LIVING OUTSIDE THE WALLS

THE CHINESE IN PRATO

EDITED BY

GRAEVE JOHANSON, MONASH UNIVERSITY
RUSSELL SMYTH, MONASH UNIVERSITY
REBECCA FRENCH, MONASH UNIVERSITY

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CHAPTER TWO

ITALIAN INDUSTRIAL DISTRICTS
AND THE DUAL CHINESE CHALLENGE

GABI DEI OTTATI, UNIVERSITY OF FLORENCE

Industrial districts’ competitive advantage
and external global pressure

The industrial district forms "a socio-territorial entity which is characterised by the active presence of both a community of people and a population of firms in the district... community and firms tend to merge" (Becattini, 1990, pg. 38). We may infer from this definition that the industrial district is both an economic and a social organization which is rooted in a place. As we shall soon see, it is precisely these characteristics that occasions the elements of strength and weakness of a model of this type.

It has been shown in the literature (Becattini, 1989; Bellandi, 1989; Dei Ottati, 2006) that the competitive advantage of industrial districts derives from a set of economies that are external to individual firms but internal to the local system. In particular, economies of this type do not only depend on the size of a territorial agglomeration of companies, but also - and this is the main difference with respect to other forms of industrialization- on the characteristics of the socio-institutional context in which the firms are embedded. The district’s external economies are in large part semi-automatic; that is to say, they are spillovers from processes which, by allowing the industrial district to adapt to the variability of external circumstances, favour its reproduction as a vital system in time. Essentially, the reproductive processes of the industrial district are: a) the process of the division of labour between firms: this generates external economies of specialization; b) the process of the flexible integration of the division of labour in local markets characterized by competition and co-operation, which generates external economies of coordination and of costs of transaction; c) the process of learning and the acquisition of experience resulting from the "industrial atmosphere" (Marshall 1975;
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page 197), which is in turn generated by the local thickening of economic and social relationships between a large number of individuals specializing in similar and complementary activities. This produces external economies of learning and widespread creativity (Becattini, 1991). When changes in the conditions of supply and demand pertaining to the localised industry are cyclical or of an incremental character, the above processes allow the industrial district to adapt to them quickly and propagate, concomitantly with the industrial district, its competitive advantage.

Having clarified that semi-automatic, external economies are generated by the regular functioning of the district processes of division of labour between firms and by its flexible integration and learning, we may now state that the origin of the competitive advantage of this form of organization depends in turn on the factors that govern the normal operation of processes of this type.

As the literature on the industrial district makes clear, the proper functioning of processes of this type essentially depends on the sharing between the participants in the district's dynamic, of a combination of experience, beliefs, behavioural attitudes, and more particularly on the respect of implicit norms of reciprocal cooperation, or "the code of the district" (Becattini, 1990; Dei Ottati, 1991; Brusco, 1999). In fact, the integration of the division of labour between the firms in the district occurs largely through the setting of prices through free competition in the local markets in conjunction with the reciprocal collaboration resulting from respect of implicit norms. By reducing the risks of opportunism, collaboration of this type allows the governance of transactions through the "community market" (Dei Ottati, 1991: 57-58). In addition, the process of learning, the acquisition of experience and of the circulation of information together with the sharing of technical language is also favoured by an observance of the implicit norms which, by their complement of economic and social sanctions against transgressors, make a fraudulent or unscrupulous use in the exchange of information and knowledge unlikely. Finally, by directing competition within the district towards constructive forms such as a seeking of improvements and continuous innovation, semi-automatic cooperation stimulates individual initiative. At the same time, by favouring a climate of trust, it nurtures the inclination to go into business on one's own and therefore that process of the division of labour between firms, characteristic of the district type of organisation.

It is therefore the observance of the "code of the district" that is the element that supports the regular functioning of the processes that generate the competitive advantage in this form of organization. A code of this type
has the character of an institution that fosters behavioural regularity. This is so because its rules are self-enforcing (Mistri, 2008), since, in the belief that others respect them, the behaviour they prescribe corresponds to that which is economically and socially the most advantageous. In a district in which there is normal evolution (that is, where the expectations of the agents are confirmed by the results) a kind of institutional equilibrium is achieved. But this equilibrium may be broken if unexpected transformations of a substantial character and duration occur in the external context.

With the entrance of countries from the ex-Soviet Union into the sphere of the market economies, the introduction of the euro, and above all, the industrial growth of Asian countries, particularly of China, the competitive international context to which the majority of the products of Italian districts are supplied has profoundly changed in a short period of time. If to this scenario we add the effects of a productive delocalisation in the newly industrialized countries brought on by the multi-national conglomerates of the developed countries, it is easy to understand the extraordinary competitive pressure which the district firms in industrialized countries like Italy have had to confront in recent years. Faced with such a growing, widespread, and persistent competitive pressure, the excess of the district's productive capacity may prove so large that it may not be able to accommodate an effective adaptation to market conditions in the brief period at its disposal for the survival of a majority of its firms. Accordingly, it becomes likely that entrepreneurs—under the pressure of external competition—will be induced to lower prices and tariffs, in effect triggering an actual price-war with negative effects for the district as a whole, since a price-war would accelerate the closure of many firms and a consequent contraction of the local productive apparatus and a reduction of external economies of specialization. Note that because of the division of labour among firms, district firms are of two different types: specialised subcontractors and final firms. The external competitive pressure, induces final firms to lower district product prices, but as production is usually carried out by subcontractors, final firms reduce also the prices, often called tariffs to distinguish them from the final products prices paid for work done by the subcontractors (see Note 6).

Under a persistent competitive pressure, respect for "the code of the district" would more and more often be out of step with its actuality. An erosion of trust in the agents' observance of its norms would occur and it would thus be more difficult to integrate the division of labour between firms in the district through the "community market", and consequently benefit from the advantages this confers in terms of flexibility and
transaction costs. In the end, the progressive contraction of the productive apparatus caused by the closing of firms and the weakening of respect for the implicit norms would generate a climate of uncertainty not only economic, but institutional and cognitive as well. All of this could well lead to the dissolving of the "industrial atmosphere" and, with this, of the external economies of collective learning and creativity.

In essence, when radical changes in the competitive context such as those brought on by globalisation displace a large part of local production, it becomes likely that external competitive pressure will cause destructive forms of competition to prevail within the district, and that a prolongation of this pressure will also undermine the institutional equilibrium that sustains the functioning of the processes which determine both the "normal" adaptation of the district and the propagation of its typical competitive advantage. In cases of this type, a revival of development would require profound changes which can no longer exclusively and primarily rely on familiar experience, behavioural models, the division of labour, and the integration and innovation that were typical of the former equilibrium. Instead, it requires the conscious construction of a new equilibrium through a deliberated individual and collective action capable of introducing into the economy and into the society substantial innovations consonant with both the local resources which can be activated and with the new opportunities of the changed global and local context.

**Chinese ethnic businesses’ competitive advantage and industrial districts’ internal global pressure**

The recent acceleration of globalisation has led, together with a growing internationalisation of production, to an increase in the international exchange of financial resources, goods and services, and to an intensification of international immigrant flows. In recent decades, Italy has been affected by the phenomenon of immigrants arriving from less developed countries who generally find work that is unwelcome to Italians, such as the care of old-people, manual labour in the building industry, in agriculture, or in factories whose conditions are disagreeable as a result of their work-schedules and environments. Thus, streams of foreign immigrants have headed not only to the large cities, but to manufacturing areas as well, in particular to industrial districts, so that the quota of officially registered foreigners in many Italian districts has
reached and even exceeded 10% of the resident population\(^1\).

Among the foreign immigrants in the manufacturing areas, above all in industrial districts specializing in the production of personal goods such as knitwear, clothing and leather-goods, the influx of Chinese immigrants has been significant (Bàculo, 2006; Ceccagno, this volume). As a case in point, the most pronounced instance of this has occurred in the Prato district where in 2006, residents of Chinese origin officially recorded at the Registry Office were about 11,000, while barely ten years ago they were little more than one thousand in number. A characteristic of Chinese immigrants is their propensity to set up as autonomous workers. While in the past this occurred primarily in the restaurant business and in commerce, with the recent waves of immigration from China into Europe and Italy, Chinese immigrants have gone into manufacturing, particularly clothing. In fact, on the basis of data issued by Unioncamere, in 2007, clothing manufacturing firms located in Italy with Chinese ownership were 9,439 in number, of which there were 2,254 in the province of Prato alone, where ten years ago there were barely a few hundred. The proliferation of Chinese workshops has not only occurred in Prato, but as well in other districts of Tuscany, of Lombardy, of Emilia Romagna, of the Veneto, of the Marche, and of Campania\(^2\).

Because the entrepreneurial explosion of Chinese immigrants represents something new with respect to the experience of immigration that occurred during the years of the former development of the districts, the question that immediately arises is: how has it been possible for Chinese immigrants to start up enterprises of sub-contracted production in districts, and in particular those specialised in fashion goods for which Italy has a reputation for creativity and excellence renowned the world over? To answer this question, we must now examine both the opportunities that were present in these districts when the first Chinese immigrants arrived and the professional, and more generally, the socio-cultural resources these immigrants brought with them, because it is the match between local opportunities and immigrants’ resources that made it possible for them to introduce themselves into the principal industry or

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\(^1\) On Italian industrial districts and foreign immigrants see Paba and Murat, 2006.

into complementary activities of the districts in which they settled in as autonomous workers.\footnote{For a similar explanation of ethnic business development in Britain, see Mars and Ward, 1984.}

Subsequent to the restructuring which occurred between the 1980s and 1990s in a response to the initial challenges of globalisation\footnote{On the restructuring occurring in Italian industrial districts in the 1980s. Cf. Cossentino, Pyke and Sengenberger, 1996.}, Italian districts experienced new growth (Becattini and Dei Ottati, 2006). But firms- above all those of the North East and the Center - had more and more difficulty finding young Italians (many of whom possessed a higher school or university education) willing to engage in the activities most in demand by the local system, such as artisan sub-contracting work requiring primarily manual skills and the willingness to work flexibly and for long hours. It was in circumstances fitting this description that the first Chinese immigrants found in districts like Prato and Carpi. Existing research shows that the majority of these immigrants came from particular provinces, above all from Zhejiang (Ceccagno, this volume). This last is one of China's most developed provinces thanks to the entrepreneurial spirit and propensity for commerce of its inhabitants who, from the 1980s, piloted an economic growth founded on small family businesses specializing in the manufacture of various light industry products such as garments, buttons, and shoes (cf. Wu, this volume; Lombardi, this volume). The economic environment of the district, with its many small firms specializing in the various phases of the processes of production much like those already known from their place of origin constituted an altogether favourable context of arrival for these immigrants- not only because the productive structure of the districts was not much different from that of the areas they come from, but more importantly because it provided them with opportunities to make good use of the economic and socio-cultural resources at their disposal. For they did in fact possess a modicum of professional skill (the ability to sew, or to iron, for example) and entrepreneurial skill (the ability to manage their relatives' work, or to conduct commercial exchanges), but above all, they had easy access at very favourable conditions to the labour and finance required to start up autonomous businesses, thanks to their family and community relationships.

If the joining of the opportunities which were opening up in the 1990s in the Italian districts to the characteristics of the new Chinese immigrants explains how their insertion as autonomous workers was able to occur, it does not seem like enough, however, to account for the extraordinary development of the Chinese ethnic firms in the districts where they settled,
particularly Prato. To answer this second question, it is not enough to consider the advantages of ethnic businesses only in terms of costs and the availability of both labour and financing. To these advantages we must add others of a dynamic nature connected to the expansion of the ethnic economy. To the internal economies of the ethnic workshops - mainly produced through the utilization of Chinese labour which is extremely cheap and flexible - there is a further addition of advantages produced as a consequence of the increase in the number of ethnic firms. This increase, on the one hand, is pulled by the demand of initially local and then external clients and, on the other, is pushed by the aspiration of these immigrants to go into business on their own, in order to profit from the already mentioned resources and socio-cultural attributes at their disposal.

Therefore, analogous to the industrial district model (section 1), the socio-cultural system of the ethnic community, with its values, its beliefs, propensities and implicit behavioural norms, though quite different in some respects to those of the district, has supported the process of the division of labour between Chinese immigrant firms. And moreover, besides lowering the costs of coordinating the division of labour within firms, this system also reduces transaction costs and increases the flexibility of the coordination of the division of labour between ethnic firms. It does this through the circulation of information and the sanctions incurred by those who violate the implicit norms of the ethnic community, thereby ensuring cooperation between its members. Finally, with the development of the division of labour between firms and with the circulation of information favoured by the sharing of a common "ethnic code", the process of reciprocal learning is also activated. Consequently, when the ethnic economy has reached a sufficient size, the setting in motion- even if only in embryonic form- of these processes ensures that its firms will begin to benefit from external economies - which are simultaneously internal to the ethnic system- of specialization, flexible integration, and above all of learning. It is by taking into account these external, dynamic economies that we might explain the exceptional speed with which the Chinese ethnic business agglomeration has grown in the districts.

As shown by other research (Ceccagno, this volume; Toccafondi, this volume), the development of the Chinese ethnic economy in the districts is still more surprising for its recent qualitative transformation, than for the size it has reached. Unlike Chinese immigrants in other developed countries, large numbers of first-generation immigrants who settled in Italian districts have succeeded in transforming themselves from knitwear and clothing sub-contractors into clients, distributors and even importers
and exporters of the products of those sectors. So, the third question we must now ask is: how, in such a short time, could Chinese ethnic firms make a qualitative advance in the value-chain of such a magnitude? To answer this question we must take into consideration both the ties that the Chinese immigrants maintain with their region of origin, and more generally with their mother country, and the advantages deriving from their settlement in districts of 'made in Italy' production: that is to say, where innovations in fashion are produced, where new tendencies in fashion are anticipated and where the opportunity exists to be punctually kept abreast of the shifting preferences of the most sophisticated consumers in developed countries.

The Chinese immigrants who have started up ethnic firms maintain strong ties with their place of origin, where numerous relatives, friends and acquaintances have remained. They are well-acquainted with their professional capabilities and their moral characteristics and, thanks to progress in the technologies of communication, they can easily turn to them for the manpower or the financing needed to expand their enterprise; and in any event, they are frequently in touch at long distance and, as a natural course, exchange information with each other. As we mentioned above, a considerable number of the Chinese immigrants in the Italian districts come from areas in China where for some time now there has been strong growth based on micro-entrepreneurial activity, the spread of manufacturing and commercial expertise and, more recently, the support of economic development by local politicians and by ethnic networks created by kinsmen who have emigrated to developed countries (Wu, in this volume). All of this ensures that the Chinese ethnic economy that has developed in some of the Italian districts has been able to extend itself on both a trans-local and trans-national level, thanks to the ties of its members with their place of origin and more broadly with China itself. It is in actual practice relatively easy for those who belong to these trans-local and trans-national ethnic networks to find people in their country of origin who can, at competitive prices, produce or sell merchandise which conforms to the requirements of specific Western clients or for which there is in any case a demand in Italy and other European countries. Thus, the relationships the Chinese immigrants maintain with economic and political agents in their homeland allow their ethnic firms to benefit from an added type of external economies which is not ordinarily available to district firms, but which has become increasingly important in the context of today's global

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5 For an interpretation of the development of these areas of a proto-district type, cf. Bellandi, 2008.
markets; namely, *trans-local external economies*. Their value is furthermore strongly reinforced by the fact that these ethnic firms are situated in ‘made-in-Italy’ districts whose leadership in fashion innovation and whose local products of a high reputation acquired over the years attract the most demanding clients and buyers from all over the world. It is, in practice, settlement in these districts that has allowed these ethnic entrepreneurs to establish repeated enduring exchange relations with clients and buyers from Italy and from the rest of Europe- and thanks to them, they initially learn how to produce according to the standards of developed countries and subsequently how to reach relevant markets. They have also learned how to acquire information about consumer preferences in these countries, and this type of information is crucial to economic success in the fashion sector where continual change in preferences requires a consequent adjustment of the materials, models, and styles of goods produced. It is these opportunities to learn by experience owing to their location in these districts and to their repeated interaction with Italian and European clients and buyers that has made the qualitative leap we speak of possible for Chinese immigrants- a leap which the trans-national extension of the ethnic networks has powerfully accelerated, by combining the extraordinary advantages of producing and buying inputs in China with the added value of the design, the access to developed markets, and the reputation of made-in-Italy goods.

We have so far analysed how it could happen that concentrations of Chinese ethnic firms have been able to emerge in the last 10-15 years in certain Italian fashion districts and how some of these firms have been able to develop to the point that many entrepreneurs have been able to transform themselves from sub-contractors into clients and even into middlemen of international trade and production. We have seen that this phenomenon can be explained by an articulated and complex ensemble of advantages (which are not merely tied to the cost and conditions of labour) many of which can be ascribed to the socio-cultural system of the immigrants who have brought the ethnic economy to life- a socio-cultural system which, while supporting the growth of that economy, also maintains its fundamental separateness with respect to the local society, as is evidenced by the formation of an ethnic enclave labour market (Fladrich, this volume). We have also seen that decisive advantages for the qualitative leap of Chinese ethnic entrepreneurs arise both from their location in the made-in-Italy districts and the trans-national extension of their ethnic networks. In the following we consider the economic and social effects of the formation within its confines of an ethnic economy on the district as a whole.
When the first sub-contracting workshops operated by Chinese immigrants were started, Italian clients, particularly district final firms\(^6\), were able to take advantage of them. This was because these ethnic workshops filled a shortage in the supply of sub-contracting work by the local artisans and accepted this work at low prices and with very short delivery times. As the ethnic workshops grew in number and the immigrants learned to carry out increasingly complex phases of the production cycle into which they had settled, they entered into more and more direct competition with local sub-contractors. And the latter, unless they possessed very specialized skills, were unable, for the reasons considered above, to overcome the competition of the ethnic workshops and as a result, their numbers rapidly diminished. The proliferation of ethnic sub-contractors, however, continued to benefit the Italian clients who used them and who could, for the time being, accordingly defend themselves against the competitive external pressure coming above all from the newly industrialized countries. As we have seen, however, within only a few years, owing to their location in the districts and to the relations they had established with Italian customers and buyers, numerous ethnic entrepreneurs were themselves now able to become final firms and to even transform themselves into middlemen for production and commerce between their countries of origin and settlement, thanks to their membership in trans-national ethnic networks. At this stage, the ethnic economy has also entered into direct competition with part of the final firms of the main industry of the district, or of a sector which is complementary to it. The Italian final firms supplying the medium to low end of the market, for example, are unable to withstand the competition of the ethnic firms, not so much because the latter benefit from the lower costs of work carried out in loco, but primarily because they can conveniently avail themselves of sub-contractors located in their country of origin where they can also buy, at low price and for their own use or for resale, the inputs needed for production.

At the foundation of the success of the ethnic economy we find a contradictory combination of the advantages typical of a low developed county- such as those pertaining to the working conditions of the ethnic firms- and the advantages typical of the global economy- such as those arising from membership in trans-national networks. All of this has a

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\(^6\) It is opportune to note that, because of the division of labour among firms, district enterprises are of two different types: subcontractors who are usually specialised in one phase of the production process of the localised industry and final firms that are specialised in the design and marketing of the products which they usually contract out.
significant effect on the economy and the society of the districts in which the ethnic firms have settled. In fact, after an initial time during which the ethnic firms represent an unexpected resource for a part of the district's economy, they subsequently become a threat, at first to local subcontractors, and then also to final firms of the industry in which they operate. Such a reversal occurs primarily because the ethnic entrepreneurs, belonging as they do to networks of economic and social trans-national relationships- unlike the majority of others who operate in the district- are in a position to benefit from the opportunities offered by the new context of the global economy. Thus, when an ethnic economy is established in the district, to the global pressure coming from outside, there is an added pressure which is generated by an economy of this type from being located within.

The effects of this dual pressure on the whole of the local productive apparatus soon become evident. As the ethnic economy expands and develops, the original productive fabric of the district contracts and thins out, with the progressive reduction of its capacity for innovative adaptation. As a consequence, products, and even the sectors which characterize the overall local economy, change. The local economy therefore becomes more and more specialized in the activities carried out by the ethnic firms and in the products in which they are most competitive, which are ordinarily labour-intensive and require extreme flexibility of execution.

The expansion of ethnic activity, however, does not only transform the local economy. It also changes the physiognomy of the district as a whole: the urban and industrial landscape itself- especially in the neighbourhoods of ethnic concentration- becomes transformed to the point of becoming alien to the local population. In addition, the development of the ethnic economy is accompanied by a growing inflow of Chinese immigrants and this accelerates in close parallel with the qualitative advance of which we spoke above. If to all of this we add the socio-cultural separateness of the Chinese immigrants- of which the working conditions in their firms are the most manifest and criticized sign - it becomes easy to understand how the growth of the ethnic community fuels an increasing potential for conflict within the local society. After the first alarm against the Chinese immigrants workshops manifested by the local subcontractors, it is likely that the ethnic community is perceived not only as an economic threat, but as a genuine social emergency by a large part of the population.\footnote{For evidence referred to the Prato district, cf. Rastrelli, 2003; Toccafondi, this volume.}
this happens, a climate of opposition takes hold—of mistrust, even of fear, and it becomes very difficult to establish or maintain a dialogue between the two communities. Furthermore, besides causing a growing rift between the two disparate populations, the expansion of the ethnic community introduces conflict into the very heart of the local population. This occurs both because some groups, at least for a while, gain by the expansion of the ethnic community while others loose, and because that expansion tends to generate a sort of local sub-economy, arising from rentals and sales—at more or less speculative prices—of property, as well as of various other types of more or less legal dealings. In short, the formation of an ethnic economy brings global pressure directly into the heart of the district, into both its economy and its society.

Deliberate action aimed at building cross-cultural and cross-regional relations to reverse the global challenge into an opportunity for new local development

After having pointed out the effects of global competitive pressure on the mechanism of adaptation and its relative competitive advantages for the industrial district in section 1, and considered in section 2 the potential threat of the formation of an ethnic economy inside the district, we shall now examine possibilities for transforming this threat into an opportunity for revitalising development on renewed foundations. Though it has been extraordinary, the growth of the ethnic economy does not seem readily sustainable over time. In the first place, it is largely based on the socio-cultural separateness of the ethnic community with respect to the society of settlement. That fact generates an ongoing closure of mind towards the Chinese immigrants in the local population, who perceive these 'outsiders' more and more as a threat to the very identity, territory and way of life they hold dear, because of the Chinese community's formation of an ever-expanding enclave in which conditions of work, judged to be unacceptable in a developed country, prevail. At this point, a climate of social emergency results. This has negative feedback effects on the ethnic economy too.

But the development of the Chinese ethnic economy in the Italian districts is also not sustainable over time for economic reasons. As we have seen, in practice the specific advantages of the ethnic economy cause the activity of its firms to increase, while that of the local firms diminishes. This in turn causes the local economy as a whole to change its specialisation: from a production of medium-high quality and relative physical and human capital intensiveness (even if the human capital was frequently of a type formed by a learning-by-doing and interacting
process), to a labor-intensive production of medium-low quality which consequently forces the local economy away from that high road to competitiveness characterised by the continual search for innovation, quality and the intangible content of value of the goods produced, which is the only one sustainable over time in a developed country. It can thus occur that under external and internal pressure, the district's socio-institutional fabric becomes torn and its economy becomes fractured. And so, if the evolution of the local system is without conscious orientation left to the power of the forces of global competition, decline is the most probable result. Such an outcome, however, could be avoided if through individual and above all collective deliberated action, a new trajectory of development is envisaged and made credible which can be sustained economically and socially, because it fits the new context of globalisation, and it makes use of the ethnic entrepreneurs as an essential resource.

We saw that the passage of numbers of ethnic entrepreneurs from subcontractors to final producers and international middlemen was made possible by their settlement in the 'made in Italy' districts, and the opportunities these offer to be kept abreast of innovations in the fashion world and of shifting consumer preferences in developed countries. These entrepreneurs are therefore motivated to operate stably in the district and consequently to establish collaborative relationships with its institutions and society. On the other hand, we saw that part of these entrepreneurs' advantage reflects belonging to trans-local and trans-national networks. An element of this type becomes increasingly important with the intensification of globalisation, and due to the fact that it is largely inaccessible to the local entrepreneurs, collaboration with the ethnic entrepreneurs would be to their advantage. It would seem obvious that members of the two heterogeneous social groupings would benefit by working with each other, particularly in the medium to long term, since each possesses crucial knowledge which both differs from and complements each other. Otherwise, an economic evolution left to the devices of unbridled competition would push away, rather than bring closer, the possibility of collaboration between local agents and members of the ethnic community.

As a means of reversing the process of progressive dissolution of a strategy which if undertaken would favor the revitalisation of the local economy and the restoration of social cohesion, a collective, deliberated action is needed. Some legitimate local actor, having capacity of vision

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8 On the distinction between the “low road” and the “high road” to competitiveness, see Sengenberger and Pyke, 1992: 11-13.
and leadership must credibly and convincingly envisage a new perspective of local development in which the ethnic entrepreneurs play a role as co-protagonists. Action like this is urgent because inertia makes collaboration even harder. Further, knowledge of the general benefits resulting from this collaboration should be spread among the two different populations, and a large consensus among the main social classes should be mobilised to realize this new perspective of development. Together with this, it is vital to undo the separateness of the ethnic community and the consequent closed-mindedness towards it of the local people. Occasions of ongoing reciprocal interaction and collaboration within specific domains of common interest should deliberately be created, and institutional forms favouring a dialogue between the two communities should be devised, as the conditions essential for an effective collaboration.

When this dual collective action - directed towards identifying, and giving credibility to the new developmental perspective and the establishment of a social dialogue with new immigrants of such a different culture - is successful, it leads to profound transformation in the economic and social fabric. The Chinese immigrant firms no longer form an enclave and they become progressively integrated into the economy of the renewed district. This leads them to abandon the low road to competitiveness and to specialise partly in the manufacturing of differentiated goods of a more elevated quality and added value, and partly in activities of intermediation between firms of their homeland and local firms. Thanks to the intermediation of the Chinese immigrants - who have a deep knowledge of the capabilities and personal attributes of many possible business partners in their home country - the local firms can internationalise their manufacturing and eventually the distribution of their products as well. In this way, the firms of the renewed district can overcome informational and cultural barriers otherwise insurmountable, and in spite of their modest size they can accede to the advantages of globalisation. Consequently, the activities in which they specialise also undergo a change: manufacturing is reduced following international relocation, while activities such as design, research and development, marketing, financing, coordination, distribution and business services in general grow. In the renewed district, as in the old, the firms will probably continue to be predominantly small and medium-sized and the ‘thickening’ of the economic and social relationships between the various local players will continue to be significant, but it will be more and more integrated into a cross-cultural and trans-national frame, as is appropriate to the new global context.
References


**Biography**

**GABI DEI OTTATI**

Gabi Dei Ottati is Associate Professor of Applied Economics at the University of Florence and Head of the Applied Economics Laboratory at the Prato Campus of the Florence University. She is member of the scientific Committee of the Artimino Meeting on Local Development and member of the European Research Centre on Local and Regional Development. She has written many peer reviewed papers mainly on theoretical and empirical aspects of industrial districts and on Italian industrial development.