in particular industrial district in our discussion, cannot ignore this. They should adapt to global changes and try to find the right way to persist being competitive.

3.7 A potential role for small and medium-sized enterprises

3.7.1 Options and challenges for SMEs in GVCs context

The discussion that follows will mainly concern small and medium-sized enterprises and their new collocation and re-positioning in global value chains. Of course, being SMEs the constituents of Italian industrial districts, the argumentation is valid for IDs as well.

As already stated in the previous paragraphs, vertical fragmentation has introduced new challenges for existing companies, regardless of size. However, it is quite understandable that companies characterized by small dimensions are asked more efforts, compared to the larger ones. For instance, for a small or medium-sized company entering a foreign country, difficulties encountered will be several if compared to larger companies, interfering with the process of internationalization.

Therefore SMEs in developed countries can choose among three strategies: operate in local markets, penetrate foreign markets and become involved in GVCs (Parrilli and Blažek, 2018). In this paragraph, the third option will be taken into discussion, since recently has become one of the most adopted option for SMEs.

Engaging GVCs implies SMEs realize an upgrading. As recent research shows, process and product upgradings are quite usual for SMEs located in industrial clusters. However, there is a third type of upgrading, probably the most desirable one within a GVC, that actually is encountering challenges when trying to be carried out: functional upgrading. First of all, what does functional upgrading refer to? It means acquiring new and superior functions in the chain, such as design or marketing, or abandoning existing low-value added functions to focus on higher value added activities (Giuliani et. al, 2003). In other words, functional upgrading in the specific case of GVCs consists in escalating the value ladder, abandoning those activities where competition is of the “low road” type and entry barriers are low.

The reason behind the difficulty of realizing functional upgrading for SMEs involved in GVCs has to be reconducted to a recent trend that has been characterizing global value chains in the last years: streamlining the supply base of production (Parrilli and Blažek, 2018). The drivers of this new tendency are the necessity of cutting costs of coordination and simplify the logistics. For instance, in the automobile industry, large firms are increasingly charging first-tier suppliers with responsibilities in the design and development of complex systems (ibidem). This results in a “cascade effect”: first-tier suppliers, loaded with new functions, in turn make second-tier suppliers to undertake new functions; as a result, the latters are pushed by their buyers to innovate and provide more complex sub-systems.

This trend towards rationalizing suppliers has been intensified during the recession period (2008-2012), eliminating from the global value chain those suppliers that could not count on consistent financial resources, human skills and, most importantly, the ambition to perform the new tasks mentioned above.

Having acknowledged this context, it is comprehensible the high degree of effort needed for a small company involved in global value chains: it represents a challenge both for those companies that want to reposition in the GVC and for those suppliers that prefer to maintain their “safe” position, as well as for companies that prefer, or are forced, to stay outside this vertical-learning and innovation systems (ibidem).

3.7.2 Examples of successful clusters upgradings in GVCs

The GVC literature has individuated four types of upgrading: process upgrading, product upgrading, functional upgrading and inter-sectoral upgrading.

For process upgrading we intend transforming inputs into outputs in a more efficient way, by re-organizing the production system; product upgrading refers to a movement into more sophisticated lines of products; inter-sectoral upgrading consists in a shift from low-value, labour-intensive industries to capital- and technology intensive ones (Humphrey and Schmitz, 2000); finally, functional upgrading has been largely described in the previous paragraph.

Among them, functional upgrading has been considered the most relevant for SMEs located in clusters, since it is considered an opportunity which would not be available within the cluster itself, within its horizontal/networked system. Considering the relevance of this upgrading, Parrilli and Blažek (2018) concentrated on some successful examples of clusters that realized functional upgradings.

The first example is the Basque furniture cluster, where former traditional furniture producers formed a wider cluster with the result of attracting producers of other components, for example suppliers of electrical and acclimatization systems, security systems, design and engineering of complex buildings, creating new market options for the cluster as a whole, i.e. new hotel and restaurant chains. Thus, the upgrading has been carried out by shifting production towards a new type of goods, forming a new market. However, this is quite an infrequent case.

A second example is represented by the Basque wind energy industry, which abandoned lower value-added operations in order to focus on more strategic and knowledge-based activities. In particular, after having satisfied the national Spanish demand, the Basque cluster decided start its globalization process in China, India, Brazil and the United States. The full value chain has been concentrated in Spain, whilst lower value-added operations were located in the countries mentioned.

A third example, an Italian one, concerns Sassuolo tile district. In this case, a fundamental role in the functional upgrading has been played by lead firms: while increasing their size, they formed a consortium to develop intensive R&D and marketing. The upgrading is therefore been realized via mergers and acquisitions. They have been able to have an active role in shaping the global value chain, especially in terms of influencing changes at the commercialization stage.

In conclusion, these successful cases illustrate that at least some types of functional upgrading can represent a strategic option for SMEs; however, it appears to be quite a difficult upgrading to realize, therefore it seems not being the appropriate choice for any cluster.

3.8 Textile and apparel global value chains

Textile and apparel global value chains have acquired different configurations in response to global changes. With a particular focus on the apparel industry, which is the most relevant one for our discussion concerning the Chinese entrepreneurship, this paragraph aims first at describing the global value chains, later at indentifying their restructuring processes.

3.8.1 A description of textile and apparel global value chains

Textile and apparel global value chains are, of course, interrelated chains. They fall into distinct segments: the production of raw materials (natural and man-made fibres), the manufacture of yarn and fabric, the making of clothing, and the retailing of the finished items.

First of all, it must be specified that two types of global value chain exist: producer-driven and buyer-driven (Gereffi and Medemovic, 2003). In the first type of global value chain large manufacturers play a leading role in coordinating production networks; this is typical of capital- and technology-intensive industries (automobiles, aircraft, computers, semiconductors and heavy machinery). On the contrary, buyer-driven value chains are characterized by large retailers, marketers and branded manufacturers playing the pivotal roles in setting up decentralized production networks in a variety of exporting countries, typically located in developing countries. As already anticipated before in the previous chapter, the apparel global value chain belongs to this second type. More in general, buyer-driven chains are common for labour-intensive and consumer-goods industries, therefore are typical of footwear, toys, handicrafts and consumer electronics as well.

As far as the textile production is concerned, it is capital intensive and skill intensive. Therefore textile activities tend to be concentrated in developed countries, while developing countries account for a small share of world textile exports (McNamara, 2008). However, some low income countries make exceptions, namely China, India, Turkey and Pakistan. As a matter of fact, U.S. and Europe, the first exporters of textiles, are followed by China, which needs to supply its huge manufacturing industry (*ibidem*).

As far as the clothing value chain is concerned, it is more labour-intensive and can be found in almost all developing countries. Since the Fifties, it underwent several geographical shifts: the first move has been from North America and Western Europe to Japan; the second shift concerned South Korea, Hong Kong and Taiwan; finally, by the end of the Eighties and Nineties, a third migration saw lower labour costs countries, in particular China, as manufacturing locations.

Among the others, Indonesia, Thailand, Malaysia, Philippines and some Latin American countries emerged.

A part from the possibility of achieving low labour costs, other elements have been the drivers for shifting production location. Among them, being short lead-times one of the principal goals, the proximity to final markets has played a vital role. For instance, locating production activities in countries such as Mexico and the Caribbeans meant an easier and quicker access to U.S. market. Or shifting manufacturing in North Africa, Turkey and Eastern Europe countries, such as Poland, Hungary and Romania, was attractive if considering their proximity to the European market.

Of course, it is important to keep in mind that in the apparel industry, as in almost any other industry, there is market segmentation. There is a huge difference between manufacturing low cost rather than high cost commodity items. As a matter of fact, the fashion industry is broken down into a pyramid based on prestige and segment size, as shown below.

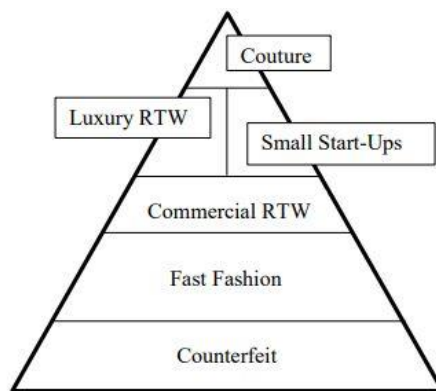


Figure 3: fashion industry pyramid. Source: Lambert (2014).

Here a description of each of them will follow.

Starting from haute couture, it is the highest quality production. In order to be an authentic haute *couturier* registration with the French government is needed. Its items are the result of a hand made, hundreds of hours work; collections usually come out twice a year. Despite someone predicted the end of haute couture, it still constitutes a prominent part of the fashion market, due to its high marketing value. For its intrinsic characteristics, this is a market lead by a few firms.

As far as luxury ready-to-wear industry is concerned, it differs from any other ready-to-wear because of its high quality and brand name. It bases production on six fashion seasons, despite designers do not always respect them. New collections are presented during the so-called “Fashion weeks”, occurring in different cities around the world. In order to defeat competition

coming from the lower level segments, luxury ready-to-wear industry adopts the strategy of cutting costs in quality, with the result of raising profit margin.

At the same level in the pyramid small fashion start-ups can be found. They are characterized by a weak market presence and their brand is not renowned among consumers. For them to enter a market is difficult, since several barriers exist, and competition with local and national brands is quite fierce. Looking from a consumer's perspective, it is more risky to buy from an unknown designer because of quality uncertainty; moreover garments' prices are high because these small-scale start-ups cannot count on economies of scale.

Proceeding down the pyramid commercial ready-to-wear is found. One of its main features is the offering of more affordable items. Department stores in-house brands, as well as many chain stores classify as commercial ready-to wear. They usually count on first movers and early adopters at the beginning of the sales season and on early and late majority adopters at a discount rate, at the end of the sales season.

As far as fast fashion is concerned, its features have already been discussed in the previous chapter. Here it is only worth mentioning that exactly like the fashion industry as a whole, the fast fashion industry is segmented. Walmart, Zara, Forever 21, etc. are part of this industry despite presenting several differences. Customers are offered fashionable products at fair prices. However, increasing challenges are imposed to fast fashion, as several critiques are emerging for the unethical business practices.

Finally, the last segment of the fashion industry is occupied by counterfeits. Not only does it count on design and creative copying, but also on trademark infringement.

Despite this stratification, is not impossible for a company to choose different target markets instead of only one. For instance, fashion designers are able to reach different customers by relying on strategic alliances with other retailers.

3.8.2 Restructuring of textile and apparel global value chains

Restructuring of textile and apparel global value chains is an ongoing process in Europe (Scheffer, 2012). According to trade unions a first phase of restructuring in those two industries occurred in the period going from 2000 to 2007. The main cause for this phenomenon has been the competition coming from low-cost countries outside Europe. Afterwards, the crisis that affected the whole world did not contribute to improve this situation. More and more companies involved in textile and apparel global value chains (of course, the crisis did not exclusively hit these sectors) started having financial problems and losing market shares. Looking from the human resources

perspective, the repositioning caused employment reduction and redundancies. However, it is worth noting that the crisis hit more the textile than the apparel industry.

Restructuring is visible in different dynamics (*ibidem*). First of all, it was related to the reduction of companies in terms of numbers, causing job losses. Secondly, it entailed a downsizing in production volume and sales, leading to a reduction in turnover, employment, profitability, financial assets and ability to resist. However, for some companies the trajectory in textile and apparel industry has necessarily been neither the decline, nor the resistance. Some of them have actually been able to experience growth paths. Thirdly, restructuring was clearly visible in the initiation or acceleration of consolidation processes. Consolidation consists in the possibility for a company to be stable in a shrinking market by taking over competitors and combining increased market share with economies of scale.

In order to successfully overcome a restructuring process companies are “forced” to change their business model. Five business models have been identified in order to escape this situation. The first possibility is to change the role in the value chain, for instance by changing, reducing or expanding core activities. The second one includes focusing on products or production systems that are not subject to competition coming from manufacturers using cheap labour force, for example by offering high-quality or environmentally friendly products or using specialized sewing techniques. The third possibility is called two string strategy, and consists in combining two production locations, for instance by choosing to produce large volumes in Asia with long delivery times and small to medium volumes in Europe with shorter delivery times. The fourth way comprehends co-contractors, hybrids and new distribution channels, which all result in a new way of selling products. The last and fifth possibility for companies facing restructuring is consolidation, i.e. maintaining their position in the market.

In conclusion, this chapter has examined the Italian industrial district context in the era of globalization. What in the past have been considered as successful elements of the Italian economy, in particular dwarfism of its manufacturing firms, their specialisation in traditional sectors and most of all their organization into industrial districts, appear now as weaknesses for the Italian economy facing the changes imposed by globalization. The chapter examined the literature which could find some ways for both IDs and SMEs at the individual level to survive.

The future of Italian industrial districts of course cannot be predicted. However, what is clear is that the traditional Marshallian industrial district can no longer be applied to re-shaped

industrial districts in Italy; despite this, IDs can have a possibility to regain vigour, in order to find away to adapt to globalization changes.

Combining what has been said in this chapter and in the previous one, the Chinese manufacturing activities can be interpreted as a reconfiguration of Prato industrial district following the challenges and trends of globalization, realized through the abandoning of the traditional textile industry.

Chapter 4. Chinese firms and small dimensions: possible reasons behind.

This final chapter tries to investigate the possible reasons behind the prevalence of micro and small enterprises constituting Chinese entrepreneurship in Prato. Despite some exceptions, Chinese firms, and in particular those operating in the clothing industry, appear not to have the aspiration of becoming large enterprises, perfectly fitting the Italian national context.

The chapter is structured in the following way: first, the main characteristics about Chinese small-sized enterprises will be outlined, with the support of data collected; afterwards possible reasons for the exclusive growth in terms of numbers, and not in terms of dimensions, will be investigated.

4.1 Data collection and related difficulties

First of all, before proceeding with the main issue of this chapter, a description of how data have been collected will follow.

The first instrument of collecting data has been the use of official channels, in particular through the request of the list of firms operating in the following sectors: textile and clothing. However, despite the majority of Chinese firms are organized around the individual juridical form, the data collected through the Chamber of Commerce of Prato only concern limited liability companies (of year 2017). This choice has been the consequence of two factors: on one hand the need to narrow the research, as a consequence of the difficult access to whole firms' lists; on the other hand, Chinese companies opting for the limited liability form have increased during the last years. What resulted has been a list of all active limited companies on the entire Province territory, not concentrating only on the municipality of Prato. This choice was considered to be necessary due to the increasing presence of Chinese firms in parts of the city other than Macrolotto 0 and Macrolotto 1. Among the 983 firms that resulted from the research, where nationality was not specified, the Chinese ones have been individuated and analyzed. Further information about the selected firms could be obtained through AIDA website²¹.

The second instrument used refers to annual reports and studies published by the Chamber of Commerce of Prato, Pratese Industrial Union (UIP) and the Institute for the Economic Programming of Tuscany (IRPET). Several have been the researches conducted on migrants' entrepreneurship in Prato, focusing in particular on Chinese economic activities. Therefore data

²¹ AIDA is a database containing financial, commercial and personal information about Italian limited liability companies.

which were not obtained through the request by the Chamber of Commerce (previously mentioned) were actually already present and have been constantly elaborated in the reports and studies mentioned above. As a matter of fact, what clearly emerge from these is the predominance of individual firms among Chinese entrepreneurship and the tendency towards running micro and small enterprises, with a limited number of employees.

Thirdly, information has been possible to be collected through interviews with members of the Chinese community, which took place during the month of May. People functioning as intermediaries in order to have contacts with Chinese people have been fundamental. Interviews have been carried out with five entrepreneurs and seven non-entrepreneurs. A part from one entrepreneur working in the e-commerce, the remaining ones operate in the clothing industry. At the beginning the plan was to exclusively ask entrepreneurs to participate in the interviews. However, as difficulties have been encountered in acquiring more interesting information only through them, non-entrepreneurs have been involved. Contrary to expectations, some of them have been incredibly kind and helpful, providing answers other than simply “yes” or “no”. Among the non-entrepreneurs, four were dependent workers in firms operating in the clothing industry; another one was running an agency for money transfer and delivery; two other girls were owners of two different agencies providing several kinds of services to enterprises, for instance lawyer and accountant services, helping in filling forms, etc.

4.2 Demography of Chinese firms

4.2.1 *Chinese growth in numbers*

What has attracted attention to the Prato case, a part from Chinese firms’ entrepreneurial upgrade from the role of sub-contractors to the role of final firms, has been the extraordinary growth in terms of numbers.

The *exploit* of Chinese firms operating in the manufacturing industry has been particularly visible and outstanding looking at the period that stretches from 1998 to the last years of the last decade, as shown in the tables below.

	1998		1999		2000		2001		2002		2003		2004	
	A.V.	%	A.V.	%	A.V.	%	A.V.	%	A.V.	%	A.V.	%	A.V.	%
Textile industries	43	n.a. ²²	51	18.6	48	6.9	68	41.6	53	-22.05	131	147.1	149	13.7
Clothing and related industries	766	n.a.	1016	32.6	1098	8.07	1201	9.3	1210	0.74	1278	5.6	1412	10.4
Leather processing and preparation	12	n.a.	10	-16.6	13	30	26	100	27	3.8	34	25.9	39	14.7

Table 2: Active Chinese firms in the main manufacturing sectors, 1998-2004. Absolute values and variation percentages.²³

	2005		2006		2007		2008		2009		2010		2011	
	A.V.	%	A.V.	%	A.V.	%	A.V.	%	A.V.	%	A.V.	%	A.V.	%
Textile industries	159	6.7	192	20.7	216	12.5	168	-22.2	201	19.6	243	20.8	242	-0.4
Clothing and related industries	1674	18.5	2110	26.04	2438	15.5	2804	15.01	3174	13.1	3364	5.9	3165	-5.9
Leather processing and preparation	45	15.3	52	15.5	85	63.4	105	23.5	103	-1.9	92	-10.6	103	11.9

Table 3: Active Chinese firms in the main manufacturing sectors, 2005-2011. Absolute values and variation percentages.

²² Specific data as those in the tables (i.e. firms divided into the three sectors) could not be found (n.a.) in reference to year 1997. The only data available concerned a comprehensive number of Chinese firms in Prato, corresponding to 479.

²³ Data for all three tables have been collected looking at annual reports from Chamber of Commerce of Prato published each year. Chinese firms means firms with at least an owner, administrator or associate partner of Chinese origin.

	2012		2013		2014		2015		2016		2017	
	A.V.	%	A.V.	%	A.V.	%	A.V.	%	A.V.	%	A.V.	%
Textile industries	264	9.09	320	21.2	339	5.9	364	7.3	387	6.3	389	0.51
Clothing and related industries	3200	1.1	3255	1.7	3304	1.5	3378	2.2	3529	4.4	3641	3.1
Leather processing and preparation industries	116	12.6	112	-3.4	114	1.7	107	-6.1	100	-6.5	99	-1

Table 4: Active Chinese firms in the main manufacturing sectors, 2012-2017. Absolute values and variation percentages.

Looking at the data, they perfectly show the proliferation of Chinese firms: if in 1998 there were only 766 firms operating in the clothing sector, 2017 year accounts for 3,641 Chinese companies in the sector.

More interestingly, a negative percentage of growth could be seen only from year 2010 to 2011, when Chinese firms belonging to the clothing industry registered -5.9%. As can be deduced from the tables, the increasing number of new Chinese firms registered incredibly high rhythms in particular until the end of the last decade. From that time on, we cannot say that Chinese enterprises did not grow, but the growth margin has been reducing and appears being more stable.

The other two sectors taken into consideration, i.e. textile and leather production industries, have been included since they have represented a consistent part of Chinese entrepreneurship, contemporary to the spread of clothing firms, despite not being comparable with the success of the latter. As a matter of fact, the number of Chinese migrants who opted for the textile business and those who started working leather was limited compared to numbers of clothing firms.

However, the focus on the apparel industry does not mean an absolute absence of Chinese migrants in other sectors. They actually entered other sectors as already anticipated in the second chapter, when talking about the path of evolution of Chinese firms (paragraph 2.5.4). The trend towards diversification could clearly be seen already some years ago. In particular, the most interesting sectors from the point of view of number have always been the wholesale and retail sectors, in particular selling personal goods. In 2003 there were 112 companies specialized in these sectors; in the following years the number grew considerably, ending up by reaching 967 in 2016.

Another market where Chinese migrants have been particularly interested in has been the real estate market. The first real estate activities started appearing during the first years of Two-thousands, for an amount of 120 enterprises in 2016, with a growth rate of 10% compared to year 2015.

The traditional activity of catering, which has been the main operating sector for a consistent part of Chinese migrants spread all over Europe, could not miss. Together with accommodation service, catering activities have been present from the early beginning. In 2009 the amount of enterprises engaged in those sectors was equal to 103; after seven years it has almost doubled.

Among the other industries that have recently become relevant in Chinese entrepreneurship, construction, travel agencies, support for enterprises, communication services, financial and insurance activities, as well as sport and entertainment activities are increasingly developing.

As a result, after a first assimilation into the district-related activities, Chinese entrepreneurship moved towards being a more complex and articulate reality.

The general success of a huge part of Chinese enterprises, in particular in the clothing sector, did not offset the failures of some others. Considering exclusively the firms operating in the apparel industry, the number of ceased enterprises increased 45.3% in 2010 compared to the previous year. The peak was reached in 2011, with 934 Chinese firms closing down.

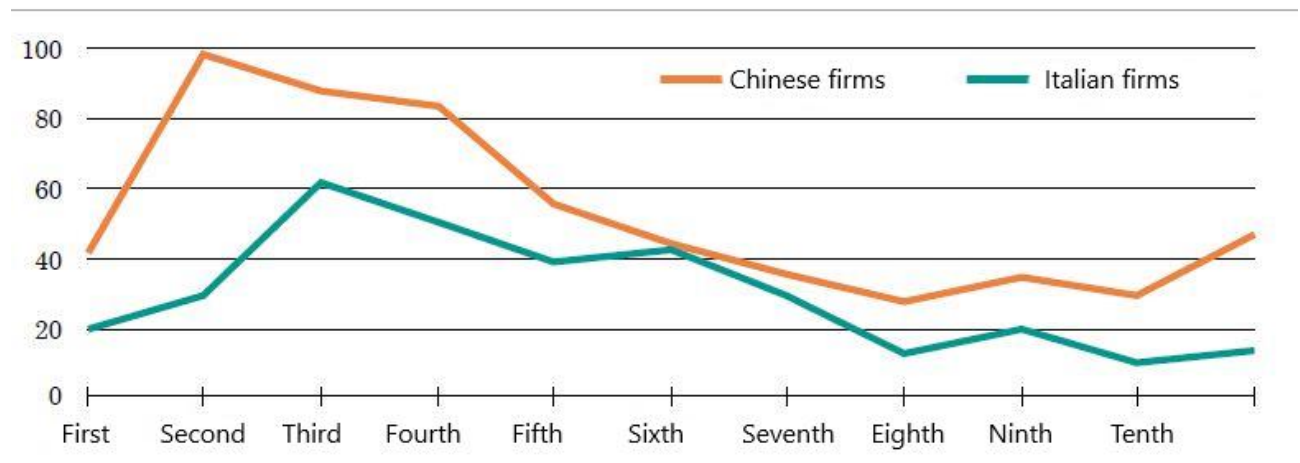


Figure 4: death of Chinese and Italian firms. Source: IRPET (2013).

As shown in the picture above, the death rate of Chinese enterprises is higher than the one characterizing Italian firms. The mortality rate registered in a period of twelve years perfectly explains this situation: out of 368 units born in 2001, only 53 of them survived until 2012 (IRPET, 2012). These data certainly do not cancel the relevance of Chinese migrants' economic activities. As noted in a research by IRPET, supposing to consider a period of seven years, instead of twelve as in the case above, the rate of survival corresponds to 28 %, which is a restrained but relevant percentage, especially if considering other European countries, where similar rates are found (ibidem).

In conclusion, data show the path of growth of Chinese firms in terms of numbers, referring to the clothing industries. However, their increasing presence in some other industries is a signal of the expansion of Chinese migrants' range of economic activities. It will be interesting to see to what extent Chinese migrants will extend their presence in the sectors mentioned in this paragraph.

4.2.2 The legal form

Since Chinese migrants first started opening their own businesses, they have always been more inclined to open individual firms, rather than opting for any other legal form.

Examining data, in 2002 out of the amount of 1,210 active firms operating in the clothing industry, individual firms accounted for 1,131, followed by 51 partnerships and 28 limited liability companies. As far as the other legal forms are concerned, none of them was a suitable choice for Chinese migrants. If looking at more recent data, in 2016 the amount of limited liability companies corresponded to 184 units (out of 3,529 specialized in the clothing sector), while the partnership form underwent a considerable decrease, constituting now the minority percentage (31 units) among the three legal forms taken into consideration. Compared to year 2015, the growth rate of limited liability companies has been 9.8 % (Chamber of Commerce of Prato, 2017). Contemporarily, the growth rate of the dominating individual firms stabilized around +4.2 % during the 2015-2016 biennium (ibidem).

More in general, the tendency towards the individual legal form is common to foreign entrepreneurship in Prato as well. Reasons for this are quite obvious and have to be found in the intrinsic characteristics of each legal form, in particular in relation to the resources needed when opting for one of them rather than another one. In particular, the individual form attracts foreign entrepreneurs, and more in general all newly entrepreneurs, thanks to its relatively simple and straightforward procedures and low initial capital. More specifically, looking at the process and

costs for constituting or liquidating this type of firm, it is the least expensive and simple form. In order to open an individual company, the costs concerning legal issues only comprehend the subscription to the Chamber of Commerce. On the contrary, procedures for starting a business under the limited liability form are more complex. The first initial highest costs concern the compulsory assistance provided by a notary.

According to the economic report published by the Chamber of Commerce of Prato in 2003, the predominance of individual firms among foreign entrepreneurship actually entailed two signals. On one hand it demonstrated the scarce propensity towards sharing with other economic actors and towards sharing of risks; on the other hand, assuming that societal forms entail not only greater stability from the financial and patrimonial point of views, but also the existence of more efficiently managed production processes, it showed the fragility of foreign entrepreneurship.

Explained the different features in opening an individual or a limited liability company, it is clearly understandable the natural inclination of migrants, in this case Chinese migrants, for the simplified procedures characterising the individual form. For a foreigner entering a new and unknown environment is naturally preferable choosing the easiest, less complex legal form.

However, the growing numbers of Chinese limited liability companies (still not comparable to the total amount of individual firms) may show some firms' strength. This phenomenon is probably to be reconducted to their acquaintance to Italian legal procedures and familiarity with Prato's economic environment, if compared to the period when they first arrived. Some of them have been living in Prato for many years, some of them were born in Prato, and for a lot of them is not probably the first time to open a firm. Despite this, the increasing number of limited liability companies may also be reconducted to the process of simplification which affected this legal form: the result has been more flexible liability companies, with higher attractiveness for both investors and financiers. Considered together, these factors may have lead more Chinese entrepreneurs to choose the limited liability legal form.

4.2.3 Chinese firms' labour market

After a study conducted by the Institute of Economic and Social Researches (IRES) of Tuscany, a profile of the typical Chinese worker emerged (IRES, 2012).

First of all, the kind of contract has been analyzed. Contrary to what happens for a huge part of Italian labour market, 91 % of contracts signed by Chinese workers are open-ended contracts. Moreover it clearly emerged that in the whole labour market of the Province this type of employment contract is mainly related to Chinese workers. In 2011, out of 18,696 open-ended

contracts, only 6,444 were signed by Italian employees. Furthermore it has been noted that the other forms of contract were more common among Chinese people below 25 years old and above 50 years old.

Secondly, the research focused on the average duration of employment. What emerged is a short life for contracts. More specifically, employment is characterized by the marked tendency of ceasing 12 months after the beginning. Considering the four-year period from 2008 to 2011, by 2012 almost 70% of Chinese employees have abandoned Prato's labour market, ending up by not entering it anymore. Reasons for this could not be found in the study, but some hypothesis emerged. The short duration of contracts may be linked to three factors: the first one is the obtainment of residence permits and the subsequent move to another city or nation; the second one relates links this tendency with a typical feature of Chinese migration; finally, the third hypothesis consists in the abandoning of the employment for upgrading to the role of entrepreneur.

This last factor is a characteristic that distinguished Chinese entrepreneurship in Prato, especially in the first phase of its growth path. According to data referring to the period taken into examination in the study conducted by IRES, i.e. from 2008 to 2011, around 15% of Chinese employees starting a contract in this four-year period opened their own business after terminating the contract. Chinese employees usually upgrade to the role of employers in a very short time. As outlined in the research, in most cases entrepreneurs acquire this role after only one contract as a dependent worker. If considering what has been said before, i.e. the short duration of a contract, this passage occurs incredibly fast.

Chinese entrepreneurs looking for new employees mainly count on relationships with the members of the Chinese community:

In order to hire seasonal workers we turn to old friend in the Chinese community of Prato (...), otherwise we contact people that have already worked in other firms of acquaintances of ours, or that friends introduced to us (...). When this was not sufficient, we used to hang adverts in shops owned by or frequented by Chinese people.²⁴

The discussion so far in this paragraph has implied Chinese companies' human resources pool as being exclusively Chinese. However, a more "recent" trend has been characterizing the clothing industry. A part from the already mentioned Italian designers and sales representatives who could benefit from the labour demand coming from Chinese companies, more and more Italians are being hired by Chinese firms. This tendency was already clear in 2009. According to a

²⁴ Interview found in "Profilo del vertice, processi di sviluppo e politiche di mercato dell'impresa cinese a Prato", Guercini, 2002. Translation by the author.

study of the Chamber of Commerce of Prato conducted in 2010, the hiring of Italian personnel is linked to the supply of specific competencies, in particular related to commercial sphere. Among the Chinese entrepreneurs interviewed for the purpose of this study²⁵, tasks assigned to Italian employees concerned for 15% technique skills, for 25% administrative skills, for 15% production skills and for 45% commercial skills. The employment of Italian workers is mainly the result of the emergence of higher skills demand in order to provide the firm with a qualitative development, and the experimentation of new patterns of entrepreneurship different from the traditional ethnic one (Marsden and Caserta, 2010).

As affirmed by the Chinese entrepreneur Xu Qiulin running the “Giupel” company, a successful Chinese firm operating in the clothing sector and hiring Italian workers: “ I immediately understood that the right way was opening a firm with both Italian and Chinese employees. The first because they are creative, inventive, imaginative, perfect managers and administrators; the latter because they are more inclined and used to work hard, many hours per day, without reproaches and complaints”²⁶.

In conclusion, the human resources’ pool for Chinese firms mainly rely on the Chinese community; however the increased presence of Italian employees cannot be neglected, as stressed by a sociologist working at IRIS: “19% of employments, out of a total of 1,800, from January 2010 to June 2015, concerned Italian citizens, and not only in the clothing and textile sectors, but also in the hospitality industry and real estate sector. Thus it is not true that there are no Italian workers in Chinese firms (..). We hope these firms will be followed as an example” (Valzania, 2016).²⁷

4.2.4 Chinese firms’ dimensions

The evolutionary path of Chinese firms in terms of numbers has not been accompanied by a growth in terms of dimension, causing the great majority of Chinese entrepreneurship being constituted by small companies. This “problem” is common to Italian firms; however, causes behind the dwarfism are completely different and reasons will be explained later in the chapter. Micro enterprises have been characterizing Chinese entrepreneurship since their arrival in Prato, and still persists, despite some exceptions.

²⁵ Interviews conducted for the study involved 15 Chinese firms: 10 operating in the clothing sector, 2 in trade sectors, 1 in the textile sector.

²⁶ These words were found on the website <http://www.iprincipiditalia.com/xu-qui-lin.html>.

²⁷ Interview found on the website <http://www.redattoresociale.it/Notiziario/Articolo/497635/La-svolta-di-Prato-le-aziende-cinesi-assumono-i-lavoratori-italiani>.

Taking into consideration only the apparel industry, micro size is typical especially for workshops mentioned in the second chapter, who are in charged of different phases of the production process that lead to the final clothing item. Increased dimensions (still classifiable as small firms)²⁸ usually concern the Pronto Moda firms, resulting in stronger firm with higher annual revenues.

If looking back at data of the last years of the Nineties, the firms operating in the textile and clothing sector were almost 800; among them, 755 employed up to 9 workers, while a firm with at least 50 employees could not be found (Colombi, 2002). As a matter of fact, a research conducted by Guercini in 1998 selected Chinese firms according some parameters, one of them was the relatively bigger size: the interviewed entrepreneurs run firms with no more than 8 employees (Guercini, 2002).

This situation persists even if looking at data collected in the following years. For instance, in the report published by IRES, the same as the one mentioned in the previous paragraph, considered the total amount of employed workers during the period 2008-2011; 70% out of the total concerned the clothing industry. From this study, it resulted that during the period taken into consideration 86% do not employ more than 9 workers, that firms relying on from 10 to 12 employees represent 12% out of the total and finally that only 2% hires more than 21 workers.

What has been outlined by a research conducted by IRPET in 2015 is one important disadvantage resulting from the prevalence of micro and small enterprises: the lack of innovation. Due to their sizes and the highly developed social relations among migrants, mainly originating from Wenzhou, production knowledge easily circulates among firms, resulting in the predominance of imitation over innovation. Therefore possibilities for innovation mainly come from the word-of-mouth among firms, due to the absence of skilled staff from the technical and managerial point of view (IRPET, 2015).

More recent reports published in the last years by the Chamber of Commerce of Prato and outlining changes in foreign entrepreneurship, with a special focus on Chinese migrants' activities, do not outline any relevant tendency as signal for a deviation from the typical micro structure.

What is important to remind when discussing the number of employees is the mobility of workers. As already explained when discussing the Chinese working regime, the mobility of workers among firms implies an increasing number of employees during the peak season. This situation has also been confirmed by some of the interviewees, who answered "It depends" when asked "How many employees are there in your company?".

²⁸ Here the following classification is considered: micro enterprises with less than 10 employees, small enterprises with less than 50 employees and medium enterprises with less than 250 employees.

As far as data related to the limited liability companies, the following table shows percentages of number of employees for limited liability companies, after analysing the data.

Number of employees	%
From 0 to 4	26.12
From 5 to 9	41.80
From 10 to 14	17.16
From 15 to 19	4.47
From 20 upward	10.45

Table 5: number of employees in limited liability companies. Source: elaboration of Chamber of Commerce’s data referring to year 2017.

As can be seen from the table, the majority of limited liability companies is composed by firms with a number of employees which stretches from 5 to 9. It is interesting to note that the lowest percentage is represented by firms hiring from 15 to 19 employees, while the percentage of those with more than 20 employees is higher than the latter. If looking at the firms with the highest number of workers, it can be noted that a big part of them operate as dying and printing firms, not as firms producing clothing items.

4.2.5 A profile of the Chinese entrepreneur

In order to have a draft of the figure of the Chinese entrepreneur, this paragraph will first introduce the Hofstede’s cultural dimensions theory. The model presumes that the cultural background influences managerial practices and more in general the conducting of a company. The research, carried out by the anthropologist and organizational psychologist Hofstede during the

Sixties, lead to the identification of four cultural dimensions having an impact on a company's practices.

The first one is called power distance, which expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally. The second dimension concerns individualism vs. collectivism: the prevalence of the first one entails individuals take care of themselves and their immediate families, while the dominance of the second one means that attention in society is oriented towards the others as well. The third dimension refers to masculinity vs. femininity: masculinity represents a preference in society for achievement, heroism, assertiveness, and material rewards for success, while femininity stands for a preference for cooperation, modesty, caring for the weak and quality of life. The fourth dimension is called uncertainty avoidance, i.e. the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. Two further dimensions have been added later: short-term vs. long-term orientation and indulgence vs. restraint.

Further developments of the research on cultural dimensions have produced studies about the degree of these dimensions typical of certain countries. Among them, China has been taken into consideration as well. What resulted is the following picture of Chinese entrepreneurs.

First of all, Chinese entrepreneurs tend to be oriented towards the importance of hierarchy, with a low degree of collectivism and provided with great patience and persistence in conducting the business. Attention is mainly focused on the long-term rather than on the short-term and a lower degree of distinction between females and males, as well as lower degree uncertainty avoidance.

Fundamental is the sharing of information among firms, thanks to the *guanxi* (relationships) system. Relationships prevail over any other legal aspects, causing the contract almost loose its function as a conclusive tool for defining reciprocal behaviours: the latter may modify as long as the relationship among actors in a company change over time (Guercini, 2002).

Narrowing the discussion to the Prato case, Guercini (2002) conducted a research among Chinese firms operating in the clothing sector and tried to outline the main characteristics of directors of Chinese nationality. First of all, a strict relationship among the firm and the family emerged. Family components participate in decision making; the enterprise is seen as the instrument for reaching the highest level of wealth for the whole family.

A second element which Guercini analyzed has been the educational background of Chinese entrepreneurs. A heterogeneous picture resulted: some of them concluded elementary studies, some others high school studies, and still some others, but representing a minority, had a university experience. What appeared to be common among Chinese entrepreneurs was the low

level of knowledge of Italian language. This is particularly true for the first generation of Chinese migrants. As a matter of fact, one among my interviewees found for the purpose of this research affirmed being in Italy since 1998, however the interview has been carried out in Chinese, as a consequence of the poor knowledge of Italian language.

As far as the age is concerned, according to data referring to year 2016 the average age of Chinese entrepreneurs is around 42 years old. It results that this population is quite young, especially if compared to the Italian one.

However, the most striking element which has been characterizing Chinese entrepreneurship is the presence of a high percentage of female entrepreneurs. This is a feature that has been monitored from year to year by the Chamber of Commerce of Prato. In 2016 the total amount of female entrepreneurs running a business in the clothing industry was 1,956, while the male one corresponded to 2,335. The presence of women at the management of a company has not always characterized the Chinese business. Evidence of this can be obtained looking at the percentages of year 2007: females and males heading firms represented 38.4% and 61.6% respectively. From a certain point on, the growth of female entrepreneurs has been superior to the one of males. This happens in limited liability companies as well: analyzing the data collected concerning limited liability companies, Chinese women participating in the management of the company constitute 39.2 %.

As noted by Ceccagno, the high percentage of females in managing firms, but more in general the full participation of Chinese women in production activities, is a consequence of the reduction of their parental role. As already explained in the second chapter, the practice of letting Chinese children grow in China avoid parents take care of them. This way, gender segregation and salaries imbalances have been reduced among Chinese workers (Ceccagno, 2010).

According to an interviewed Chinese woman²⁹, reasons for the consistent presence of Chinese women in the apparel industry actually lie elsewhere:

One Italian man told me: “Among Chinese people, women are those to have power”. In my opinion there are a lot of Chinese women in the clothing industry because they know how to produce clothing items, for a man it is more difficult. In antique China women could not speak loud at home; now it is the contrary. In my opinion it is also because women look more at details, whereas men look at things more in general. But in the apparel industry details are important for clients: buttons, zips, etc. Probably women pay more attention to this.

²⁹ Interview n.12, 30th May 2018.

When asked if the high number of Chinese women could be reconducted to the greater amount of free time resulting from the trend of letting Chinese children grow in China, the interviewee answered this way:

Actually Chinese women do not send Chinese children back home only in order to have more free time. There are two other reasons. In the past growing a child in Italy was more expensive than used to be in China; but not now, today also in China is quite expensive. The second reason is that Chinese parents want their children to learn Chinese language. Chinese language is difficult, it is a thing that you must learn when child, it is different from Italian (...). Chinese teachers are stricter, we have different teaching manners; a parent grown in that system wants their child grow in the same system.

4.3 Possible causes for inability to grow

This last paragraph finally provides some possible causes for Chinese firm's inability to grow, after having demonstrated the prevalence of micro enterprises. However, it is important to note that the increasing number of limited liability companies with a number of dependent workers relatively higher, can be interpreted, in my opinion, as a signal of a sort of empowerment of some Chinese firms. Nonetheless, the dimension of this phenomenon is still not comparable with the predominance of micro enterprises.

The reasons that will be outlined in this chapter are mainly the outcome of the interviews and the subsequent consideration of some critical factors.

4.3.1 Lack of personal motivation obstructing the growth process

Among the four entrepreneurs interviewed operating in the apparel industry, two affirmed that they have never thought about neither expanding towards new productions, nor hiring new employees. When asked reasons for this, they actually could not say much, just a few words.

The first one has been running a workshop since 2016, where 8 workers are engaged in sewing. "If you start with a small firm, then you continue this way; if you open a larger firm you continue this other way"³⁰. The possibility of changing the dimension of a firm, transforming it from a micro to a larger firm, appears not being possible. A lack of interest and motivation in doing efforts to expand the firm resulted from this interview.

The second entrepreneur actually owns a Pronto Moda with "more or less" 20 employees, which is a relative high number compared to the majority of enterprises. However, it is important

³⁰ Interview n.1, 8th May 2018.

to remember that these numbers are more frequent for Pronto Moda firms, which are more habitual adopters of the limited liability form as well, if compared to workshops. “I have never thought of expanding; the economic situation is not prosperous at the moment, we are working at a low rhythm”³¹.

A similar attitude comes from the words of a young Chinese dependent, employed in a small workshop with 1 or 2 employees, “it depends on the period”. He works in the firm as a driver: he collects materials from suppliers and brings them to the workshop, where they will be assembled to obtain the final clothing item. Moreover, he helps very often his boss (a woman) with running errands, as she does not speak Italian at all. “She never thinks of growing, it is sufficient like this”. “Some other firms performed well and have been able to grow, for example in Montemurlo³² there are some bigger firms, here in via Pistoiese nearby they are all small workshops (...). But if you keep running a small firm it is less risky”. “There are a few larger firms because the initial investment is high, and the positive outcomes are not immediate”³³, said one of the other non-entrepreneurs interviewed, a girl working with her parents in a workshop.

What emerged from these interviews may be reconducted to the entrepreneurial achievement spirit characterizing Wenzhouese migrants (see paragraph 2.5.2). The tendency of people from Wenzhou is towards self-achievement, which in most cases translated into the opening of their own businesses. Despite this attitude oriented towards intensifying efforts and advancing may seem in contrast with what has been said in this paragraph, it actually can explain the lack of motivation of some entrepreneurs: once they have strived for running their own workshop, this new condition it is sufficient, it lets feel them satisfied this way, with no need for a further development.

4.3.2. Difficulties obstructing the growth process

In most cases, as emerged from the interviews, the unwillingness of expanding firms is actually the outcome of difficulties that Chinese migrants have to confront when running a business, which results in the term impossibility being more proper than the term unwillingness.

More in general, a fundamental role in the easiness of doing business is played by regulations that a certain country imposes to the firms existing on the territory. As a matter of fact, “Doing business”, the outcome of World Bank Group studies, is a report investigating the regulations that enhance business activity and those that constrain it. In year 2017, the ranking of

³¹ Interview n.6, 14th May 2018.

³² Montemurlo is another industrial area near the Province of Pistoia.

³³ Interview n.3, 8th May 2018.

190 countries was published, with first positions occupied by the most business-friendly economies. In order to obtain the final ranking, several business areas, considered crucial for the degree of difficulty of doing business, have been examined: regulations for starting a business, construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency (World Bank Group, 2017).

Several challenges of different nature became evident according to the experiences of the interviewed people. These issues can be divided into two groups: the first group relates to the difficulties arise inside the Chinese entrepreneurship, both in terms of “new tendencies” and shortcomings; the second group relates to problems that Chinese migrants face with the local society and local actors, institutions included. The two groups will be separately treated in the following sub-sections.

4.3.2.1 Difficulties born in the Chinese entrepreneurship itself

This sub-section concerns the intrinsic problems of Chinese migrants’ economic environment, which remain the chief obstacles in reaching the larger dimensions’ objective. A description of them will follow.

1) Lack of Chinese human resources. As outlined by the majority of the interviewee, considering both entrepreneurs and non- entrepreneurs, a major difficulty is found when assuming new personnel. However, two entrepreneurs affirmed that they did not encounter particular difficulties in hiring employees and a third one affirmed that he could count on his family members and relatives. The concern about this emergency is the consequence of four factors that have been recently affecting the Chinese community.

The first one is the repeatedly mentioned attitude towards self-entrepreneurship which marks Wenzhou migrants: as soon as possible, they leave the place where they work to begin a new business and become independent workers. As a consequence, the number of employees has reduced and new human resources must be found.

The second factor concerns the high mobility characterizing Chinese workers (see paragraph 2.5.3.). Unless a worker is tied to their boss by a familiar relationship, the tendency is to move where conditions are more profitable. Usually the typical Chinese worker, at least until now, tends not to identify themselves with the company, thus resulting in changing workplace several times. “In the past it was easier to find workers. Now it has become more complicated, probably a

lot of them go where they can earn more money”³⁴. This mobility can also be considered in terms of sub-contractors and final firms relationships: “You know how it works, you can never know..If one day they decide not to produce for you anymore? What do you do? Do you interrupt production?”³⁵. This, together with the increased difficulties in finding employees, further complicates the management of a clothing firm, looking from the entrepreneur’s perspective.

The third factor concerns the second and following generations of Chinese migrants, which became critical in shaping the future of both future Chinese entrepreneurship and integration in the host society. As already mentioned in the second chapter, the young Chinese belonging to the second generation appears being less confined to the core community and core activities of the first generation (Fladrich, 2009). Their better education and most of all their language proficiency, as well as ties established with Italian people, are thought to be fundamental for their future employment choices. As a consequence, the traditional clothing industry will probably suffer a shortage in terms of human resources. The fourth factor refers to the increasing number of Chinese leaving Prato. They started talking about this phenomenon from year 2013, when also some local newspapers started discussing the Chinese departure from Prato. As shown by some interviews carried out in the past years, for example by Valzania (2013), this phenomenon is visible. “I know that there are a lot of Chinese people houses for sale, if you walk down via Pistoiese you see many ‘for sale’ or ‘for rent’ signs. Never seen before! It is true that here in Prato there are a lot of Chinese, but in other cities as well: Rome, Milan, Turin”³⁶. Rather than a flow to other cities of Italy, what emerged from my interviews has been the return to China. “If there are employees, there is no work; if there is work, there are no employees. Many workers are coming back to China, there you can make more money. And parents miss their children, there you can work and stay with your family”³⁷, says a young female entrepreneur. The majority of the interviewee actually stressed those two factors: coming back to one’s own family and the possibility of success that now China is offering. This phenomenon is quite understandable if thinking about the main reason why Chinese migration flow to Prato started: to find work. As long as some of them began facing difficulties in running their economic activities, efforts made in being far from home do no longer worth.

Finally, only one among the interviewees raised the question of residence permits: “If workers do not obtain residence permits, they cannot be hired”.

³⁴ Interview n.10, 22nd May 2018.

³⁵ Interview n.5, 9th May 2018.

³⁶ Interview found in Valzania “Vendere e comprare”, 2013.

³⁷ Interview n.2, 8th May 2018.

2) Lack of managerial skills. “If the firm becomes bigger than it is now, there is no one with the appropriate skills”³⁸. More in general, it appears that a powerful and skilled figure as the one of the manager is not present in the Chinese entrepreneurship, especially if considering the first generation. However, according to a research conducted among Prato’s entrepreneurs younger than forty years old (both Chinese and Italian), it emerged that managerial training is a theme almost not perceived by Chinese young entrepreneurs, especially in the clothing sector; as far as the Italian ones are concerned, the situation is similar. In both cases, the formation of the entrepreneur can be the result of the experience gained working in the family-owned business as a dependent (Toccafondi and Corsetti, 2010).

Furthermore, as explained in paragraph 4.3.5, the decision making process, that should be the task of a manager, is actually shared among the family members (if the company is a family-owned business). The distinction between entrepreneur’s level and the operational nucleus becomes blurred; everyone does everything (Guercini, 2002). Finally, maintaining the entrepreneur’s perspective, one main reason for not expanding their own firm is the managing issues that arise in case of a higher number of employees. This is the outcome of the role of the entrepreneur which is in charge of different aspects of their employees’ lives: “If the workshop is big managing problems arise, and we don’t have managers directing workshops”³⁹.

4.3.2.2 *Difficulties with local actors*

As emerged from the interviews, the unwillingness and impossibility of hiring new employees, letting the firm grow, is the result of some issues that arouse in the relationships between Chinese migrants and local actors. Certainly, this also include the way the Chinese presence is perceived, as discussed in chapter 2. A description of those difficulties will follow.

1) Low level of knowledge of Italian language. This has been a major problem which shaped ties with local society. Some Chinese people, despite have been living in Prato for many years, still do not have familiarity with the language. It is really common in public offices to see Chinese people, especially the elderly ones, with their children or another Chinese person to help them translating. Of course, some others perfectly know Italian, in particular if considering the second generation.

However, this problem related to the language becomes critic for carrying out procedures for starting a business. As a matter of fact, all the interviewees, when asked the main difficulties to

³⁸ Interview n.10, 22nd May 2018.

³⁹ Interview found in Ceccagno “Migranti a Prato”, 2003.

be faced when opening a firm, included language among the answers. Moreover, two of them (among those non-entrepreneurs) affirmed their role in the company was to help with running errands, which requires knowing the language. Moreover, a girl working in a knitwear factory stressed the negative effect on production volume of not knowing the language: “If you don’t know Italian language you don’t have many relationships, and so you don’t have many clients”⁴⁰.

2) Difficulties in providing legal documents and get their business in order. Of course, this problem is strictly related to the previous one (language barrier). Interviews showed the problems that Chinese migrants face when they start a business and have to follow procedures.

Firstly, some of them may lack experience, thus not knowing how to manage situations. Secondly, this is further complicated if the knowledge of Italian is scarce. “They don’t know how to do to get their business in order, there is someone that really wants to! Here we provide information about the phases to be carried out when opening a company”⁴¹, said Jessica, a Chinese woman working in a data processing office. She is not the only one to run this kind of activity: in Prato are several the offices that provide this type of service to Chinese economic actors: accountant and lawyer service, help in filling in forms, sell rechargeable cards, etc. In other words, they provide a great range of services that are useful for Chinese migrants.

Due to the difficulties encountered by Chinese migrants in getting their business in order, probably the bigger the size, the more the efforts would intensify.

3) Pressure coming from checks. As already explained in the second chapter, following the fire of Teresa Moda workshop, the local government promoted a policy aiming at teaching Chinese workers how to maintain security in workplaces. However, checks in Chinese workshops are still being carried out, the only difference is that they are not made known to the public as it used to be several years ago.

The importance of checks is fundamental for protecting workers ‘lives, but is a persistent pressure on Chinese entrepreneurs, who thus may not even consider the possibility of enlarge their firm, considering that difficulties with authorities are still present. Fines imposed for irregularities have of course a financial impact on the profitability of the firm. Some Chinese people perceive a different manner in which checks are executed by individuals charged of them: one for Chinese firms and another one for Italian firms (of course checks do not only concern Chinese firms). This

⁴⁰ Interview n.9, 18th May 2018.

⁴¹ Interview n.11, 30th May 2018.

causes a sort of resentment towards local authorities and institutions. This topic will be treated more in detail in the following paragraph.

4.4 Interview with Sofia⁴²

In conclusion to this chapter, I decided to include the whole interview that took place with a Chinese woman working in an office that provides help to her Chinese clients in several ways, as will be explained below. This choice has been driven by the interesting answers emerged by the interviewee. Compared to the others, Sofia appeared to have a more global overview on Chinese firms, since she has been running her activity for twelve years. Therefore she could see changes in Chinese entrepreneurship and is more able than others to provide some comments on it and some possible future tendencies. The whole interview will follow.

I⁴³: How long have you been staying in Italy?

P⁴⁴: Almost twenty years. I arrived here when I was at the third year of high school and then I started university. While I was studying I opened this activity with another person.

I: What does your activity offer to clients?

P: Well, we offer a service that does not only concern compliance of fiscal obligations, but also concerns a lot of other things: preparing documents for police headquarters, for renewal, it concerns the compilation of many other forms, also those concerning schools [smiling]... in order to help them.

I: Are clients only Chinese?

P: Yes.

I: In which sectors operate the majority of your clients?

⁴² Sofia is not the real name, she asked to preserve anonymity.

⁴³ Interviewer.

⁴⁴ Participant.

P: Clothing, and also in the service industry, that is to say bars and restaurants. The service sector also needs some documents to provide, maybe more than those for the clothing industry, for issues related to hygiene.

I: Do you have clients who operate in the clothing industry and run a firm of relatively bigger dimensions?

P: Practically all firms are micro-firms, because they are almost family-owned businesses. Let's say that Chinese firms still have to grow, but in my opinion they limit them with legislation, especially with legislation about dependent workers... let's say they obstacle them. Now I see many firms that have made a step further by hiring Italian staff. But let's say that between hiring and not hiring they have fear, because Italian law does favour neither the Chinese firms nor the Italian ones. Unfortunately there are different kinds of people and a part of them takes advantage of law. There is somebody who told me that there are some girls who on Friday or on Monday get ill, but not because of a serious illness. But the law let them go to the doctor and get the sick note. But this has consequences for the firm. Maybe it is not easy for firms to bear this, they need people who are as gritty as them.

I: What is the average number of employees in your clients' firms?

P: Generally speaking, in the clothing industry there are six/seven employees in each firm. If there are ten employees, then these firms start having some difficulties. If we are talking about Chinese firms that operate in the way used ten years ago, the employer also has to take care of accommodation. So if there are twelve employees he [the employer] must find three apartments. He has to manage everything and unfortunately this is not easy. For this reason he tries to maintain a small system. Once you go beyond a certain number of employees, the costs double. So they try to maintain the micro size.

I: In the clothing industry individual firms prevail. However, did you notice the growing number of limited liability companies? What do you think about this?

P: It is not difficult to find limited liability companies, now there are many. For example, in Iolo⁴⁵ there are a lot of Pronto Modas and the majority is composed of limited liability companies (...) also because over there the turnover is higher and firms have a stronger legal form. While as far as garments workshops are concerned, they are individual firms. Pronto Modas that already had an increase in turnover can transform into limited liability companies. On the contrary, there are just a few joint-stock companies, I just heard about two of them, but they are not my clients.

I: In Your opinion, what are the main obstacles for the growth of these micro firms?

P: I think these firms do not grow because legislation limits them. I'll make an example concerning employees: if a firm hires fourteen employees the fifteenth employee must be invalid. In order to hire an invalid person the firm has to make another toilette that suits the invalid person's needs (...) and this takes up room. And then there are a lot of other things. This also concerns Italian firms, but they know the language and in the meantime can study regulations, while the Chinese entrepreneur doesn't have this possibility. Chinese firms have a faster growth, but it seems like they don't have time (...) but not because they don't want to learn, but because they don't have time for this [the learning of regulations]. So I think that Chinese firms will probably grow with the second generation and the third generation, that is to say those Italian-Chinese children who already can speak Italian, with the determination of their parents. This way things may change, but with the first generation I see no way out.

I: What do you think about checks? Is it still strong the pressure on Chinese firms?

P: Yes, it is a pressure that there has always been and still persists. After the fire in Via Toscana⁴⁶, ASL created a body to control Chinese firms' security. It is a positive thing to protect security, but they divide us: Chinese firms and Italian firms. According to what my clients tell me, ASL does this way: they check, for example, ten workshops, four are Italian's and six are Chinese's. They stop in front of the door of the Italian ones, while they enter the Chinese ones. I don't like this thing, they talk about integration, but they themselves first distinguish between Chinese and Italian people. So also the authorities first considered Chinese and Italian firms in a different way (...) and we are those who don't want to integrate. Unfortunately in Prato this distinction is quite evident. Now it is a little bit better than the past, but checks are strict anyway. The only difference

⁴⁵ Iolo is an area in the south of Prato, which is part of Macrolotto 2 industrial area, where 400 micro-entreprises are located.

⁴⁶ She is referring to Teresa Moda fire, see Paragraph 2.2.

is that now they don't talk about this in newspapers. Before they really used to show everything. Carry out checks in order to let authorities fulfil some citizens-expectations (those who will vote for them) (...) we have to change. We, as Chinese firms, contributed to Prato's economic activity. We have a strong commitment to work and it is often obstructed by bureaucracy. More than this, they do not make distinction between those who put their business in order and those who do not. There are some firms which are in order, and some others not. They are considered all the same, all Chinese firms do not pay taxes anyway [institutions think, according to her opinion]. But actually, in those twelve years I have been running this activity, I saw the difference between two kinds of firms. There are some firms that do not pay anything, but there are also some others that are trying to understand why they have to pay taxes. Everything the State offers is there because someone else is paying (...) so they also want to pay. But if the bodies charged with checks do not understand this difference, maybe those firms that pay feel like they are being fooled: he doesn't pay, I pay, fines are the same. Fines do not care about this distinction. I think this situation must be improved. They only need to open the record book, you can see if a firm has paid or not. If they see that a firm each month pays dues, pays waste tax and keep the workshop in a certain way (...) usually they harm those firms that are in order, maybe because they concentrate on those who have something to lose. If a firm doesn't have much, how could they be able to pay fines? But this is not an incentive for regular firms; they are encouraged to take a turn for the worst. People's thought is: 'He doesn't pay, I pay, but the result is the same; so I'll do the same as him'.

I: Is there collaboration between Italian and Chinese people?

P: Of course there is. I'll make you an example. You walk through Chinatown, as they call it. But if you start walking from the pharmacy until the city wall, if you keep attention you see that this street is not 100 % Chinese's, some Italians are still there. Those that are still there are those who want to work with Chinese. For example: the pharmacy. I don't know how many Chinese girls they have employed, but every time I go there I see at least five Chinese girls. And the pharmacy itself opened a medical practice. Here there are three Chinese girls. Then there is the bar "Scalino": if you enter half of the people are Chinese, the other half is Italian. If you continue walking there are some accountant's offices where Chinese people work. Then there is the flower shop "Baldesi": they don't have a Chinese interpreter, but they have been really intelligent. They know Chinese taste. I hardly find a flower shop where they have red cards. I hardly find a flower shop where they have gold pens, only the black ones. Chinese people, if there is an important event, we use red colour. And if I tell them [people working at Baldesi's] there is the opening of a new shop, they

only use red colour, and not others. *They* explain to me how to do. They are the part of Pratesi that accepts Chinese people. A lot of Italian owners went away for the fear of this Chinese expansion. They said: “It is better to sell to Chinese people rather than seeing them everyday”, and I understand this, people have fear of unknown things. But some of the Pratesi citizens decided to stay there, to collaborate, and I think that they had the chance to make money with this. In Iolo, Tavola and the area behind the police headquarters⁴⁷ there are a lot of collaborations between Chinese and Italian people. They understood that if they want to have Chinese clients they need a Chinese partner or associate. Starting from ten years ago, the number of Italian-Chinese firms has increased. Someone started a firm together and someone only asked for collaboration, which is extremely important (...) yesterday two Chinese policemen arrived here, it is a positive thing, everyone has shared the news on Wechat. Unfortunately this area of the city is dangerous, also during the day. We are happy about the arrival of these two policemen, I don’t think they can do miracles but we feel safer. One of the two policemen speaks Italian as well; the other one speaks our dialect [Wenzhou dialect]. If you walk down via Pistoiese and you speak Italian, 10% understands you; if you speak Mandarin 30% understands you; and if you speak Wenzhou dialect everyone understands you.

I: What do you think about the high number of Chinese women running firms?

P: One Italian man told me: “among Chinese people, women are those to have power”. In my opinion there are a lot of Chinese women in the clothing industry because they know how to produce clothing items, for a man it is more difficult. In antique China women could not speak loud at home; now it is the contrary. In my opinion it is also because women look more at details, whereas men look at things more in general. But in the apparel industry details are important for clients: buttons, zips, etc. Probably women pay more attention to this.

I: Is this linked to having more free time resulting from the trend of letting Chinese children grow in China?

P: Actually Chinese women do not send Chinese children back home only in order to have more free time. There are two other reasons. In the past growing a child in Italy was more expensive than used to be in China; but not now, today also in China is quite expensive. The second reason is that Chinese parents want their children to learn Chinese language. Chinese language is difficult, it

⁴⁷ Area belonging to Macrolotto 2.

is a thing that you must learn when child, it is different from Italian (...) Chinese teachers are more strict, we have different teaching manners; a parent grown in that system wants their child grow in the same system”.

I: Recently entrepreneurs have encountered some difficulties in hiring new employees. What do you think are the possible reasons for this?

P: Yes. A part of them is going back to China. Before, when we used to send money to China, for example 100,000 Lira, in one month grand-parents were able to survive. Now, even if we send 500 Euros (...) it is no more possible in China to live the same way as before, the cost of living has risen. And the exchange rate is no longer the same. Before one Euro was equal to ten Yuan, now seven, more or less. So, one person may think: ‘ In Italy I earn 1,000 Euros per month, I have to rent an apartment; if I come back to China and I earn half of the amount I would earn in Italy, I can still stay with my family and have less expenses’. Therefore a part of Chinese people is deciding to come back home for this reason. And now Chinese community is entering the second generation. The second generation is grown up in Italy, it is not the same as their parents, they are similar to Italian people. And the majority of them doesn’t want to stay in workshops doing the same activity of their parents. They don’t want to. It is fair this way, it’s their choice. So let’s say that there are only the old workers, but there are not new workers to enter. And then Wenzhourse people have the willingness to become entrepreneurs, they have a different attitude. Once they understand how it works they become independent workers. So this part of employees becomes self-employed. So these are the three factors for which it is difficult to find employees.

I: More and more Chinese people are entering new sectors. What do you think about this?

P: Yes, they are entering a lot of new sectors. They don’t stop to just one. And actually if you live in Italy (...) it is a very beautiful country, there are a lot of activities where you can invest. So many Chinese entrepreneurs who work in Italy, once they come back to China, they call friends to invest in Italy. In Italy there are investment opportunities. It is a tendency of the last two years, they are trying to exit the traditional clothing sector. But it is a long way.

I: How do you see the future of Chinese people in the clothing industry?

P: In Prato they have created a clothing market, not only at the European level, but also at the international level. We are lucky because we can put this strong brand: Made in Italy. I hope this sector will have a long life. I've seen a lot of clients who have been running their activities for twelve years, and maybe when they started they knew nothing. But with years passing by they made experience: some now have their own brands, some others opened new shops with their brands. So I think that they can enter other sectors, but the clothing sector must be the fundamental one.

Chapter 5. Conclusions.

5.1 Results on the evolutionary path

As emerged from this research, despite whatever has been said about the Chinese presence in Prato, the extraordinary development of Chinese entrepreneurship cannot be denied. Moreover their contribution in limiting the downscaling of Prato district has been studied and acknowledged, in particular as far as the clothing sector is concerned.

The growth path of Chinese firms can be summarized in three phases.

The first one corresponds to the phase in which the newly-arrived Chinese workers served as sub-contractors for Italian manufacturers. Due to the difficulties in finding Italian employees willing to work for the increasing number of Italian garment firms, Chinese workers perfectly filled this job vacancy. Therefore the clothing sector has always been the first choice for Chinese migrants since their arrival.

The second phase occurred starting from the late Nineties. Counting on the abilities they had previously accumulated by working for Italian manufacturers, and encouraged by the spirit towards self-achievement, which is common to Wenzhouese people, many Chinese migrants exceeded the role of sub-contractors, becoming entrepreneurs. As a result of this, the number of Chinese firms operating in the clothing sector incredibly started increasing. From 766 Chinese firms in 1998, the amount raised to 3,529 in 2016. Some of them act as final firms, and a bigger part works as garment factories, i.e. those that practically carry out the stitching process.

The third and last phase is realized in two ways: transnationalization and diversification. With the term transnationalization, one refers to the role Chinese firms are playing at the international level. They began by manufacturing clothing items for Italian clients, and transformed into firms whose clients overpass national boundaries. Their economic activities in the clothing sector let Prato district become a centre for fast fashion, where many foreigner clients come to buy low-medium quality, fashion clothing items. The term diversification, as it implies, do not refer to the clothing industry, but to a general tendency that has been recently shaping Chinese entrepreneurship, i.e. the entering into sectors other than the clothing one.

In conclusion, these are the three phases which have shaped the Chinese entrepreneurship from their arrival in the Eighties until recent years. The passage from the first to the second phase mainly concerns an up-grading of the role played by Chinese migrants in the economic context of Prato, while the shift from the second to the third phase mainly refers to an up-grading of their role in the clothing industry as a whole, by looking from a multi-scalar perspective.

5.2 Results on the question of dimension

As emerges from chapter four, Chinese growth path has been outstanding, but not in terms of dimensions' expansion. As a matter of fact, dwarfism has characterized Chinese enterprises throughout all the three phases.

Despite the increasing number of limited liability companies may be interpreted as a signal of the capability and strength of some firms, this phenomenon's dimensions still remain contained.

Chinese firms' small dimensions are a feature which did not undergo significant changes, despite some exceptions. If a company employs more than 10/15 workers, then it is considered to be above the average.

Data concerning the clothing industry show the low number of employed people in each firm: in the late years of the Nineties, the maximum number of employees amounted to 9; in the period 2008-2011 firms relying on 10/12 employees was equal to 12%, while the remaining amount counted on 9 dependent workers. Further reports published by the Chamber of Commerce of Prato regarding Chinese entrepreneurship do not outline any relevant tendency as signal of a deviation from the typical micro structure.

By using interviews as the main driver, the research has tried to find some possible reasons for Chinese firms' inability to grow.

First of all, a lack of personal motivation emerged from some entrepreneurs. The way some of them answered the questions, let infer some of them did not even take into consideration the possibility of expanding their firm, as if it was the first time to think about this option.

Secondly, the main obstacles for the growth process in terms of dimensions appear to be the difficulties encountered both in the Chinese entrepreneurship itself and with the local actors. As far as the first group of difficulties are concerned, the results let suppose they are the following: the lack of Chinese human resources and the lack of managerial skills. As far as the first one is concerned, it is the result of three factors: the return of many Chinese migrants back to China, the high mobility of workers and unwillingness of many young Chinese people to follow their parents' footsteps. While the second factor refers to a problem that directly affects the typical Chinese entrepreneur: if a firm grows, more complicated managerial skills will be needed, whose grasp is not so common among Chinese entrepreneurs. The second group of difficulties refer to those that emerge because of being in an unfamiliar environment: low level of Italian language, which also results in difficulties in providing legal documents, and pressure coming from checks.

In conclusion, these are the possible reasons obstructing the transformation from micro to larger firms, according to my interpretation of the interviews carried out. Those challenges create a

sort of burden on Chinese firms: the intensity of these difficulties influence a firm's life and features, and consequently may influence a firm dimension. As a consequence of the actual situation of Chinese firms, for the majority of entrepreneurs becoming larger firms appears not being a possible and suitable solution.

5.3 Final remarks

Chinese entrepreneurship has certainly become a vital part of the economy of Prato. The district, once famous for its textile activities, is actually now famous for its consistent Chinese presence and its clothing production. As a consequence, in my opinion one cannot exclusively consider the textile sector, which actually incredibly decreased in volume, but the predominance of another sector, which does not constitute a "parallel district", is to be accepted.

This said, the evolution of Chinese firms has now arrived at a third stage. It will be interesting to see how long will be the way of these transnational and diversified Chinese firms. In particular, I think the future trends of the process of diversification will also determine the future of those transnational firms operating in the fast fashion industry: if more and more Chinese migrants will continue to enter new sectors, and massively turn to other kind of productions, who will continue leading the clothing sector?

As far as Chinese firms 'dimensions are concerned, it will be interesting to see how long will the emerged difficulties persist and what will happen in case they disappear. Of course, this requires efforts of both the Chinese community and local institutions. A critique element in this context is played by checks in Chinese firms, which are indirectly the result of the attitude of local institutions towards Chinese firms, but more in general towards Chinese migrants.

In this context, in my opinion the future of Chinese entrepreneurship completely depends on the second generation. The difficulties that the first generation of Chinese migrants encountered are probably more than those the second generation will have to face. For instance, the language barrier will be completely absent, since they are born and raised in Prato. When entering the world of work, they certainly have several advantages compared to their parents, living in a place which is familiar to them. As a matter of fact, I consider fundamental the social context in which a system of companies takes shape, in particular is crucial the attitude of local actors towards foreign entrepreneurship. Moreover, I think the second generation will play an important role in the enhancement of co-operation between Chinese and Italian entrepreneurs and workers, which could be a positive development for both Chinese and Italian firms 'success, as emerged from the last

interview. Of course, this will be possible in those cases in which an intensification of relationships between Chinese migrants and local citizens occurs.

However, it is important to remind that the second generation may have different expectations for their future and this will mainly depend on how much they will retain of being Chinese, how much they want to imitate their parents' career.

Where will they drive the powerful clothing industry? More in general, where will they drive Chinese entrepreneurship in Prato? These two questions imply a possible future evolution of Chinese migrants' firms in Prato, realizing a further evolution phase.

However, these are the conclusions that can be made if one considers Chinese firms' context and related issues. If the context of the district in general is taken into consideration, and in particular the discussion in the third chapter about its crisis, it can be assessed that, with its intrinsic characteristic, it obstacles firms' growth process.

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