

Reti di chi? Globalizzazione, *downscaling* e immigrazione in alcuni distretti industriali italiani.

Eduardo Barberis¹

DESP – Università di Urbino Carlo Bo

Via A. Saffi 15

61029 Urbino (PU)

eduardo.barberis@uniurb.it

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1. Introduction: immigration and local economies beyond the ethnic economy

In the context of immigrant entrepreneurship, in terms of absolute numbers, entrepreneurship rates and scientific attention, the Chinese case is one of the most significant phenomena in the world and in Italy.

In early 2016, there were some 74,000 Chinese business owners and associates in Italy and some 49,000 personal firms (Unioncamere, 2016a; 2016b) while the PRC nationals residents in Italy were 271,000, and the holders of a regular permit of stay were an estimate of were 340,000: a crude entrepreneurship rate therefore over 20%.

The following analysis will look at the micro-entrepreneurial paths of the diaspora, without however adding to the considerable amount of literature that already exists on the competitive advantage of Chinese diaspora in the frame of the “ethnic economy” concept (Waldinger, Aldrich & Ward 1990).

The analysis will focus instead on the mixed embeddedness aspects that characterise the economic participation of minorities and immigrants (Rath & Kloosterman 2000). Actually, the concept of embeddedness is probably the most important contribution the new economic sociology gave to the debate on the relationship between economic and society: based on the seminal work by Granovetter (1985), it implies that economic action is situated within (“embedded” in) actual social relations. “Mixed embeddedness” means that different social structures and networks, existing in the context where migration takes place, contribute to the ethnicisation of economic sectors, which can therefore be interpreted as a result of inter-group relations. In our hypothesis, localized institutions and networks play a basic role in the ethnicization of some economic sectors, thus to be seen as the consequence of intergroup relations, and disembedding and re-embedding processes (see as an interesting case study Ceccagno 2015).

¹ This paper is based on:

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Based on qualitative and quantitative evidences on intergroup links – with a focus on Chinese immigrants – based on ten years of research on this issue, this paper will analyse the mixed embeddedness and networks of native and immigrant actors in selected Italian industrial districts, classifying most relevant strategies and their potential positive and negative outcomes.

Despite some work carried out on the relationship between immigration and districts (Mistri 2006; Dei Ottati 2009; Dei Ottati 2014; Milanesi *et al.* 2016), scholars who study districts have often given self-absolving versions of the role of immigrant entrepreneurship, linking it to external factors and focusing on the disembedding aspects (Bracci, 2016). The debate on changes affecting Italian local production systems wonders if there is a transformation or just a decline (Solinas 2006). The evolution of the international and local contexts includes export, outsourcing of most labour-intensive production activities, buyout of district firms, and the growing role of immigrant labour. Though, the historic role that immigration has played in Italian local production systems,² and the structural nature of current migratory phenomena (Mingione 2009) have been underestimated.

The individual ethnic specialisations that are found in them are part of a more general system of inter-group relations, that meets commercialisation and informalisation of districts in the global economic restructuring process (Panayiotopoulos 2010). Therefore, despite the obvious Chinese specificity as for entrepreneurship rates, this presence is just part of the overall evolution of the district model.

In order to analyse Chinese entrepreneurship and its relationship with local production systems, we shall start by mapping the Chinese presence (§ 2) to show the centrality of the districts. We shall then describe the link between location and entrepreneurial presence (§ 3), and try to identify interactions between migratory paths, the local communities and markets (§ 4), that explain them, attempting also to determine what developments can be foreseen (§ 4).

2. Mapping of Chinese enterprise in Italy.

Chinese nationals in Italy are distributed according to two settlement models:

- in large cities, particularly in Milan (27,000 residents) and Rome (17,000);
- in the urban sprawl, particularly in Tuscany (40,000 residents in the area of Florence and Prato), Veneto, Emilia and Marche, with a distribution that mirrors the geography of local production systems.

A reconstruction of the demographic dynamics over the past decade also shows that Chinese presence in these areas has intensified, with at most a little expansion around the main cores and few new destinations.

Despite this, literature notes that there are no actual Italian Chinatowns (Lucchini 2008), with the partial exception of Prato (Bressan and Tosi Cambini 2011). In other areas of significant Chinese presence, there is a mix of residents resulting from the diversity of migration and the diffused urban model, and their interaction with fragmented labour and housing markets.

² Since their origins, many districts have been fuelled by migration, resulting in a demographic growth, initially from country to city, then from south to north and now through international channels. Today, the 156 local district labour systems include 23% of the Italian population but 32% of foreign residents (calculations based on 2005 data elaborated by Unioncamere and Istituto Tagliacarne).

Chinese presence appears to have spread into neighbouring districts and to mirror the historical development of the districts themselves. For instance, Chinese in Carpi, an apparel production area in Region Emilia-Romagna, is partly due to relations with Prato and to the diversification of specialisations which leads to processing being shifted according to the latest fashion, depending on whether circular looms (in Carpi) or rectilinear knitting machines (in Prato) are required. A number of channels in the Marche, Veneto and Campania regions follow well-trodden subcontracting paths, as well as making the most of structural opportunities (industrial units, markets for machinery and semi-finished goods, technical skills). By following in these paths, particularly at the beginning, primary relationships have been established with local producers.

An analysis of Chinese micro-enterprises in industrial districts show how much they are relevant in the “Made in Italy” production systems, accounting for a relevant share of small manufacturing fabric (Lombardi *et al.* 2015).

A group of Chinese entrepreneurs filled the role Italian firms left in some local mature specialized industrial cluster economies with their crisis in the 1990s. This generation of Chinese migrants included a share of entrepreneurs that had both links with the homeland and started to gain positions in industrial districts like Prato (Dei Ottati 2014).

The role played by new international migration is consistent with endogenous changes in traditional reserve army of labour. Qualification of youth, changed expectations and destandardization of transition paths; the changed configuration of women labour, households and their intergenerational solidarity: these processes limited the chance of reproducing traditional cheap labour. Also, the globalization of competition and the difficulty to match R&D and small dimensions made many local economies both less competitive and less able to include new skills.

So, immigration has been a way to rebuild strong networks by “acquiring” trust via middlepersons having access to dense immigrant cliques; sometimes a way to exploit weak ties of isolated migrants. This helped the making of ethnicized specializations, whose role is partly related to the marketization and informalization of local economies in their global restructuring (Panayotopoulos 2010): the role of Chinese networks in hub and in district economies is a specific form of a more general process.

Our point is that the embedding process of immigration is bi-(multi)lateral, in that immigrant-native relations rise because of changes in local power and economic sets, and in turn change socio-economic configurations in both destination and origin areas, in migrant and local networks: transnational links mean also a double engagement and integration, a contribution to the economy and society of origin and destination (Mazzucato 2008).

Again, Italy is an interesting case since we have a business structure somehow similar to that of developing countries (small firms in labour intensive sectors), with a high level of both national and immigrant entrepreneurship, that challenges the idea of a residual role of the latter (Oecd 2010).

So, we have two forms of “ethnoindustrialization” (native and immigrant), conceivably involved in a dynamic interplay of competition and cooperation.³ Actually, what literature defines “industrial districts” and “ethnic clusters” have similar features: overlapping of ownership and management; no formal division between production and management; low productivity; paternalistic management; strong personal relations between employers and employees and among competitors; role of family labour; poor access to credit; high level of informality (Panayiotopoulos 2010). So, in a general frame where we see immigrant succession in

³ The concept of *ethnoindustrialization* has been first used by Piore (1990), then assumed by Murat and Paba (2001) to describe trust relations and tacit knowledge in Italian local production systems.

Western petty capitalism also elsewhere (Rath 2002), we have here a specific value added of research interest due to the embedding of immigrant firms in a system where SMEs are not marginal.

3. Relationships between ethno-industrialisation models

The case of Chinese migration to Italy is interesting, since involves rescaling transformations in both sending and receiving areas. The opening of Chinese economy to market reforms since the late 1970s came to the creation of Special Economic Zones, and to the evidence of a diversified China (Weber 2001). In the 1990s, the creation of joint ventures between Chinese and private foreign firms boosted FDI and export (due to outsourced manufacturing in China, see Fu 2004).

At the same time, overseas Chinese were linked to open door policy from late 1980s: in Italy, Chinese entrepreneurship benefited from its unintended effects, since the 1985 bilateral agreement on mutual promotion and protection of investments made it easier to amend the position of early Chinese migrant firms, with an advantage in comparison to other migrants that had to wait for the 1998 immigration law to have easier access to business opportunities.

Also, Chinese out-migration is territorially biased, with different migration networks connecting different sending and receiving areas: it is well-known that Chinese migration to Italy comes mostly from Zhejiang, and stratified according to China's opening strategies. Besides earliest flows in the first half of the 20th Century, new Chinese migration started in the 1980s, structuring main networks with hub cities, but also with Third Italy (e.g. Prato – see Colombi 2002; Baldassar *et al.* 2015). In the 1990s flows grew towards both the largest metropolitan areas and new industrial district destinations. A part of this growth tied in with trading entrepreneurship – as the terminal of manufacturing firms settled in China during the 1990s.

So, Chinese migration to Italy and the resulting entrepreneurship, particularly in the industrial sector, originates from the territory and economic model of the Chinese prefecture of Wenzhou. This same migration and enterprise model has also been exported within China itself: migrants from Wenzhou apparently number 2 million including 400,000 abroad⁴ and the biggest Wenzhou “Chinatown” has been established in China itself, in Beijing (Xiang 1999).

An increasing body of literature has characterised the Wenzhou model and its associated migration (Marsden 2002; Wang & Tong 2005; Lombardi 2009), based on the use of family resources, with recourse to strong and loose ties involving personal relationships, as well as on self-promotion through entrepreneurship and external careers⁵ within close-knit networks of companies and production clusters in mature industries.

This brief reconstruction shows how there are common aspects with the district model of social promotion (Omiccioli & Quintiliani 2004) – a continuity and proximity between family, home and work, as well as between social and economic relationships, which can promote a specific form of inclusion and explain the characteristics of the previous mapping: Wenzhouese migrants often have experience, knowledge and skills that are usable in the sector and in the way businesses are run in the districts – footwear, clothing, eyewear,

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5 Surveys show that the majority of Chinese entrepreneurs in Italy have had previous experience as employees in the same sector (Santini, Rabino & Zanni 2011; Di Maria & De Marchi 2008).

machinery, electrical equipment and plastic products being among the main products of petty businesses in Wenzhou. There are therefore two similar ethno-industrialisation models (Piore 1990; Walcott 2007).

While there are many examples around the world of ethnic succession paths in mature petty capitalism (Rath 2002), in the Italian production model, where SMEs are prominent, one can assume that there is a system of competition and cooperation, as well as contact with central segments of district production systems. Let us look now at how this occurs in an asymmetric socio-economic embeddedness context: in fact the similarity between the models must not hide the strong socio-economic asymmetries that exist within and between groups and between long-term residents and migrants. Actually, recent evidence show that local production systems may be failing to incorporate diversity in inter-group business networks (Canello, 2016)

3.1. Economic relationships: asymmetries

Chinese entrepreneurs appear to be aware of the competitive advantage of district localisation and can see its strength in facilitating contacts with contractors, clients and specific know-how (Toccafondi & Corsetti 2010). In fact, Chinese companies located in the district core, such as in Carpi and Prato, also appear to benefit from a competitive advantage over the ones located on the margins (Tecnotessile 2005; Barberis 2008).

Access to this core is however extremely selective: Chinese companies are generally fragile in terms of size, capitalisation, turnover, exposure to competition and information asymmetries, and their fast growth only aggravates these weaknesses in times of crisis (Denison et al. 2009).

One of the clearest asymmetries in the different degree of local embeddedness relates to cheating strategies, with the adoption of dual standards: while public discourse focuses on the dumping done by Chinese companies, surveys carried out in various locations at different times have uncovered cheating by Italian entrepreneurs in respect of Chinese sub-contractors (Colombo 1995; Ceccagno 2002, 2009; Marsden 2004; Di Corpo 2008): bad checks, contract cancellations, non-payment of supplies...

The information asymmetries and barriers between groups that the presence of different cliques produces are therefore exploited: Italian companies could not in fact adopt this strategy within their own close-knit clique because they would risk losing their reputation. Cheating against the Chinese is however hidden from the eyes of strong partners, and does even appear to preclude access to other Chinese operators, owing to a weakness in the community (see § 3.2), given the cut-throat competition that requires operators to remain in the market under any condition (Kloosterman & Rath 2002).

Another asymmetry relates to inspections: tax and wage evasion is an essential component of the market conditions imposed by Italian buyers, but selective attention (connected with the debate about security and immigration) produces further weakness. The irregularity of Chinese companies is therefore more visible because it is more present in the market segment in which they operate and because it is subject to more inspections,⁶ while the Italian buyers remain unaffected because of the difficulty of establishing joint liability (Di Corpo 2008).

Recourse to security mechanisms demonstrates the failure of the local enforceable trust, and is a functional substitute to it (Sztompka 1999) that leads to socio-economic relationships becoming locked-in. However, there is evidence in some contexts that the repression is insufficient and that the phenomenon is structural:

⁶ In this respect, the data that form the background to the explosion of Chinese discontent on Via Sarpi in Milan in April 2007 is significant: it appears in fact that thousands of fines had been imposed along that street and in the surrounding neighbourhood during the preceding months (Tarantino & Tosoni 2009). The same stance is taken in the recent circular issued by INPS (No. 27/2009), the Italian social security authority, which, while calling for a light hand to be used against companies that may suffer significant repercussions as a result of supervision activities during times of crisis, also calls on inspectors to focus their checks on companies managed by ethnic minorities.

mainstreaming and networking policies have therefore been launched that have contributed to reducing (but sometimes simply pushing away) the weaker companies and to the full districtualisation of the stronger ones.

The first action taken was the creation of the Prato Centre for immigration research and services, which has produced much of the literature on Chinese immigration in Italy (Campomori 2008), while in Emilia-Romagna the Spinner project has supported the rise of Chinese textile laboratories in the area of Carpi, as the China Point has done in Reggio Emilia and the Artisans' National Confederation (CNA) in the Navile district of Bologna (Sgarzi 1997; Gaudino 2004; Cecchini 2009).

The main merit of this action has been to make the conflict explicit and to identify forums in which to deal with it, promoting the involvement of Chinese people in the associations representing entrepreneurs' interests. The effect on production networks is however more complex: can Chinese companies be disassociated from "Chinese" working conditions and can a role therefore be maintained for them? Have inspection and regularization practices contributed to the sprawl of some districts, further marginalising some of the subcontractors?

3.2. Asymmetric ethnicisation: stereotypes and the dual district model

In spite of the above policies, Chinese entrepreneurship is viewed as a threat in many districts, where it is blamed and stereotyped as the Chinese scapegoat, which serves to perpetuate the exploitation of this resource and to conceal the internal asymmetries of the districts themselves: which is the reason for local subcontractors being pushed out regardless of Chinese competition.

The description of the Chinese entrepreneurial model given by stakeholders and the local media often hides the fact that competitiveness is maintained by black-market work, a systematic violation of regulations, the use of personal and family resources, as shown by critical analyses of the districts (Hadjimichalis 2006).

Sinophobic discourse is therefore fed by district myths based on a double standard. The typical mechanisms of the Italian small company model can be seen: self-exploitation, no division between life and work and the idea that entrepreneurship is a route to social mobility, which in the past sprang from ideologies about the value of work and mutual assistance within the family, but which have now been selectively transformed into negative values.

Therefore, when referred to the Chinese, cooperation within the family is interpreted as a refusal to integrate, self-exploitation and allowing life and work to overlap as unfair competition, illegality and dumping. The reappearance of poorly regulated work is seen as a loss of social value, and the past is reinterpreted with disenchantment. As one interviewee in Carpi said: *"We were the Chinese of Europe until a few decades ago. So it's connected to the fact that we took work away from the Germans, the British... So clearly it's our turn now..."*.

Stereotypes clearly reveal an extremely biased view of reality, that becomes a self-fulfilling prophecy. For example, long working hours do not appear to be specific of any one ethnic group: a survey in Turin (Genova 2010) showed that half of the Chinese work for more than 50 hours a week. Though, according to figures on the labour force (Istat 2010), over 56% of entrepreneurs and 48% of self-employed workers work for more than 41 hours a week – with an average of 46 hours among the former and 44 among the latter (more if women are excluded). First results from the fifth European working conditions survey of 2010 show similar data: the number of self-employed workers who work for more than 48 hours a week in Italy is the highest in

the EU-15, together with Greece.⁷ Certain working hours are therefore structurally necessary in the Italian production model.

Yet another Chinese immigration stereotype is communitarisation: Chinese entrepreneurs are often seen as collective operators implementing a strategy to colonise economic sectors, even with sinister means and objectives. The abused term *guanxi* (close-knit social network) should not however be confused with the idea of an ethnic community. There can be strong ties between Chinese people in Italy (generally based on family and kinship rather than ethnicity and nationality) but there can also be weak ties, even conflicts and relationship asymmetries.

That is, not all Chinese share the same goals, ideas of economic and social success, and mobility chances... and obviously not all the Chinese know each other and act as a collective actor: we shouldn't overestimate Chinese social networks. Various researches highlight a relative distance between compatriots in the same local area, in some cases due to conflicts arising from the ethnicisation of economic segments. This generates cut-throat competition among compatriots living close to one another (Santini, Rabino & Zanni 2011; Genova & Ricucci 2010). Furthermore, the considerable acquisitive self-exploitation leads to a restriction of time available for living and socialising, not only within the kinship network but also in wider networks (Ceccagno 2007a; Cecchini 2009).

In addition to this, Chinese immigration has become more plural over the years (Chen & Ochsmann 2009): changes of origin areas have highlighted cases of exploitation of new arrivals, particularly of people from Northeast China;⁸ increased competition (not only among compatriots) has contributed to a crisis in upward mobility for external careers, extending the poorest supply chains and increasing exploitation in the lowest segment of the market, and pluralising the interests of Chinese people working in the secondary and tertiary sectors (Ceccagno 2007b).

Furthermore, Chinese associations are often weak and micro-parochial, centred on most powerful entrepreneurs (Wu 2008; Cecchini 2009; Genova & Ricucci 2010) and there is no community-wide agreement on minimum rates aimed at avoiding the excessive demands of clients, and on balancing employees-employers exploitative relations. Therefore, isolation connected with structural, cultural and linguistic factors is not necessarily based on the community but more often on the family or the individual.

3.3. Chinese presence and district changes: causes and consequences

Having looked at economic inclusion in the districts and the underlying stereotypes, it is appropriate to ask what consequences it has on the local economy and society.

In economic terms, one can see that in a context like Carpi *“the savings on production costs achieved by companies in the district since 2000 amount to almost seven percent (from an incidence of 32.9% to 26.2%). This result is due to the policies pursued by companies, consisting partly of the delocalisation of production to low cost countries; partly of recourse to ethnic Chinese workshops existing in the district and neighbouring areas, which are able to operate at low prices; and partly of squeezing the prices of processing work carried out by local and national subcontractors”* (our translation from Bigarelli, Baracchi & Corradi 2009: 65).

⁷ See <http://www.eurofound.europa.eu/ewco/surveys/ewcs2010/index.htm>

⁸ Originating from the so-called “red China”, with an economic model based on the role of State hierarchies and large factories experiencing production crises, Northeast Chinese have weaker social networks that differ from the *Wenzhou model* (Weber 2001).

Recourse to Chinese subcontractors is therefore one of the functional substitutes for the small district company model undermined by changes in production (ready-to-wear, short runs and unscheduled production). Not surprisingly, as mentioned in § 2, it is an interdependent part of production chains now facing difficulties.

In particular, the districts in which the Chinese establish themselves are those in which delocalisation has been delayed and where a certain amount of business dwarfism has been maintained (Murat & Paba 2003; Santini, Rabino & Zanni 2011). It's enough to say that the district of Carpi owes three quarters of its turnover to products that are entirely made in Italy. While long runs have been outsourced, short runs for ready-to-wear items can still be processed locally with the *on-site* internationalisation provided by Chinese subcontractors, who allow flexibility, speed and control to be combined.

This last aspect is particularly important, because long-distance outsourcing is difficult to manage for small and very small companies. Chinese sub-contracting has allowed various stages of production, that were previously entrusted to peripheral national areas, to be re-localized (Bigarelli et al. 2004; Bigarelli, Baracchi & Corradi 2009).

Having said this, it is important to understand how these development paths should be interpreted, as they present two sides of the same coin.

Turning back to the two types of asymmetry we mentioned at the beginning of this chapter, on the one hand, we can see a weakening of local socio-economic networks, which is replaced by the “acquisition” of strong ties in migratory networks. They provide flexible access to capital and labour, although control over staff and careers may be lost. This replaces the increasingly deficient local army of women and young people who, for reasons connected with education, social mobility of the middle classes and tertiarisation of the economy, have produced a marginalisation of industrial work – a disembedding between new expectations and old production models.

On the other hand, there is evidence of a locked-up and overembedded local socio-economic network, which exploits the weak and isolated, offloading market risks onto them, cutting economic costs (with recourse to illegality) and social costs (protecting the reputation of the core players).

Though, it is important to ask for how long these pathways will be sustainable: if integration into work becomes part of a process of social exclusion, we are faced with a disconnection between society and the economy that should makes us reflect on the direction of district development itself.

Long and opaque sub-contracting chains have led to end customers shedding responsibility and developing asymmetric relationships with suppliers, to a growing commercialisation and instability of the client-supplier relationship, with a loosening of trust: over a period of just a few years, stable customer bases have fallen back drastically and the number of single-client companies has grown (Bigarelli, Baracchi & Corradi 2009).

Consequently, the relationship aspect disappears and is replaced by the generalized medium of money: being considered “good payers” becomes the main and impersonal element of trust, replacing community relationships and the sharing of values that are central to the district mythopoesis (Bracci 2009); the advantages of a district network become more fragmented, with losers (Italian sub-contractors replaced at an increasing speed), outcasts (the younger, smaller, more isolated Chinese companies that are more distant from the district core) and winners – the end customers, who achieve sustainable prices and control over production, as well as a few service sector operators (intermediaries and representatives, real estate agents, accountants), and skilled technical work segments (designers, pattern-makers).

4. Where are districts going with the Chinese, where are the Chinese in the districts going?

The emerging role of Chinese immigrant business in Italian local production systems is tied to dynamic opportunity windows that unhinge established socio-economic relations, with a disembedding process. When the Chinese presence reaches a critical threshold, it is no longer a temporary answer, but a structural feature steering future outcomes.

So, network structures should be considered in a wider perspective than just arm's length ties: the analysis of minority economies often just focuses on strong ties and in-group bounded solidarity, notwithstanding a long tradition in economic sociology that acknowledges the role of weak ties and of the creation of new links between separate cliques (Granovetter 1973; Burt 1992). Thus, an in-group analysis of Chinese diaspora and transnational links, without considering intra- and inter-group asymmetries, strong and weak ties, bridges between localized cliques and localization issues would limit our understanding (Milanesi *et al.* 2016).

Rather, an important concern pertains the sustainability of this asymmetric model of socio-economic participation, based on social segmentation and economic inclusion (so to say) "at the bottom of the core": long subcontracting chains relieved of social responsibility by main contractors, weaker trust, higher marketization and higher frailty of socio-economic ties could pave the way to a general fading of industrial networks, thus unable to re-embed new ties and to capitalize on structural holes made accessible by new links. In this respect, in the long run native Italian and Chinese residents may be both involved in a negative spiral of unsustainable impoverished subcontracting, that just in the best case may be coupled with renewed transnational links.

The similarity between ethno-industrialisation models presents comparable evolutionary challenges: problems with capitalisation, qualification, growth, intergenerational reproduction and social mobility are features of all district actors, both Italian and Chinese (Cologna 2005).

At the moment, there are various potential trajectories, which are not mutually exclusive (Barberis 2008):

- on the one hand, districts might use Chinese subcontracting as a shock-absorber, investing the resources saved to innovate and improve skills. This means that in future the space for existing subcontracting chains may shrink;
- on the other hand, some districts might indefinitely pursue price competition, thus leading to further growth in low priced sub-supply, driving it to the limit in terms of sustainability and to eventual disappearance.

Both scenarios assume that Chinese subcontracting chains will dissolve in future, as a result either of new migration patterns or of the focus being shifted to other sectors.

As mentioned above, strategies that involve district re-skilling and mainstreaming are problematic: on the one hand, they make native population's fear of direct competition real; on the other hand, overcoming "Chinese" working conditions is not necessarily an advantage because it creates competition in a niche that is controlled by natives.

Moreover, in areas with a more mature presence and greater pressure, like Prato, Chinese entrepreneurs are beginning to feel the burden of excessive dependence on draconian clients, unfair competition, market saturation (Toccafondi & Corsetti 2010). So much so that literature is presenting hypothetical diversification strategies for economic inclusion, such as (Ceccagno & Rastrelli 2008):

- development of the service industry, both in retailing and catering, and associated with the district sectors (import-export; brokerage; wholesale);

- climbing the production chains already occupied, thus escaping from the ethnic niche: own production, even branded, thanks to new generations and to Sino-Italian companies operating in the *Made in Italy* sector.⁹ These companies exploit the mixed competitive advantages of district localisation, turning to Chinese sub-contractors for low added value work, Italian sub-contractors for quality production, and Italians in the style and commercial area, for their expertise regarding fashion trends (Santini, Rabino & Zanni 2011);¹⁰
- diversification in districts that are geographically close (Barberis 2008), in peripheral areas of the fashion sector not been deeply penetrated by compatriots;
- internationalisation of production, radical (with the transfer to other countries in the Chinese diaspora) or partial (with complementary production and distribution channels in the area of origin and destination);
- reduction of external careers and exit from the ethnic economy: a number of Chinese people now work for Italian companies (Cecchini 2009; Johanson, Smyth & French 2009), particularly those who have most recently arrived from provinces other than Zhejiang.¹¹

It is worth looking at the socio-economic consequences of that type of economic integration: a labour market insertion consistent with the role of informality and (self-)exploitation in maintaining spaces of profitability in labour intensive and mature productions makes Chinese self-employment-centred model of labour participation successful – but fragile. The use of informal arrangements, both in transnational channels (the role of undocumented immigration and of off-the-books trade transactions) and in local networks (cut in production costs, more or less implicitly required by Italian buyers, that can be reached only infringing labour, safety and fiscal rules) produce a downward assimilation.

Is there a positive role of Chinese immigration in enhancing bilateral relations? Our hypothesis is that such a role may be hindered by the forms their socio-economic integration in Italy: stereotyping and blaming practices hide an enduring exploitation in local business and subcontracting networks, attributing to Chinese (internal and international) competition long-lasting and structural problems, and in the meanwhile using it in a cutthroat competition game.

Thus, if Chinese immigration is successfully used to cut production costs via price and time competition in local production systems under stress – especially those with smaller and less innovative firms (Bigarelli, Baracchi and Corradi 2009; Murat and Paba 2004) – we can expect a limited effect on transnational relations.

If an analysis of Chinese business and social networks as separate and parallel persists, it will be difficult to boost a successful development of existing intergroup networks, and to overcome their present cons (Hakansson and Snehota 1995); if the Chinese role is seen as transient, a stop-gap solution in the

9 Only a few examples are mentioned in literature: Koralline (70% of whose employees are Italian) produces clothing and accessories and has pursued a branding strategy based on testimonials known to television audiences; Giupel produces leather goods, has a workforce that is 65% Italian and is considered the first Italian Chinese company to be a member of Confindustria (Oriani & Staglianò 2008; Ceccagno 2009).

10 In some districts (Prato, and partly Carpi) the share of joint-stock companies is growing, a sign of stabilisation, of interweaving with the local economy, given that mixed Sino-Italian companies are growing too (Caserta & Marsden 2011)

11 For recent Chinese migrants, working for Italians can generate lower income than in the ethnicised economy (due to the limitation on the intensity of work and piece work), the difficulty in managing food and lodging (which compatriot employers usually provide), but makes legality, continuity of employment and mobility in the open market more likely, particularly thanks to the acquisition of mixed sociolinguistic skills (Di Corpo 2008).

development of local economies and transnational links, a successful networking will be hindered, since “an extant degree of commitment will persist and increase when partners believe that continuing a relationship is in their long-term interest” only (Johanson and Vahlne 2009: 1418).

A recent analysis (Barberis and Violante, forthcoming), shows that the decrease of textile and clothing firms in the past decades strongly relates with the presence of Chinese residents and – somehow paradoxically – with the increase of export. This may be seen as evidence that in the textile and clothing sector there was a social mechanism of filling the gap left by the decline of native firms. The even more interesting element is the positive and extremely strong relationship which links export with the presence of Chinese residents under 18 – even though this variable is related by a quadratic and not a linear relationship. That is: middle values of Chinese minors are related to the highest value of export, while the extremes – both positive and negative – of the distribution with the lowest (it is a reverse u-shape): highest numbers can be found in strong concentration areas, where cutthroat competition may hinder advantages of co-localization. Also, this is a statistical effect due to large metropolitan areas where most of Chinese migrants live: they export proportionally less than small urban centers and areas where many Chinese families with minors live.

Most successful links between China and Italy seem to involve those provinces where Chinese SMEs are involved in traditional, labour-intensive “Made in Italy” industries – true – but not necessarily in “classical” local production systems: they can be more successful avoiding the cutthroat competition they find in large metropolitan areas or in saturated industrial districts.

Conclusions: a waste of social capital?

In this contribution, we have looked at the complementarity and socio-economic relationship between Chinese immigration and Italian districts. While an opportunity for meaningful, albeit complex and confrontational, negotiation over jointly occupied areas has been identified, it is worth pointing out that there are pieces missing in the jigsaw. This did not come totally unexpected, given the preliminary remarks and assumptions made in sections 1 and 2: in Italy, some conditions of reciprocal success seem missing – especially when it comes to Chinese migration.

In particular, the paths illustrated above appear to constitute weak foundations for a mutually beneficial future. In fact, the use of the social and entrepreneurial structure of the diaspora to activate channels that might usefully fill the structural holes with China appears to be limited, with a few partial exceptions (Lombardi 2004; Baculo 2006).

Some of these difficulties arise from the fragmentation of Chinese migrants themselves (e.g. between producers and importers) and the limited human capital available to the Chinese in Italy compared to other diasporas (Fladrich 2009; Ceccagno & Rastrelli 2008). This is consistent with the features of the Italian migration model, which, against a background of weak and segmented integration, is not attractive to migrants with a high human and social capital (Boeri & van Ours 2008).

In our statistical model, Chinese presence seems *alternative* to the Italian one in building bilateral links: where a mature industry is *locked in* and struggles to internationalize, the settlement of Chinese communities was able to boost again production and trade towards China. This is clear in territories where the industrial crisis created a structural hole to fill, but in other sectors and territories there is no sign of a zero sum game.

What is more, the marked effect of new Sino-Italian generations seems to underline that putting down roots seems a strategic element to substitute local players and create connections to the homeland. This does not

come without social consequences. It may imply that Chinese concentrations within Italian industrial districts had to build an own version of the local industrial atmosphere, while being exploited to keep core (native) networks alive. Notwithstanding conflicts, bridges thanks two intergenerational settlements are somehow making scismogenetic processes and reciprocal isolation between natives and migrants (apparent in many industrial districts) milder.

The evolution of these links is an open challenge for both the reproduction of local production systems in an era of globalization and the local and transnational chances of new Sino-Italian generations.

The other side of the coin is the difficulty experienced by districts in transforming themselves. Alternating between conservation and disappearance, they seem to have been unable to grasp the opportunities arising from this presence. The increasing mix observed in Sino-Italian companies, in companies led by Chinese entrepreneurs that incorporate Italian know-how, in second generations, requires greater coordination by local institutions, intermediate nodes and district meta-management entities to join forces and overcome the limits to the inter- and trans-national openness of companies and small company economies.

The development of mixed skills and the increase of social interaction can help overcoming the liability of outsidership for both Chinese investing in Italy and Italians investing in China, having new Sino-Italian generations as middlepersons able to improve connectedness and interdependence. Though, to achieve a more effective brokerage, the problem of the symmetry of relations needs to be solved. If discrimination, conflict and reactive bounded identities – as much as a downward market and social assimilation – prevail; if economic and social relations are strongly detached; if the “stigma of being a foreigner” (Hymer 1976: 35) endures also for those that are no longer foreigners, it means that the “insider” position Chinese migrants and their offspring reached is not enough.

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