

Made in Italy, by Chinese: how Chinese migration changed the apparel production networks in Prato

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Abstract

Tu Lan: Made in Italy, by Chinese: how Chinese migration changed
the apparel production networks in Prato
(Under the direction of John Pickles)

As a prototype of the Italian industrial districts (IDs), Prato has become a unique case in Italy and hosts the second largest Chinese community in Italy. In the past two decades, a Chinese apparel industry in Prato, known as the *pronto moda*, developed from a few stitching workshops into a full-fledged production network, including designing, manufacturing, and wholesale. Exclusive ethnic enclave and widespread irregular labor have triggered social tensions between Chinese immigrants and the local society. This dissertation investigates the formation of this immigrant's industry, the expansion of its global production networks, and its interactions with the local institutions. In conversation with the literature of industrial district and global value chains, it argues that the apparel value chains created by Chinese immigrants in Prato have been a historically contingent consequence of regional economy and national institutional contexts. There are three main findings in the dissertation. First, the emergence of the Chinese *pronto moda* is a unique response to the rise of fast fashion and regionalization of apparel production in Europe. In particular, it targets to low-end fast fashion and fills the specific niche market between the European fashion brands and Made-in-China garments. Second, the social tensions in Prato have to be understood in terms of its conjuncture. Power asymmetry within Chinese *pronto moda* has resulted in a specific spatial pattern of “subcontracting the visibility”, which in turn triggers conflicts between Chinese and Italian communities. Finally, to integrate and regularize the Chinese apparel industry requires a transformation of the existing institutional framework in Prato, and the future of Prato may rely on the transnational business community between China and Italy. By so doing, this dissertation

attempts to dislodge two major myths in the literature of industrial district and Chinese migration. On the one hand, Prato has been never an endogenous entity, and the recent Chinese influx is one of the many exogenous forces that shaped and are still shaping the Pratese economy. On the other hand, neither a passive sufferer nor a government conspiracy, the Chinese migration to Prato has actively responded to institutional contexts in quite innovative ways.

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LIST OF ABBREVIATIONS

ID	Industrial District
GVC	Global Value Chain
GPN	Global Production Network
OEM	Original Equipment Manufacturer
ODM	Original Design Manufacturer
OBM	Original Brand Manufacturer
SME	Small and Medium-sized Enterprise

Chapter 1: Introduction

On January 1, 2011, 274,417 Chinese nationals lived in Italy. They were and still are the fourth largest foreign immigrant group in the country and the largest group from Asia (ISTAT 2012). Compared with other immigrant groups, the Chinese community has been involved in entrepreneurial activities in very specific and relatively large-scale ways. In particular, Chinese immigrants in Italy concentrate in the traditionally Made-in-Italy sectors such as apparel and leather goods, and in specific industrial districts in the northern and central part of the country (Barberis 2009, 9–10). In this dissertation, I focus on the Chinese apparel industry in the most important of these industrial districts, Prato, Tuscany. Prato has been globally renowned for its textile production since the 1930s, but in the past two decades, the Chinese apparel industry in Prato has developed from a few stitching workshops into a nearly full-fledged network including manufacturing, designing and wholesaling. Mainly serving the lower cost market, the magnitude of this industry has been widely reported as a threat to the reputation of high-value Made-in-Italy textile and apparel (Donadio 2010).

What makes it possible for the cluster of small and medium-sized apparel companies headed by Chinese immigrants to emerge in the middle of an Italian industrial district? Why do these companies bring Chinese workers overseas instead of producing and sourcing in China? What makes this cluster different from other regional economies that rely on migrant workers? I argue that on the one hand, the changing institutional contexts and socioeconomic circumstances of varying scales have been important in shaping the structure of the Chinese production network in Prato, while on the other hand, Chinese migrants have been responding to markets and social pressures in their own ways. Working through theories of industrial districts and global value chains, this dissertation analyzes the position of the Chinese apparel industry in Prato and its implications for the hosting society.

1.1. Chinese migration to Italy

As early as the 1910s, people from the districts of Wenzhou and Qingtian in Zhejiang province arrived in Europe as the street peddlers and war recruits for the labor shortage during and after WWI (Live 1998, 98; Li 2002, 106). The number of Chinese in Italy remained small until China's reform in 1979 and the subsequent relaxation of the emigration policies (Li 2002, chap. 5). Following the Sino-Italian treaty in 1985 and a series of amnesties in 1990, 1995, 1998, 2002 and 2012, Italy became the most popular destination in Europe for the Chinese (Carchedi and Ferri 1998; Ceccagno and Rastrelli 2008). As a result of these regulations, many Chinese also came illegally from China and other European countries hoping for the next amnesty (Ceccagno 2003). The recent arrival of Fujianese and Northerners to a certain degree diversifies the Chinese population in Italy, although it is believed that immigrants from Zhejiang still dominate the Chinese population in Italy (Pieke et al. 2004, 118). Part of the Chapter 3 is devoted to this history and contemporary situation of Chinese migration to Italy.

The Chinese immigrants in Italy show a strong propensity toward entrepreneurship. At the national level, although Chinese immigrants are only 4% of the total foreign population, in 2010 the number of companies registered by Chinese businessmen and women reached 53,000 or 8.5% of the total foreigner headed companies (Camera di commercio di Torino 2011, 119). Unlike their Western European and North American counterparts, many of Chinese immigrants in Italy work in consumer goods manufacturing sectors that were traditionally recognized as "Made in Italy" products. Data in 2004 shows that there were 18,554 businesses in Italy run by the Chinese (PRC nationals), of which 6,236 were in the textile and clothing sector and 7,735 were in the wholesale and retail sector, most of which were also related to the textile and clothing industry (Ceccagno 2007). Similar to what happens in Italy's mainstream economy, 69.5% of Chinese firms were those with only one person or *imprese individuali* (Camera di commercio di Torino 2011, 119). Although these workshops originally ran as the subcontractors of bigger Italian apparel companies, since the early 2000s, they have started to upgrade to

supply higher-end fashion brands such as Armani or Gucci, or to directly supply lower-end fast fashion market (Ceccagno 2003).

This occupational pattern results in a unique demographic and economic geography. Unlike other major immigrant groups, the Chinese have moved primarily to the industrial districts of Central and Northern Italy. The top four regions with the largest numbers of Chinese population are Lombardy, Tuscany, Veneto and Emilia-Romagna (ISTAT 2012). In particular, Prato, Tuscany has been identified as the manufacturing center of the Chinese apparel industry, while Milan and Rome are the wholesale centers for importing and selling finished goods (Cologna 2005; Lucchini 2008). Partly because of language barriers and the closure of the community to non-Chinese speaking scholars, research of the Chinese in Italy and their specific effects on manufacturing in Italian IDs remains very limited (Barberis 2009).

1.2. Industrial Districts and the Made-in-Italy products

The concept of industrial district (ID) was originally defined by Alfred Marshall (1890) based on three mechanisms: scale economies, external economies and a sufficient pool of skilled labor (discussed in Chapter 2). This Marshallian concept was later developed by a number of Italian scholars and became one of the doctrines for regional studies (Becattini 1978; Brusco 1982). In an ID, the majority of firms are small and medium-sized enterprises (SMEs) which cooperate usually in one sector and in auxiliary industries and services, and these firms form a communal network with common business conventions (Becattini et al. 2003). During the golden age of Italian industrialization between the 1950s and 1970s, IDs concentrating in the northern and middle part of the country played a significant role in the national economy, as they exported (1/4 of the total) more than the heavy industries in Piedmont and Lombardy which mostly served domestic market (Becattini 2001, 40; Dunford and Greco 2006). Their products were mainly light consumer goods such as textile, apparel, leather and furniture which build the reputation of “Made in Italy” around the world. The persistent importance of IDs finally pushed the

Italian congress to pass a law in 1991 which officially authorized the ID as one of the most important instruments in the state's economic policies (Becattini 2001, 125; Lazerson and Lorenzoni 1999, 239).

Although I give a detailed analysis of Italian IDs in Chapters 2 and 3, it is worthwhile to mention a number of its most distinct characteristics here. First, compared with vertically integrated factories of their northern neighbors, IDs in Emilia-Romagna and Tuscany are constituted by small and medium-sized companies each of which specializes in a specific phase of production. Second, nearly all of the IDs are located in the 2nd or 3rd tier towns, or "urbanized countryside" (Sforzi 2003, 36) such as in my case Prato instead of metropolitan areas such as Turin and Milan. Third, IDs are extremely adaptive to new market conditions because of their mechanisms for innovation, arm-length transaction, and exchange of "contextual" or "uncodifiable" knowledge between SMEs (Becattini 2001, 12). Finally, strong tradition in organizing political and social institutions has been viewed as one of the major factors for the relatively harmonious relationship between labor and capital in the IDs, and therefore protected the districts from the violent turmoil of class struggles common in the northern part of the country. Despite the tremendous changes of the global market and local society between the 1950s and now, IDs maintain their unique and consistent socioeconomic identity (Becattini, Bellandi, and De Propris 2010). Scholars, in particular Italian scholars, believe that the continuity of local business and institutions has successfully mitigated the discontinuations imposed by external forces: "I believe – though I cannot prove it – that Prato's 'social kernel' has not merely allowed the modern world to surge through it but has tried to experience it on its own terms, pushing and pulling it this way and that to make it fit in, as far as it could, with its own potential and its own values" (Becattini 2001, 197). The social kernel of Prato comprises not only the culture of entrepreneurship and knowledge sharing, but also a number of social and governmental institutions. Therefore, the development of the Pratese ID was seen as being mostly propelled by its own internal/endogenic "social kernel" instead of external forces.

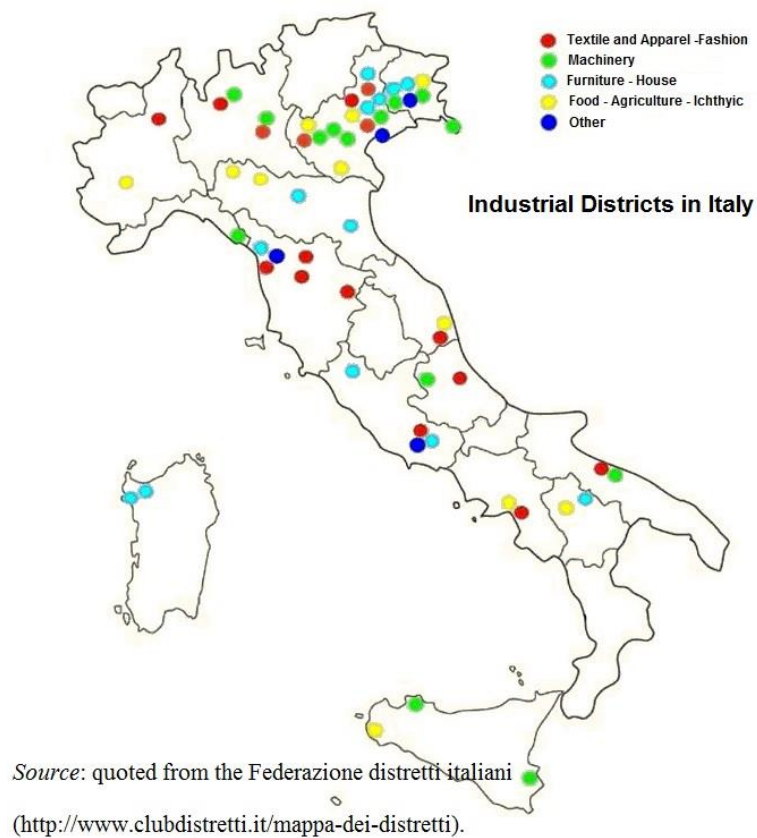


Fig. 1.1: Industrial districts officially endorsed by the Italian government

However, in spite of the positive readings given to the successful IDs, many IDs have some inherent deficiencies and therefore have been suffering a prolonged recession since the 1990s. On the one hand, the low fertility rate and the occupational preference of the younger generation have caused a shortage of labor in the IDs (Becattini et al. 2003). On the other hand, the competitiveness of Made-in-Italy products has been hurt for a number of reasons including shifting market tastes, restructuring of the retail network, competition from emerging Asian economies and the appreciation effects caused by the currency change from Lira to the Euro (Becattini et al. 2003; Dunford and Greco 2006). Evidence shows that the economic unevenness among Italian regions has rapidly increased in the past 10 years with advantaged regions in Lombardy and Piedmont becoming more advantaged, and disadvantaged regions in the Center and South

becoming more disadvantaged (Dunford and Greco 2006, chap. 4). I discuss the transformations of Italian IDs in Chapter 2, and those specific to Prato in Chapter 3.

As Belussi and others argue, there have been many evolutionary paths that the IDs follow, and different origins and different genealogies often result in very different responses to the economic crisis (Belussi and Sedita 2009; Camuffo and Grandinetti 2011; Belussi and Sedita 2012). First, evidence shows that a substantial increase of the size of firms is occurring in some of the IDs (Dunford and Greco 2006; Dei Ottati 2009b). Facing competition pressures from emerging economies, some Italian SMEs have started vertically integrating themselves in order, on the one hand, to capture more value added in the commodity chain, and on the other hand, to concentrate capital for foreign investments and innovation (Rabellotti, Carabelli, and Hirsch 2009). With the increasing size of the firms, whether or not many of the districts qualify as an “Industrial District” as defined by law remains a question. Second, quality upgrading and product shifts are happening throughout the IDs. As mentioned earlier, the IDs are always export-oriented. In 1996, the share of manufacturing exports from IDs accounted for 46% of the Italian national total (ISTAT 2002). Many argue that since the majority of these exports are low-price, low-skilled products, the competitiveness of IDs is doomed to lose to the emerging economies in Asia (Dunford 2006). However, Rabellotti et al. (2009) argue that since the 1990s, many Italian IDs have undergone a substantial upgrading. In particular in the textile industry, many IDs have either upgraded to produce branded luxury products or shifted to produce machineries for consumer goods. Therefore, even though, by definition, these IDs remain in their traditional sectors, they are not actually competing with emerging economies. Third, outsourcing has been used by many IDs as a way to reduce costs. Since the late 1990s, many Italian firms began to move assembly lines to Eastern Europe (in particular Romania) and North Africa (in particular Tunisia), but still kept the key components i.e. the innovation department and a substantial production capacity in Italy (Corò and Volpe 2006). This trend is officially encouraged by the Italian and EU governments as Outward Processing Trade (OPT) (Smith 2003). However, parallel to OPT, another kind of “outsourcing” is also occurring in the IDs—that is, the “in-sourcing” to immigrants’

ethnic firms. Many believe that the emergence of Chinese firms helps the IDs to keep its competitiveness (Ceccagno 2009), while others argue that these firms sustain the low-skilled jobs and therefore counteract the preferable upgrading (Dei Ottati 2009a). Some argue that the emergence of Chinese Italian firms only temporarily slows down the pace of upgrading without changing either the internal structure or external market of the IDs, and so when the accumulation of these firms reaches a certain level, upgrading will resume (Rabellotti, Carabelli, and Hirsch 2009).

All these trends are intertwined to various degrees among IDs. In many cases, one trend is conditioned by another. For example, in the textile industry, outsourcing to Eastern Europe is usually accompanied by the vertical integration of the firm, because the FDI requires a hoard of capital which is usually impossible for smaller firms (Rabellotti, Carabelli, and Hirsch 2009). Moreover, as many have argued, each individual ID has its distinct composition of strategies and responds to globalization differently (Dunford and Greco 2006; Belussi and Sedita 2009). That is, the success of one industry in one ID can by no means be applied to another industry in another ID. Globalization never diminishes the local; it simply transforms the ways in which the locale is connected to the global (Harvey 1991; Agnew 2002). As shown in the later chapters, global value chains and transnational migration have never erased the distinctiveness of the production network in the Pratese ID. Instead, these “global” forces innovatively rearticulated production networks in Prato. The emergence of Chinese firms in fact is part of this bigger picture of transitions in the Italian economy. If we see them as the response to the differential transitions in different IDs, from a functionalist point of view, they must have very specific impacts in different IDs—that is, the firms in Milan should be very different from those in Prato. In that sense, any research on Chinese businesses in Italy ought to be locally specific and should not be overly generalized.

1.3. The case of Prato

““We don’t want to become Prato.” Alarm for the expansion of the Chinese illegal economy is almost everywhere across Italy, from Veneto through Emilia Romagna to Puglia. It creeps into the industrial districts of furniture, leather goods, knitwear, and sofas, and increases the

fright triggered by crises and the fears of unfair competition at home.” (Pieraccini 2010, xi)
My translation.

The beginning of Silvia Pieraccini’s *L’assedio cinese* (The Chinese Siege) partially explains the stimulus for my research. Prato is less than 20 km to the northwest of Florence.¹ Historically a production and trade center for woolen fabrics in the Medieval Age (Origo 1957), Prato is now one of the most industrialized towns in the region of Tuscany. The province of Prato is one of the newest and smallest provinces in Italy (The Province of Prato 2012; Agnew 2002, chap. 9). It became independent from the province of Florence in 1992 as part of the national political reform towards local autonomy. On January 1, 2011, there were 249,775 residents in the province, of which 188,011 lived in the city (*comune*) of Prato (ISTAT 2012). Despite its relatively small population, Prato is among the most popular Italian destinations for immigrants. By the end of 2010, 33,874 foreign nationals lived in the province, accounting for 13.6% of the total population. In particular, in 2010, the Prato Province hosted the country’s second largest community of Chinese immigrants, a population of 24,626, behind only Milan (31,385) but ahead of Florence (20,650) and Rome (15,970) (ISTAT 2012).² In terms of the ratio between immigrant and local populations, the city of Prato had the highest percentage of Chinese immigrants among all the Italian cities, 9.9% of the total population, far ahead of Ascoli Piceno of Marche (2.6%) and Florence (2.0%), which follow in the list. Apart from those who held resident permits, there are also a significant number of undocumented workers in Prato. Since many of the migrants do not hold residence permits, estimates for the Chinese population in the city of Prato goes as high as 28,000 (Smyth and French 2009, 4).

¹ Prato is the name both for the province and the city which hosts the provincial seat. Since the data used in this dissertation comes from both the city (municipal) and provincial institutions, I have carefully specified the level of the statistics in each of the cases.

² According to the manual book provided by ISTAT, these numbers only count the number of immigrants who held a *permessi di soggiorno* (permit of residence) which is required for any foreigner who stays in Italy longer than 3 months. Therefore, these numbers could be less than the real numbers of Chinese nationals because many did not apply for a permit.

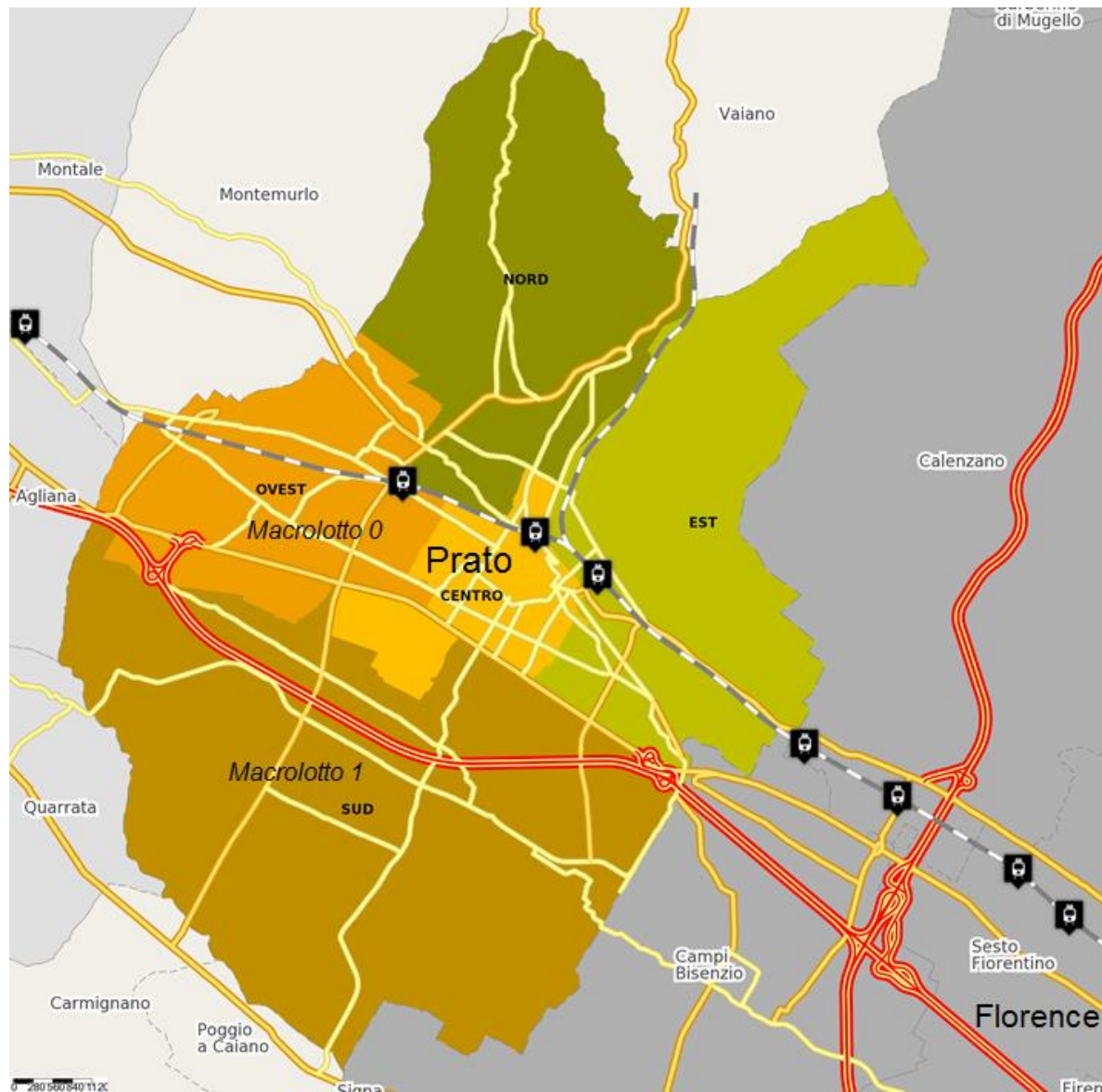
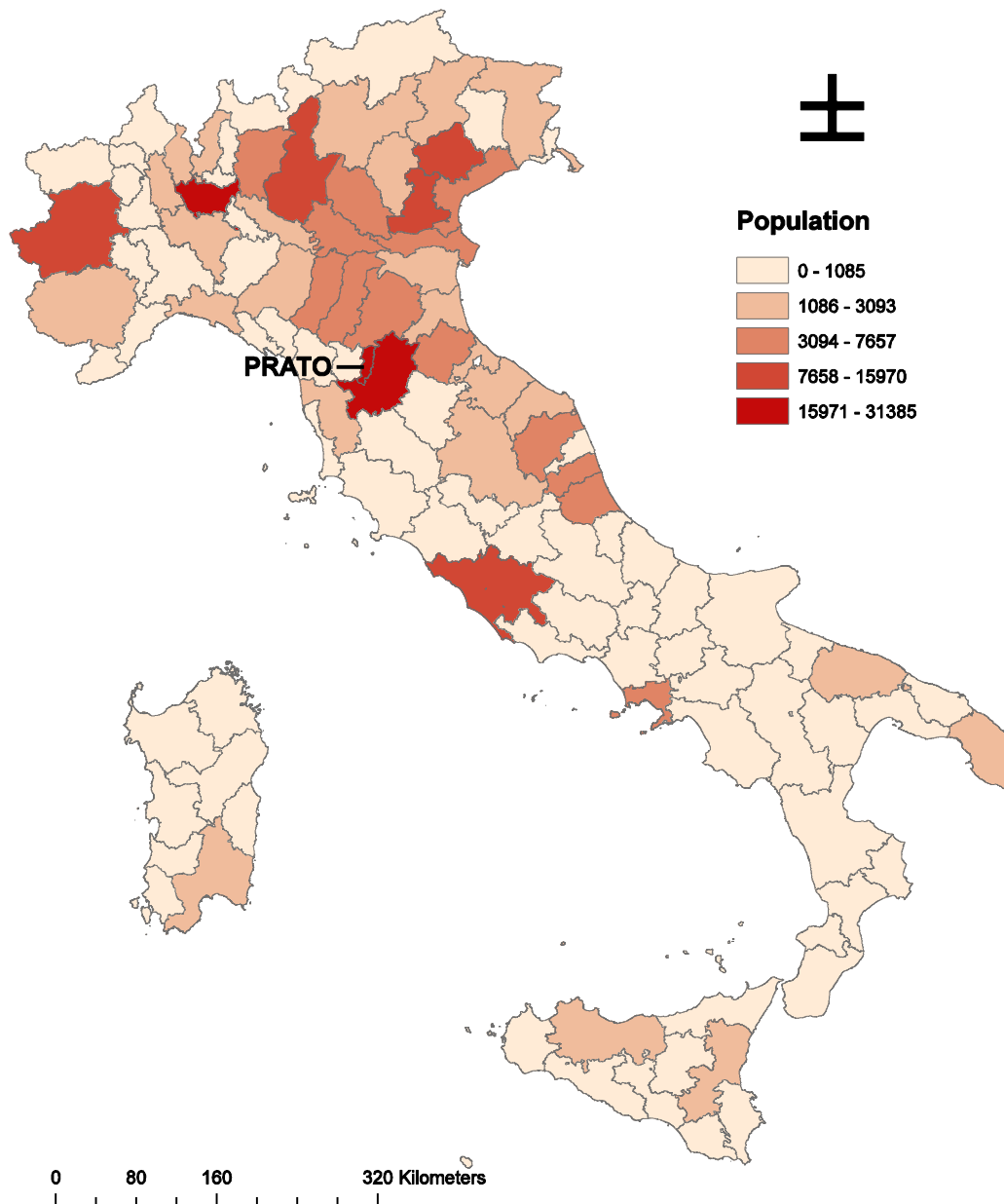


Fig. 1.2: Map of Prato

Sources: Author's illustration with the city map from Comune di Prato.

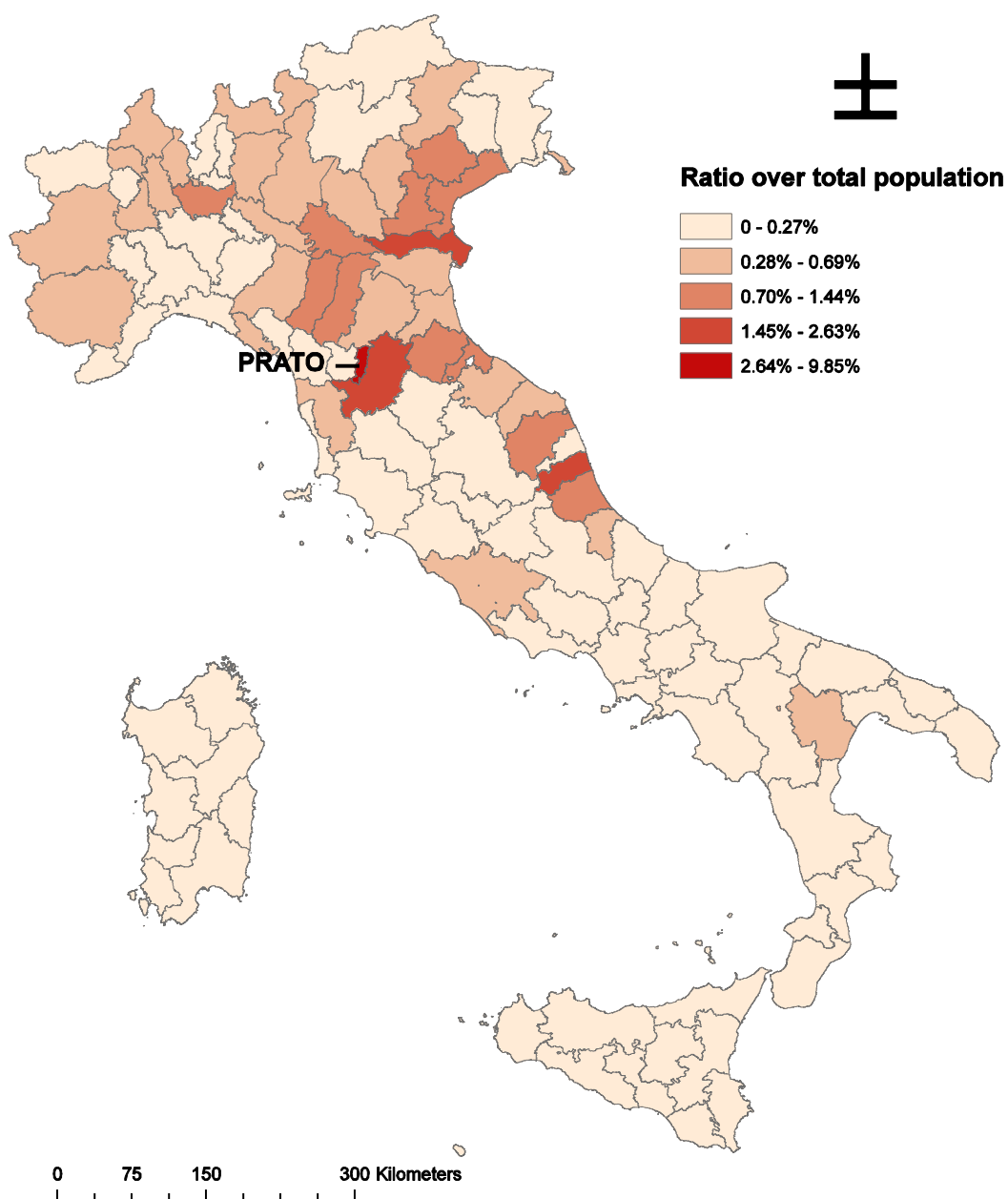
Number of Chinese immigrants by province



Source: Author's illustration with data from
the national census data of January 1, 2011 by ISTAT

Fig. 1.3: Number of Chinese immigrants by province

Percentage of Chinese immigrants by province



Source: Author's illustration with data from
the national census data of January 1, 2011 by ISTAT

Fig. 1.4: Percentage of Chinese immigrants by province

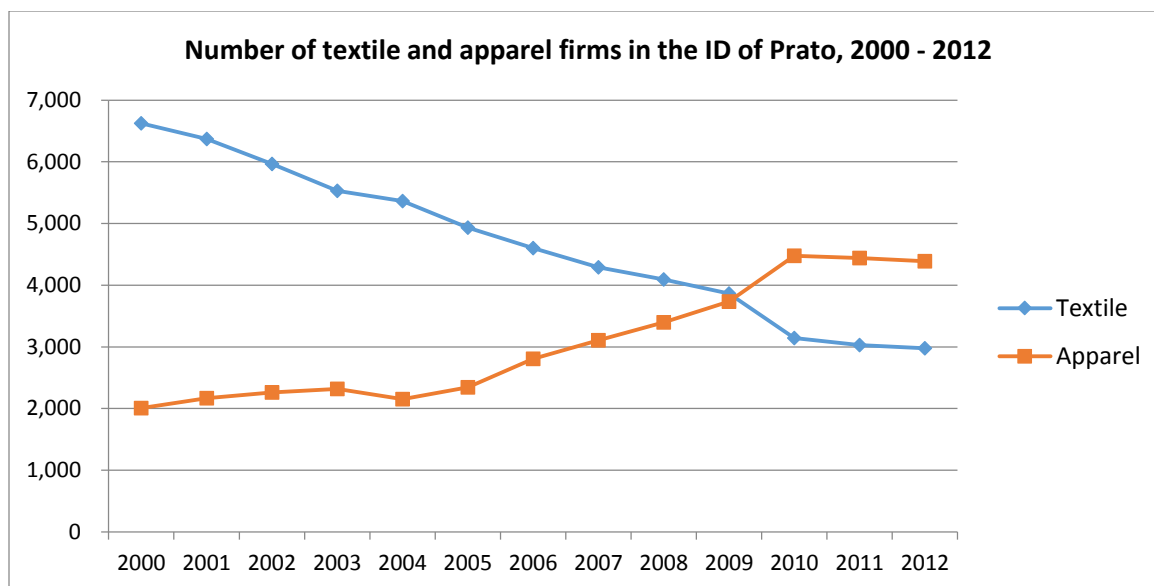


Fig. 1.5: Number of textile and apparel firms in the ID of Prato, 2000-2012

Sources: Author's illustration with data from the Prato Chamber of Commerce and UIP. Note: The 2000 and 2001 numbers are estimated based on numbers of active firms in respective sectors; the 2012 number is predicted in the 2nd quarter of the year.

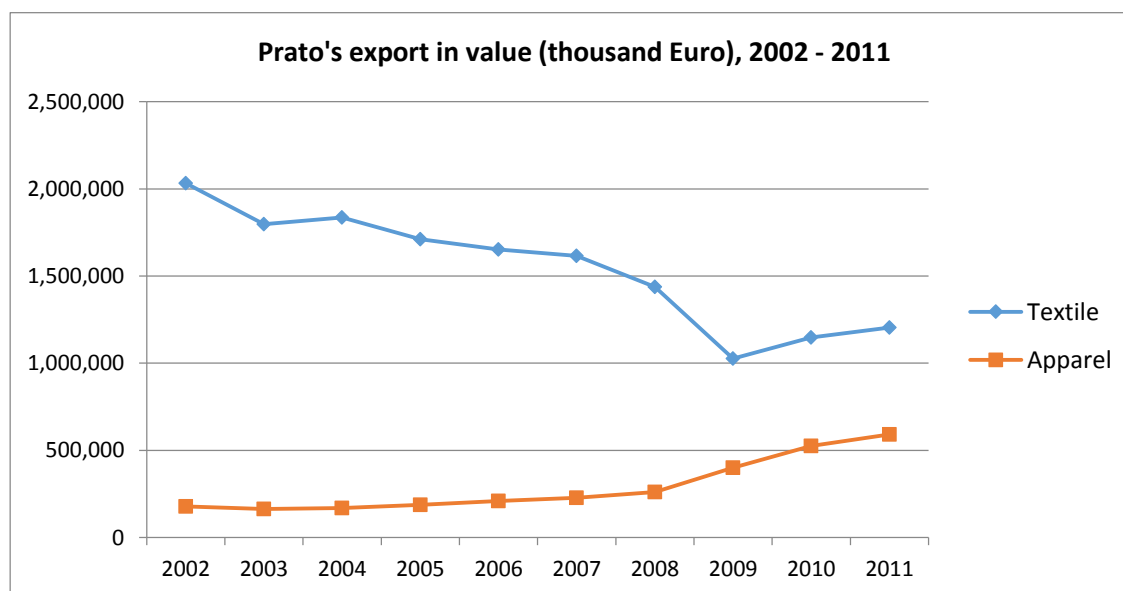


Fig. 1.6: Prato's export in value (thousand Euro), 2002-2011

Source: Author's illustration with data from the Prato Chamber of Commerce.

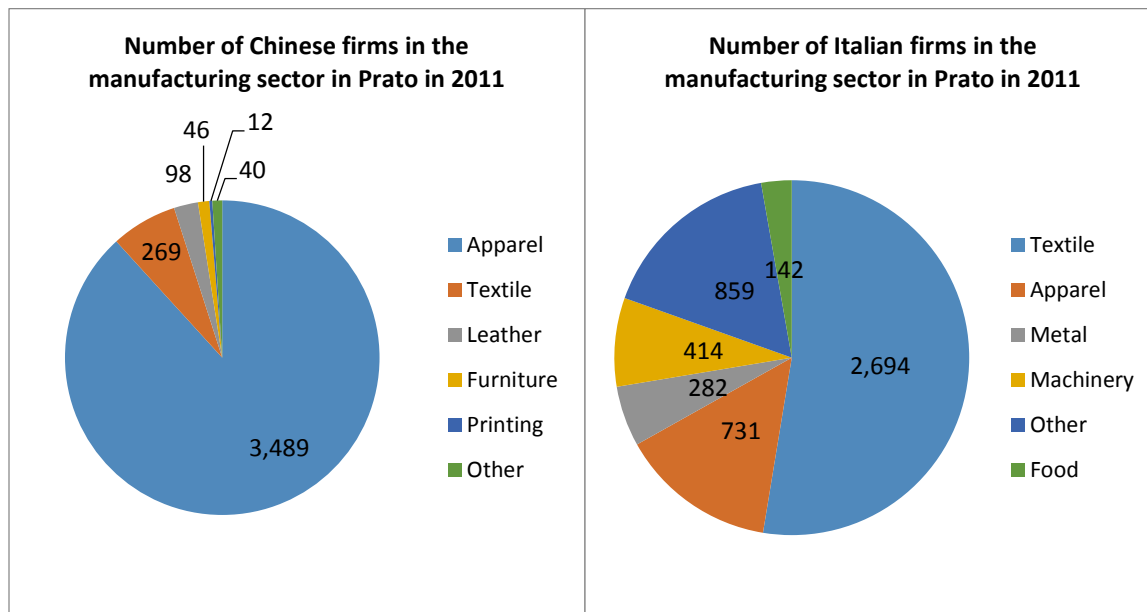


Fig. 1.7: Ethnic shares of the textile and apparel industries in Prato

Source: Author's illustration with data from the Prato Chamber of Commerce.

The Chinese apparel industry in Prato is characterized by the large portion of small firms, the predominance of manufacturing and sheer number of establishments. What makes the issue more interesting is that Prato has the biggest number of Chinese individual firms among all the provinces: 11.5% of total Chinese individual firms in Italy are in Prato Province (Camera di commercio di Torino 2011, 123), among which 81% or 3,249 were apparel manufacturers (UIP 2012). This percentage also made Prato the primary manufacturing center for Chinese apparel in Italy.

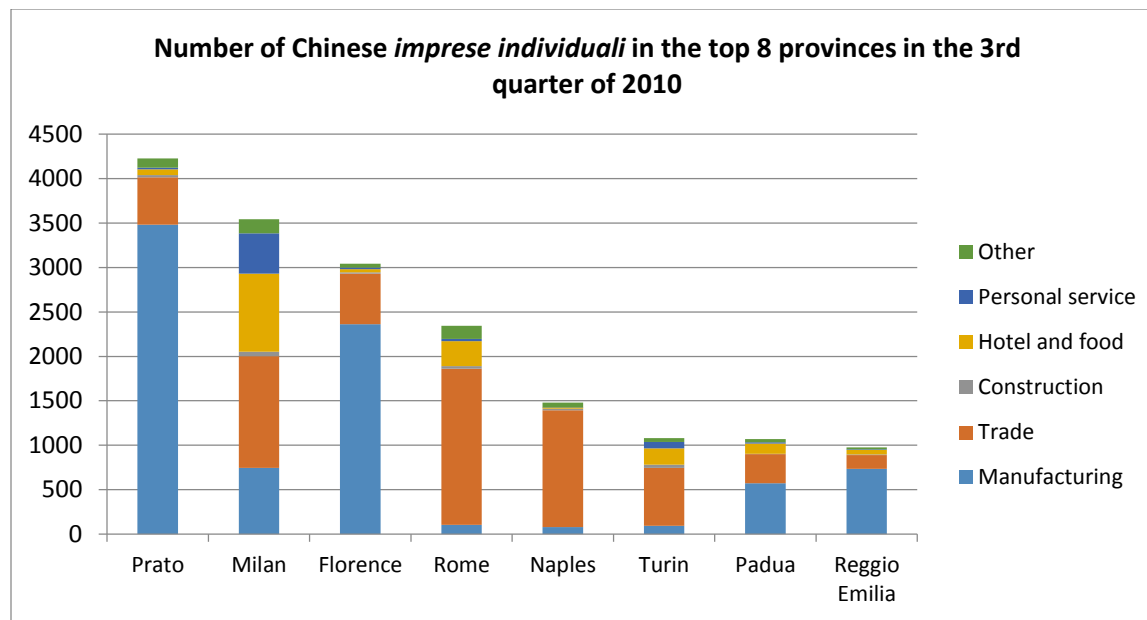


Fig. 1.8: Number of Chinese individual firms in the top 8 provinces in 2010

Source: Author's illustration with data from the Turin Chamber of Commerce (2011, 125).

The emergence of this Chinese apparel industry is closely related to the trajectory of the local textile industry in three aspects. First, as the apparel industry grew, the traditional textile industry in Prato suffered a prolonged downsizing and verticalization during the same period. Having been the production center for woolen fabrics since the WWII, since the 1980s, the Pratese textile industry has been facing a series of difficulties. Rising labor cost, the phasing-out of the Multi Fiber Agreement (MFA) and the continuous decline of market demand for woolen fabrics are among the most important factors (Becattini et al. 2003; Dei Ottati 1996; Dei Ottati 2009b).

Data provided by the *Unione Industriale Pratese* (UIP, Association of Pratese Industrialists, local branch of *Confindustria*) and the Italian census bureau, ISTAT (Dei Ottati 2009b, 1882) give a clear picture of this shift from textile to apparel, and why local Italians are not very contented with the shift. First, between 1991 and 2011, the number of textile firms in Prato plummeted from 9,411 to 2,979, while the number of apparel firms soared from 1,219 to 4,388. The closures also resulted in high unemployment

rates in Prato. According to a report by Istituto Tagliacarne (2012), between 2007 and 2012, the unemployment rate in Prato rose from 5.1% to 9.3%. In particular, the rate of youth unemployment (between 15 and 24) rose 2 percentage points every year, reaching 31% in December, 2011 (Pignalosa, Dorato, and Martone 2012, 7). Second, although the production volume of the apparel industry has been large, the value of apparel products remains much lower than the textile industry. In 2010, the annual turnover of the textile and apparel industry was 4,528.5 million euro, in which 3,004.6 million or 66% was produced by the textile industry (UIP 2012). In terms of export values, in 2011, Prato's textile export (1.2 million euro) was still two times bigger than the apparel export (0.6 million euro). This contrast implies the huge gap between the qualities of textile and apparel produced in Prato. While Italian textile firms were suppliers for high fashion brands, Chinese apparel companies mainly produced for low end markets. Therefore, it becomes natural for people to worry whether or not the Made-in-Prato apparel is impairing the reputation of Made-in-Italy in general and the prestige of the Pratese ID in specific. Finally, because the local apparel industry is dominated by Chinese companies, some have argued that the Chinese apparel industry in Prato has been an independent ID within the ID, and for that reason, has been making use of the local resources without paying back to the local society (Dei Ottati 2009a). Data provided by the UIP show that until the 3rd quarter of 2011, among all the 4,072 apparel firms, only 882 firms or less than 1/4 were registered by Italian nationals. Although to what extent the Chinese apparel industry is benefiting the local economy remains a question (I discuss this question in Chapters 6 and 7), the ethnicization of the apparel industry has caused widespread local hostilities.

Since 2000, socioeconomic changes redrew the political image of Prato. In the past years, problems of immigration became one of major discursive instruments for the right wing parties to address social issues (Zincone 2006). In particular, as evident in many of the recent Italian publications (Oriani and Stagliano 2008; Pieraccini 2010), the case of Prato has been widely reported as a Chinese triumph over the local economy, inflicting fears in the Italian society. The recent coverage of Chinese in Prato by the New York Times helped this process by making it one of the best examples of how Chinese emigration is

threatening the world (Donadio 2010). In 2009, by manipulating anti-immigration sentiments, the right wing coalition including *Popolo della Libertà* and *Lega Nord* won the municipal election for the first time in Prato's postwar history (Fazzino 2010). As one of its electoral promises, the new municipal government imposed stricter regulations on the Chinese community by introducing army patrols in the downtown area, restraining the hours of Chinese businesses, and launching more frequent police investigations targeting Chinese firms, all of which were highly visible in local newspapers.³ The Italian debt crisis beginning in 2009 further exacerbated the tensions between the Chinese and local communities and made the future of Chinese firms unpredictable.

1.4. Main analytical questions

This dissertation is structured into three main analytical questions:

(1) How did the development of Prato and the institutional contexts both in Italy and China prepare the conditions for the Chinese apparel industry in Prato?

At the heart of my question is a local debate about whether or not the Chinese apparel industry halted the upgrading of the ID by introducing low-road competition based on undocumented workers. On the one hand, scholars such as Dei Ottati (2009a) and Toccafondi (2009) are concerned with the tensions between Chinese firms and local society, and argue that without institutional intervention, the lower value apparel produced by Chinese firms would banish the higher value textile companies and eventually impair the overall reputation of Made-in-Italy products. On the other hand, scholars such as Ceccagno (2007) argue that Chinese apparel firms have actually been supporting the Italian production network, since many of Chinese firms were subcontractors of Italian firms until recently. Notwithstanding the disagreement, most of these scholars admit that the particular timing of the arrival of Chinese immigrants has been important

³ For instance, within the single week between February 25, 2012 and March 2, 2012, there were 18 police raids targeting Chinese companies reported in the *Le Notizie di Prato* (<http://www.notiziediprato.it/>). During the first half of 2010, the year after the historical election, the authority closed down 154 Chinese companies in Prato (Fazzino 2010).

for their success. Therefore, I want to investigate the entry point of the Chinese companies and elucidate the historical contexts that made the entry happen. My research shows that the entry of Chinese apparel firms was by and large contingent upon a number of historical events. In addition to changes of the institutional contexts in both sending and receiving countries, the development trajectory of Prato has prepared in important ways a niche for the Chinese apparel industry.

Focusing on this debate, the dissertation seeks to de-essentialize the dominant story portraying the Prato ID as an endogenous system. Instead, I shall show that the entry of Chinese firms must be viewed as one of the latest phenomena along the array of global and national forces that have changed the ID since its origin. At the same time, I want to de-essentialize the dominant story of Chinese migration which so far has been seen either as a cultural exception or as a strategic conspiracy of the Chinese government (Skeldon 2007). In contrast to these stereotypes, the history of the Chinese apparel industry in Prato has been full of contingencies and subject to a variety of economic, social and political factors. For this reason, my research attempts to contextualize it and presents it in its peculiar historical conjuncture.

(2) How do Chinese apparel manufacturers and traders in Prato participate in the local and global value chains that have been transforming the ID over the past two decades?

Chinese companies in Prato are, at the same time, both local and global. As local companies in the ID, they are dependent on local infrastructure, existing business model and local supplies of industrial inputs. Moreover, the Italian and European markets have been one of the main reasons for them to relocate here. On the other hand, as immigrants' companies, they participate in the global value chains in particular ways. Being largely excluded from the mainstream value chains controlled by lead firms, these Chinese companies have established their own distribution networks throughout Europe. For working class consumers in many European countries, these value chains have been important supplements to those of the multinationals. Meanwhile, I focus on the historical contexts in which Chinese companies built their

value chains. On the one hand, regulations at national and local levels left significant vestiges in the Chinese apparel value chains. As immigrants' companies, Chinese in Prato faced a number of barriers including immigration laws and local business regulations. On the other hand, Chinese immigrants responded to these regulations in their own ways. Based on their specific cultural and social norms, they invent different ways to circumvent or co-opt the unfavorable regulations. More importantly, such interaction between institutions and immigrants does not always produce favorable results for the immigrants. Benefitting from the transformation of the Prato ID, the Chinese companies and workers are also victims of the transformation, as evident in the widespread irregular labor and under-standard working conditions (see Chapter 6). To sum up, I want to argue a more dialectical relationship between Chinese firms and local society, and problematize the simplified story of the Chinese triumph in Prato.

(3) What roles have local and national governments played in shaping the structure of the Chinese production network and coping with the tensions between Chinese and local societies?

Throughout the history of Chinese migration to Prato and the evolution of the Chinese apparel industry, local and national governments were important in at least three ways. First, the institutional contexts defined the condition of possibilities for immigrants' businesses; the choices of industries, location, partners and the ways of contracting are shaped by laws and regulations. In particular, I see the economic behaviors of firms not only determined by economic factors but also connected to a variety of social and political forces. Through the perspective of conjunctural analysis (Hall and Massey 2010; Grossberg 2010, chap. 3), I want to present the complexity of relations and tensions between groups of people in Prato. Second, among others, I study a particular dimension of the tensions between Chinese and Italian communities: the contest between different ways of managing space. While the Chinese firms and workers tend to diffuse working and living spaces, the Italian authority tries to enforce a clear boundary between the two. This contest has become the center of the struggles between Chinese immigrants and local society in Prato. Finally, as many recent research shows, the traditional leadership in Prato is no longer able to coordinate the industrial transformation (Bailey et al. 2010). In particular, by the

transnational nature of the Chinese apparel industry, the cooperation between local Italian and Chinese firms necessarily goes beyond the border of the ID. Therefore, I argue that Prato requires a new form of development in which a transnational community of private and public agencies should play a more important role.

Responding to these questions, I engage with a number of theories in economic geography and related disciplines. First, the literature of Post-Fordist regional development in general and the debate about the “Third Italy” model of industrialization in specific are important for me to rethink the concept of industrial district (ID) with Chinese migration. Second, the literature of Global Value Chains (GVC) provides a set of theoretical and methodological tools for me to study the firms and inter-firm relations in the Chinese apparel industry. Recent elaborations by economic geographers expand the new scope for studying the broader social impacts of industrialization. Both ID and GVC literatures offer a variety of frameworks to study the transnational trade and entrepreneurship. By interrogating the boundaries of these studies and with the help of the critical tradition in economic geography, I attempt to propose a new model of regional development incorporating transnational migration.

1.5. Fieldwork and data sources

The dissertation is based on over 70 interviews with 60 subjects between 2011 and 2013. The dates were split between China and Italy. In Italy, I spent 5 and half months in total, with 1 month in Turin and Milan, 4 months in Prato, and about 2 weeks in Rome and Naples. Compared with the continuous stay in Italy, the part of the fieldwork in China comprised short visits to the hometowns where the majority of Chinese immigrants come from; 20 days in total were spent in Wenzhou City and its neighboring Qingtian County. A number of half-day visits were spent in Lianjiang where many Fujianese immigrants in Italy come from. I also made several visits to Xingtang and Nanhai of Guangdong Province to find (in vain however) some of the factories in which Chinese Italian entrepreneurs invested. The subjects of my interviews were mostly entrepreneurs, migrant workers and policy makers, both Chinese and Italian.

Additionally, it was my surprise to find a number of Italian and Chinese scholars and social activists who had been working to tackle the tensions between Chinese immigrants and local communities. The interviews with them, although few, broadened my understanding of those seemingly “economic” tensions that mass media and politicians were highlighting. To protect my subjects, all the names in this dissertation have been replaced by aliases.

Data were collected from a variety of Chinese and Italian institutions and publications during the same period. Reports and books of chorography (as *Difangzhi* in Chinese referring to an old tradition of writing local geographies and histories) were acquired from local governments in Wenzhou, Qingtian, Wencheng, Florence and Prato. Trade and industrial statistics were mostly obtained from the *Unione Industriale Pratese* and Prato Chamber of Commerce, in particular the latter. On their website, Prato Chamber of Commerce provided yearly import and export data between Prato and other countries (<http://www.po.camcom.it/servizi/datistud/index.php>). Estimates of immigrant population have been disputed in Italy, since a couple of institutions are reporting different numbers at the same time. In the dissertation, I rely extensively on the data published by the national census bureau of Italy, the ISTAT. Compared to other data sources such as the one offered by the Catholic Church (Caritas), the data from ISTAT are usually conservative and collected through statistically robust methods.⁴

1.6. Chapter outlines

The dissertation is structured into 7 chapters. In this introductory Chapter 1, I have laid out the scope of the problematic and the analytical frameworks for my research. I also briefly review the fieldwork and methodology that this research relies on.

Chapter 2 generally engages with 2 bodies of literature that are most important to my dissertation. The literature of industrial districts emerged upon the crisis of Fordism in the 1970s and has generated a series

⁴ Technical insights of different data sources were offered by Dr. Luisa Salaris at the University of Cagliari and Dr. Valentina Pedone at the University of Florence.

of international debates on models of regional development in general, and the case of the Third Italy in specific. They provide necessary background knowledge and a theoretical framework to study Italian IDs, such as Prato. The second body of literature I engage with is the global value chains. Instead of reiterating the history of this literature, I focus on a number of useful methodological tools offered by it and show how these tools can be applied to my case. Beyond these two bodies of literature, I also borrow the concepts of conjuncture and conjunctural analysis from British Cultural Studies.

Chapter 3 has two general purposes. First, it gives a brief overview of the history of Chinese migration to Italy. It describes the flow of workers and owners mainly from the southern part of Zhejiang Province since the early 1900s. It then shows how the establishment of the Chinese community as a permanent aspect of the Pratese industrial district and in Italy more generally was an outcome of a series of historical contingencies. Many of the contemporary characteristics of the Chinese Italian community were shaped by a specific sequence of Italian and Chinese national policies. By so doing, I want to contextualize the Chinese migration to Prato and help to de-essentialize the stereotype of Chinese migration either as cultural exception in which mechanism such as *guanxi* dominate or as a government conspiracy. Second, based on secondary researches, the chapter also reviews the postwar history of Prato ID. I want to show that the concept of industrial district should not be fetishized as an endogenic process in which only local forces play dominant roles. There have been a handful of historical moments at which Prato could have followed different paths of development. By so doing, I want to de-essentialize the concept of ID and argue that the emergence of the Chinese apparel industry in Prato, alongside the return of vertically integrated producers and the polarization between small and big firms, was a unique outcome of the ongoing transformations in Italian IDs.

Chapter 4 is devoted to the internal structure of the Chinese apparel industry. I make two investigations in the chapter. First, I introduce the production network of Chinese apparel firms in Prato commonly known as *pronto moda*. Although many would presume that the Chinese apparel companies emerged at the cost of the local textile industry, I show that the proliferation of Chinese firms was in fact the continuation of

the transformation that local firms have pioneered. Chinese firms inherited the existing governance structure of the Italian *pronto moda* but introduced new functions that boost productivity and flexibility. Second, I analyze the competitive advantage of the Chinese *pronto moda* and attempt to shed lights on the dark side of these production teams. In particular, the Chinese *pronto moda*, compared to its Italian precedent, has been more unequal in terms of governance structure and the consequent power asymmetry. This inequality defined the competitiveness of Chinese firms, but at the same time also engendered profound social problems.

Chapter 5 continues the analysis of the competitiveness of the *pronto moda*, but from the perspective of its trade networks outside of Prato. It argues that another part of its competitive advantage also relies on a horizontally integrated wholesale network of Chinese migrant traders living across Europe. On the one hand, these traders follow a business model that concerns fashion designs, faster replenishment, and smart inventory control. In this sense, they are very similar to what major European fashion brands, such as Zara, have been doing. On the other hand, different from major European brands, this Chinese trade network is less capitalized and targets a niche market with cheaper price and lower quality. In this sense, they fit the niche market between major European brands and Made-in-China garments.

The 6th chapter focuses on the tensions between Chinese firms and local Italian authority on the ways in which productive and living space is managed in *pronto moda*. In particular, drawing upon the conjunctural analysis from British cultural studies, I study the conjunctural spatial logics behind the apparel production networks in Prato. While the Italian authority carefully defines the spatial boundary between factories and houses, the Chinese stitching workshops tend to ignore the regulation for economic and social reasons. Because of the power asymmetry between final firms (firms that organize the production team and specialize in design and output phases) and stitching workshops (firms that specialize in the stitching phase alone), final firms are able to subcontract not only the least profitable phase but also the more precarious forms of work to stitching workshops. Such power symmetry has resulted in a distinct spatial arrangement in *pronto moda*. While some phases of production that heavily

depend on flexible labor are deemed too risky to be seen even though it might have little to do with illicitness, other phases of production such as exhibit of final products are intentionally to be public. This is the reason why stitching workshops are forced to hide themselves from the local society. I show that the hiddenness of the Chinese workshops contributes to the misunderstanding between Chinese and Italian communities, which culminated in the annual dragon parades of the Chinese New Year.

The central question of the Chapter 7 is how the local institutions in Prato respond to the tensions and why some of the ongoing efforts made by Italian local government failed. In this chapter, I discuss how local business associations and local governments tried to cooperate and regularize the Chinese *pronto moda*. I point to the main obstacles of cooperation between Chinese firms and local authority, and suggest a possible way to overcome the obstacles. In particular, I focus on the ongoing project, called CREAM (Centro di Ricerche e Alta Formazione, Center for Research and Higher Education) between the region of Tuscany and the province of Zhejiang which attempts to collaboratively solve the problems of Chinese apparel firms in Prato. As part of a bigger project called the *Programma MAE-Regioni-cina* which convenes Italian regions to seek economic opportunities in China, this program attempted to create a joint research center in Prato with both inputs from Tuscany and Zhejiang where the majority of Chinese immigrants came from. I argue that the current stagnation of the project may be due to its top-down process initiated by the regional and provincial governments. Without the support from local firms and the transnational investment promotion community (Sellar and Lan 2013), the project is bound to face numerous problems.

The last chapter concludes this dissertation and raises a number of questions for future research.

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Chapter 2: Industrial districts and global value chains

“Think of the tools in a tool-box: there is a hammer, pliers, a saw, a screw-driver, a ruler, a glue-pot, glue, nails and screw. – The functions of words are as diverse as the functions of these objects” (Wittgenstein 1953, 11).

I engage with in general two traditions in economic geography and related disciplines. First, as the prototype of Italian “industrial districts” (IDs), Prato has been at the center of many debates in regional studies and economic geography. The original concept of industrial district was defined by Alfred Marshall (1890) based on the textile industry of Lancashire. After the 1970s, when capitalism fell into another crisis, the concept of *distretti industriali* in the regions of Tuscany and Emilia-Romagna was reintroduced by Italian scholars and then received strong resonance in the Anglophone academia as an alternative to the Fordist model of mass production. Being used as the primary model by leading scholars such as Becattini and Sforzi, the development path of Prato’s textile industry has been thoroughly analyzed and treated as an ID of IDs (Becattini 2001; Becattini et al. 2003). In this literature, Prato has been described as a cultural and social entity which fosters widespread entrepreneurship and communal trusts between interest groups. The recent emergence of Chinese apparel industry in Prato has raised important challenges to the development of Prato ID in specific and the theoretical viability of IDs in general. What are the relations between the Chinese apparel industry and the local textile industry? To what extent are Prato’s internal forces still dominating the local economy? What can be learned by other Italian IDs in the Prato case? To respond to these questions, one has to understand the conception of industrial districts, in particular the genealogy of its Italian version since the 1970s.

Second, based on an analysis of the world system of capitalism, the concept of global value chains (GVCs) has been recognized as one of the handiest theoretical tools for understanding the firm-level involvement in the globalization of production (Bair 2008). Compared with the tradition of industrial districts, this

tradition of GVCs is concerned with the external linkages of local production systems, and argues that it is these value chains organized by multinational corporations that boost the process of industrialization in less developed countries/regions (Humphrey and Schmitz 2002). In Prato as well as in many of the Italian IDs, this theory has very concrete meanings. Theoretically, the production and retail networks of IDs, with a myriad of small and medium-sized enterprises (SMEs), are fundamentally different from the GVCs organized by multinationals. However, because of the transformation of global markets and competitive pressures imposed by newly industrialized countries (NICs), IDs are no longer able to export the traditional Made-in-Italy products in the ways they did before the 1990s. In the lower end market, IDs lost market share to NICs because of rising labor cost in Italy, while in the higher end market, IDs faced difficulties competing with multinationals which invested heavily in research and design (R&D). The substantial decline of many of the Made-in-Italy goods has spurred people to rethink the model of IDs and its inherent limits in reducing cost and funding R&D (Corò and Volpe 2006; Chiarvesio, Di Maria, and Micelli 2010). Can SMEs in Prato compete with the multinationals that have taken advantage of chasing the lowest cost in the developing world? How can Italian SMEs make use of the GVCs rather than being excluded from them?

For Italian scholars, the Prato case has a special meaning. Facing pressures from GVCs, Italian scholars have been debating on the future of Italian IDs (Belussi and Sedita 2009; Rabellotti, Carabelli, and Hirsch 2009; Becattini, Bellandi, and De Propris 2010). At the center of this debate is the question whether or not the Italian IDs are still a viable development model. Many Italian scholars believe that IDs in fact have diverse origins and obtain very different competitive advantages (cf. Belussi and Sedita 2009). Therefore, at least some of the IDs are still or have the potentials to be competitive in global markets. However, what happened in Prato poses a difficult challenge to this debate, because if the Chinese *pronto moda* continues to thrive while the Italian textile in Prato continues to decline, to what extent we can say this is a “successful” transformation of an “Italian” ID, and more importantly, to what extent we can still say this is an “Italian” ID at all? While indeed what has happened in Prato is not happening in other

Italian IDs, or at least not at the same scale, I argue that the Chinese *pronto moda* is one of the many possibilities that can happen and in fact has already happened around the world.⁵

Influx of immigrant companies and workers has been nothing new in the history of capitalism. During the heyday of the Italian industrialization in the 1950s and 60s, it was the migrants from southern Italy who came to Prato and finally became entrepreneurs in one generation (see Chapter 3). Similar story has also been observed when Turkish entrepreneurs and workers migrated to the bordering industrial districts in Bulgaria (Begg et al. 2005). What is really unique in Prato is the scale of the *pronto moda* and the ways in which it represents the characteristics of probably a new phase of globalization. As Henderson et al. (2011; 2013) have argued, with the rising Chinese economy, the world may begin to see a new phase of globalization with distinct characteristics of Chinese capital and labor. In Chapters 6, 7 and 8, I show that this “globalization with Chinese characteristics” (Henderson, Appelbaum, and Ho 2013) is indeed impacting not only the production networks in Prato but also redefining the business networks across Europe and between Europe and China.

For Chinese apparel firms in Prato, the concept of GVCs has a different but no less important meaning. Similar to its Italian counterpart, the Chinese production network is also organized by SMEs. However, interestingly, similar to fast fashion chains such as ZARA, Chinese firms have been able to occupy niche markets in Italy and other parts of Europe. If we take account of the competition from low-value clothing imported by their colleagues from China, their success in Prato is even more impressive. How do Chinese apparel firms from manufacturers to wholesalers organize their value chains? What are the differences between their chains and the mainstream ones organized by Italian ID firms? What are their competitive advantages against peer producers in Europe and in China? The literature of GVCs offers a theoretical framework in which value chains of the Chinese apparel can be fitted, and provides a methodological tool-box to analyze these questions in systematic ways.

⁵ Carpi in the region of Emilia-Romagna has also hosted a cluster of Chinese apparel firms. However, most of those firms are still subcontractors of local Italian firms and the scale is still not comparable to the one in Prato (Ceccagno 2007, 640–1).

Beyond these two traditions, I also borrow a number of conceptual tools from cultural theories. One of the most important tools in my dissertation is the conception of conjuncture and conjunctural analysis.

Developed by British cultural studies, it offers a theoretical angle to look into the complicated relations of economic, social and political forces in Prato. In this chapter, I do not intend to give the entire genealogy of either the British cultural studies or the concept of conjuncture. Instead, I elucidate my particular engagements with the concept in the case of Prato.

2.1. Industrial Districts

The golden age of post-WWII capitalism was dominated by the model of mass production in vertically integrated corporations. This model was named after Henry Ford's Detroit auto plants as Fordism and prevailed across the developed countries until the 1960s, when a series of crises hit the shores (Harvey 1991, 142–150). Stagnant rates of profit and accumulation, soaring rates of unemployment, and competitions from emerging newly industrialized countries (NICs) eventually led to serious social unrests in Western Europe and the United States. The end of Bretton Woods system in 1971 and the oil embargo after the Yom Kippur War in 1973 aggravated the situation and severely affected the foundation of capitalist accumulation in the western economies. Facing economic and social crises, academics began to rethink the dominant discourse of development and industrialization.

A number of theories emerged from different parts of the developed world and responded to the crisis from the perspective of their own contexts. While the Anglophone academy was interested in the paradigm shift of the capitalist regime of accumulation from Fordism to Post-Fordism, the Italian academy was more concerned with the fact that provincial economies in Emilia-Romagna and Tuscany maintained strong growth in contrast to the large plants in Piedmont and Lombardy (Sellar 2007, 24). As Sellar nicely summarizes, although these two trends were developed separately for different purposes, they intensively interacted and later on converged into a reappraisal of models for regional development.

Third Italy

When the crisis deepened in major developed countries in the 1970s, Italy surprisingly maintained relatively strong growth. After disaggregating the regional export data from Italy, scholars discovered that a large part of the growth was contributed by clusters of consumer goods producers in the northern and middle part of the country (Becattini 2001, 40). Compared with the Fordist model of vertically integrated factories, the production in this part of Italy was structurally different and revived interest in the “industrial district” in relevant disciplines. The concept of industrial district was originally defined by Alfred Marshall (1890) based on three mechanisms: “(1) scale economies, which result from a high degree of specialization and division of labor; (2) external economies, which arise from the existence of shared infrastructures, services, and information; and (3) the availability of special skills and the pooling of the workforce, which for example, allow individual enterprises to adjust their size and composition rapidly without jeopardizing employment and the reproduction of skills at a system level, as long as cyclical movements in demand and employment in different subsectors are not in phase with one another” (Dunford 2006a, 27). During the 1970s and 80s, Giacomo Becattini (1978; 1979) and Sebastiano Brusco (1982), among other Italian scholars, revived this concept of ID in order to explain the phenomenal growth of regional economies in the central part of the country.

An Italian ID is distinct in two ways. First, an ID is a cluster of small and medium-sized enterprises (SMEs) among whom competition is mitigated and knowledge sharing is encouraged by social and cultural mechanisms. Such division of labor (distributing production among SMEs instead of integrating in one company) has been proven to be more effective than the vertically integrated plants especially in producing non-standardized products such as textile and apparel (Sforzi 2003, 41). Evidence also shows that SMEs inside the ID have greater productivity and enjoy better profitability than firms outside as a result of widespread entrepreneurship and hard-working ethics (Signorini 1994). Second, unlike vertically integrated plants in the metropolitan areas of Turin and Milan, Italian IDs are usually located in an area that is not completely urbanized, yet has sufficient infrastructure to develop a particular sector of industry (Sforzi 2003, 36–8). This infrastructure includes not only the physical constructions such as

roads, buildings and machines, but also a community which is capable of innovating, reproducing and sharing know-how. These two characteristics made this part of the country stand out of the binary division between the North and South, and eventually became known as the “Third Italy” (Bagnasco 1979). However, the consequences of such disintegration of production are more complicated than appeared at the first glance. From the viewpoint of capital, by dismantling one integrated phase of production into many, there are both gains and losses at the same time (Harvey 1982, 130–2). On the one hand, for each of the companies, disintegration of production means faster turnover rates and more flexible composition of constant and variable capital for its specific intermediate products. On the other hand, by so doing companies have to trade off a portion of profit to their partners, because profits maximized by companies tend to augment overall transaction costs, and thus make the products uncompetitive. Excessive competition among SMEs might easily lead to mass closures during economic downturns. Why did most of the Italian IDs manage to maintain its peculiar production network constituted by SMEs during the past crises? Why do they agree to cooperate and collectively control the competition to a limited level? What keeps the transaction costs low enough to offset the detrimental effects of disintegration? Despite the different starting points of their theorizations, most Italian scholars of industrial districts point to the importance of local institutions in organizing and regulating the inter-firm relations.⁶

Their emphasis on institutions is largely dependent upon the specific ID cases in their empirical studies. For example, most of Becattini’s research is based on Prato which places my dissertation in direct conversation with them. For Becattini and his followers, it is the artisan tradition and its historically open-minded custom that gave birth to various associations of artisans, industrialists and migrant workers. The proximity of local schools and research institutes has allowed the Prato ID to survive economic crisis after crisis (Becattini et al. 2003, 17–20; Dei Ottati 1996; 2003). Previous research has shown that there

⁶ Although sometimes referred to as a homogenous group, Italian ID scholars are in fact diverse. Becattini’s research team based in Florence and Brusco’s team in Modena differ on number of theoretical arguments. For a complete comparison between the Florentine and Modena schools, see Sellar (2007, 32–5).

have been many uncertainties during the history of Prato's development. It was possible that a "vicious circle" may have emerged if the bundle of socioeconomic circumstances and institutional contexts were not coordinated in the right place at the right time (Becattini 2001, 95). For instance, during the heyday of strikes and social turmoil in the 1970s, Prato kept its development pace thanks to the successful mediation of the local communist government (Becattini 2001, 143). Similarly, the IDs of Emilia-Romagna are the primary case studies for Brusco. Among other factors, Brusco (1982, 181) refers to the left-wing local governments who helped to alleviate the tensions between labor and capital, fostering internal solidarity against competition from the outside. Also, for him, governments are responsible for designing development policies which have significant impacts on the regional performance and inter-firm relations in the IDs (Brusco 1990).

In spite of many insights that have been offered by the Third Italy model, there are two major limitations of this literature. First, the primary focus of the Italian schools is on domestic issues. They are not very interested in expanding their models to other parts of the world (Sellar 2007, 38). Second, because its leading practitioners are economists, this work is highly empirical. Conceptual relations with broader theoretical debates in other disciplines, as a result, are not common until much more recently (as I discuss in the later section on the "convergence" of Italian and Anglophone schools).

From Fordism to Post-Fordism

Perhaps because of the global reach of Anglophone empires, scholars across the Atlantic were more concerned with the implications of the crisis of Fordism in other parts of the world. As a consequence, lessons about the Third Italy became a way to rethink the roads to industrialization in general. Through these debates, some scholars have developed a number of useful theoretical tools to fit the Third Italy into a bigger map of capitalist development.

Inspired by the early works of the Third Italy and similar cases elsewhere, Suzanne Berger and Michael Piore were among the first to suggest an ongoing paradigm shift of capitalism (Berger and Piore 1980;

Berger 1994). Opposing the then dominant models of liberal individualism and market rationalism, they argued that there were multiple paths of capitalist development, and the classic model of development based on the history of the UK and US should not be assumed for other countries. Based on specific compositions of material and cultural resources inherited from the past, the “optimal solutions” to industrialization differ from one country to another. Among the things that define optimal solutions, institutions, especially state and local governments, usually play an important role by defining incentives and constraints for a given behavior, and thus make certain solutions more likely than others (Berger and Piore 1980, 4). Therefore, mass production in one vertically integrated firm has never been necessary for industrialization, while industrial districts comprising SMEs with their highly specialized labor may be as good a solution or in certain cases much better than the former. “In order to release both imagination and will from the constraints of false necessity, we need a vision of the diverse possibilities that can be realized within industrial societies” (Berger and Piore 1980, 12).

This argument was later developed by Piore and Sabel (1986) into “the second industrial divide” in the history of capitalism. They argue that it is the Fordist model of development based on mass production that caused the crisis (Piore and Sabel 1986, 3). “Flexible specialization” that occurred in the IDs with its institutional contexts accommodated the intensified uncertainties in the late capitalism better than the Fordist model. “This strategy is based on flexible – multi-use – equipment; skilled workers; and the creation, through politics, of an industrial community that restricts the forms of competition to those favoring innovation. For these reasons, the spread of flexible specialization amounts to a revival of craft forms of production that were emarginated at the first industrial divide” (Piore and Sabel 1986, 17).

The contrast between the prosperity of Third Italy and the crisis of other places also aroused alternative thinking in economic geography. Building upon the works of the French regulation school, Allen Scott and Michael Storper argued that the ongoing crisis should be perceived as a paradigm shift in terms of the “regime of capitalist accumulation” (Scott and Storper 1986; Scott 1988). Because of the many uncertainties in each of the steps of capitalist accumulation, a network of regulatory institutions is always

indispensable for stabilizing the process of accumulation. Based on the regulation school, this system of institutions, including governments, non-government associations, and educational and research institutes, and the ways in which they regulate the society, is called the “mode of social regulation” (Lipietz 1987). The crisis of Fordism was therefore the crisis of the Fordist regime of accumulation with its rigid mode of social regulation which could not meet the diversified demands of consumer goods and intensified struggles between labor and capital. Moreover, Scott and Storper emphasized the importance of industrial spaces for the new regime of flexible accumulation in two ways. First, geographical proximity is important for reducing the uncertainties during transactions (Scott 1988, 13). Face-to-face meetings are usually the most trusted way of signing contracts and building long-term collaboration. Second, the previously marginalized places are less obstructive to new regulatory institutions than heavily industrialized places (Scott 1988, 17). For instance, while in Prato disintegration of production was embraced by most of entrepreneurs and workers, mass closures of Fordist plants in places such as Detroit would be unthinkable with the presence of strong trade unions.

In order to conceptualize the characteristics of this Post-Fordist regime of flexible accumulation, Storper (1997, 42) proposes a model of “regional worlds of innovation and production” to explain the agglomerations of flexible SMEs. Based on empirical studies in Silicon Valley and Hollywood, he argues that it is the regional based conventions and institutional structure that make a community of knowledge sharing and arm-length transactions possible. In particular, he theorizes the concept of “untraded interdependency” to explain the phenomenon in which firms and laborers’ responses to price are conditioned by local conventions and interpersonal relations in order to reduce uncertainties during transaction (Storper 1997, 44). In an ideal model built by Paul Krugman (1991), if there are two industrial districts with increasing returns that are results of path dependency, there is only one equilibrium point for both districts to sustain. Any other composition of resources will necessarily result in the polarization of one district and the impoverishment of the other—labor and firms will flock into one of them. This result is obviously unacceptable when we have so many industrial districts competing

with each other even within one small country like Italy. With untraded interdependency however, for laborers as well as for firms, not every cost can be quantitatively measured. There are all sorts of non-market connections which make the seemingly uneconomic location strategy reasonable.

This argument of a paradigm shift was also perceived as an exaggeration of the consistent logic of capitalist accumulation by a number of scholars. Ann Markusen (1996) asserts that the applicability of Marshallian industrial districts is limited by its geographical confines and specialized sectors. “Although the presence of Marshallian industrial districts, even the Italianate version, can be confirmed in a number of American instances, the claims made for the paradigmatic ascendancy of this form of new industrial space (Scott’s rubric) do not square with the experience of most rapidly growing agglomerations in industrialized and industrializing countries” (Markusen 1996, 307). A number of possible regimes of accumulation including the Fordist mass production persisted and even prospered in many other regional economies of the world. Moreover, she critiques the stereotype of ID in which harmonious cooperation dominates. Although authors such as Berger and Piore (1980, 8), and Scott (1988, 14) realized the possible polarization of the society through which a secondary ensemble of sectors is created with lower wage and less job security, “in most regional accounts, networks are presented generically and extolled without examining the motivations of participants, mapping who might be included and excluded, analyzing unequal power relationships among members or gauging the durability or fragility of relationships” (Markusen 1999, 877). Similar arguments have also been posed by Amin and Thrift (1992) who saw the contemporary capitalism as “still a world of corporate power” (574), and argued that the IDs have to be integrated into the global network in one way or another.

More critical evaluations come from Marxist influenced geographers. Doreen Massey’s earlier work (1979; 1984) on the British regional economies can be viewed within this line of critique. She argues that each form of distribution of value corresponds to a specific form of production, and the uneven development of the regions is a necessary and “useful” outcome of capitalism to maintain the rate of accumulation (Massey 1979, 241–2). This prepares the way for her later conception of power-geometry

which emphasizes the unevenness created by the differentiated mobility of different groups of people and capital (Massey 1991). David Harvey (1991, 195) took one step further by arguing that the flexible accumulation boasted by industrial districts of SMEs in certain places of the world is no more than yet another spatial fix to the over-accumulation of capital. Because of the cycles of over-accumulation, crisis and subsequent devaluation are inevitable to capitalism, and because some forms of capital such as constant capital invested in infrastructures are less mobile than other forms such as finance capital, devaluation is more likely to be place-specific on less mobile capital. “The continuous re-structuring of spatial configurations through revolutions in value must again be seen, however, as a normal feature of capitalist development” (Harvey 1982, 426). Based on this theorization, Harvey questions the very existence of such a paradigmatic shift of the regime of accumulation: “I do not see this shift to alternative systems of labour control (with all its political implications) as irreversible, but interpret it as a rather traditional response to crisis” (1991, 192).

This body of literature leads to a number of important questions directly related to my case in Prato. It shows that the prosperity of Italian IDs came out of a specific historical moment in which over-production of standardized goods reached its limits, and diversifying demands for fast selling consumer goods were not met by contemporary producers. Therefore, the path dependency made older Fordist companies alongside the regions where they concentrated less competitive than these previously marginalized regions such as industrial districts in Italy. However, as many have asked (Amin and Thrift 1992; Markusen 1996), what if external demands for consumer goods shifted again? What if the vertically integrated producers once again became more competitive and responsive to the markets? Actually, as we discuss in Chapter 3, this is exactly what has been happening to the textile market since the 1990s, and has imposed unbearable difficulties to Prato’s textile industry (Becattini 2001, 130; Dei Ottati 2009). As Prato’s textile industry kept declining and its apparel industry kept prospering, a number of questions emerge. Do Chinese apparel firms constitute a parallel ID or are they an integrated part of the Italian one? I show in the Chapters 4 and 5 that this may not be an either-or question and the relations between

Chinese and Italian industries in Prato are more complicated than we might expect. The second question (and a more interesting one) is that: if Chinese firms organize in more or less the same way that Italian ones organize, what factors make the Chinese apparel wax, while the Italian textile wane? Do the limits of this regime of flexible accumulation also apply to the Chinese firms in Prato? What are the institutional forces that define the conditions of possibility for the Chinese apparel industry in Prato? These are more empirical and difficult questions that I have to tackle with in the later chapters.

2.2. Global Value Chains

The commodity chain research was initiated by Hopkins and Wallerstein who define a chain as “a network of labor and production processes whose end result is a finished commodity” (Hopkins and Wallerstein 1986, 195). As a part of world system analysis (Wallerstein 2004), the primary purpose of studying commodity chains is to reveal the ways in which surplus value is produced by labor and distributed across the world. It’s origins in Marxism meant that many of the first commodity chain studies focused on the history of capitalist globalization, trying to analyze the weak points in these chains which necessarily engendered cyclical crises (Bair 2008, 15). Historically focusing on the colonial period, these first chains studies did not directly speak to the contemporary development issues of the developing world. Therefore, a number of scholars who were less convinced by the Marxist framework during the late 1980s and early 1990s decided to conduct more empirical and operational researches.

Following the collapse of colonial empires after WWII, the new wave of globalization has been dominated by transnational corporations which distribute their production networks across the world. As a consequence, the newly industrialized countries (NICs) in East Asia received a succession of industries outsourced from the West, the process known as the “Global Shift” (Dicken 2011). Based on years of empirical studies of the apparel industry in Latin America and East Asia, Gary Gereffi developed the theory of Global Commodity Chains (GCCs) (1994) which laid the ground work for most of the current chain studies. The initial question for Gereffi is why certain countries, e.g. Japan and South Korea,

sustained strong development and continuous industrialization by exporting, while others, especially those in Latin America, failed to do so (Gereffi 1999, 38). The original paper of GCCs was quickly developed into a literature of Global Value Chains (GVCs) to “ask questions about the winners and losers in the globalisation process, how and why the gains from globalisation are spread, and how the number of gainers can be increased” (Gereffi et al. 2001, 2).

The literature of GVCs basically deals with two inter-related themes of industrial development: the organizational conditions and paths of industrial upgrading. As opposed to the world system studies that primarily focus on industry as a whole, this literature aims to offer a theoretical framework which focuses on activities of the firms, and tries to connect the micro with the macro processes in the global economy (Bair 2008, 8). Typically, for these authors, organizational conditions can be conceptualized into a limited number of forms of governance structure (Gereffi and Korzeniewicz 1993; Gereffi 1999). The concept of governance structure focuses on who the drivers of a chain are and how these drivers appropriate or distribute value along the chain. For Gereffi (1999, 43), there are two distinct types of governance structure: the producer-driven commodity chains (PDCC) as in the case of capital intensive industries such as automobiles, and the buyer-driven commodity chains (BDCC) in the case of labor intensive industries such as apparel. Throughout the development path of NICs, BDCCs have had much more importance than the PDCCs, since the “global shift” of production from the West to the East was by and large organized by big American and European retailers in response to rising labor cost in their homelands. Nearly all of the NICs began their industrialization by joining the BDCCs, especially the textile and apparel chains, including Japan in the 1950s, South Korea, Hong Kong and Taiwan in the 1970s, and China in the 1980s (Gereffi 1999, 45). Firms learned the knowledge about sourcing, producing and marketing step by step through the “organizational succession” of global buyers from discount chains to higher status brand names. The aggregate effect of this organizational learning is what Gereffi defines as industrial upgrading: “a process of improving the ability of a firm or an economy to move to more profitable and/or technologically sophisticated capital- and skill-intensive economic niches”

(Gereffi 1999, 51). However, what is the relationship between forms of governance structure and paths of upgrading? How do different chains result in different types of upgrading?

The question was picked up by followers and later developed into a complex matrix of forms of governance structure and types of upgrading (Humphrey and Schmitz 2002; Gereffi, Humphrey, and Sturgeon 2005). Four types of upgrading are identified: process (being faster and more efficient), product (being more sophisticated and diversified), functional (acquiring new functions) and inter-sectoral (expanding into related sectors) (Humphrey and Schmitz 2002, 1020). Upgrading of production processes was also important, from CMT (Cut and Make, assembly), OEM (Original Equipment Manufacturing), ODM (Original Design Manufacturing), OBM (Original Brand Manufacturing) through service providers.

Five governance structures were also identified to reflect the continuum of intermediate forms based on the complexity of transactions, codifiability of information and capacities of the supply base (Gereffi, Humphrey, and Sturgeon 2005). Different forms of governance structure entail different degrees of power asymmetry. Based on this framework, they offer a systematic way to study forms of inter-firm relations and correlated types of upgrading in a variety of countries and sectors (Bair and Gereffi 2001; Cattaneo, Gereffi, and Staritz 2010).

Tab. 2.1: Types of governance structure (Gereffi, Humphrey, and Sturgeon 2005, 87)

Types of governance structure	Complexity of transaction	Ability to codify transaction	Capabilities of supply-base	Degree of explicit coordination and power asymmetry
Market	Low	High	High	<div>Low</div> <div>↑</div> <div>High</div>
Modular	High	High	High	
Relational	High	Low	High	
Captive	High	High	Low	
Hierarchy	High	Low	Low	

Tab. 2.2: Stages of upgrading in the textile and apparel industry (Cattaneo, Gereffi, and Staritz 2010, 199–200)

	Functional capabilities	Governance structure	Weaknesses and upgrading	Skills acquired
CMT Assembly	The focus of the supplier is on production alone; suppliers assemble imported inputs following buyers' specifications.	Captive or market	Lack capital, expertise, direct access to buyers, local inputs. Process or product upgrading	Local firms learn foreign buyers' preferences, including international standards for price, quality and delivery.
OEM Original Equipment Manufacturing	The supplier takes on a broader range of tangible, manufacturing related functions, such as sourcing inputs and inbound logistics in addition to production.	Captive or market	Lack design capabilities and strong managerial and technical skills. Functional upgrading to logistics and coordination	Production expertise increases over time and spreads across different activities. Suppliers learn the upstream and downstream segments of the chain from buyers.
	If the ability to codify transactions increases and supplier competencies remain high, degree of explicit coordination decreases	Modular		Can lead to Substantial backward linkages in the domestic economy.
ODM Original Design Manufacturing	Supplier carries out part of the preproduction processes, including design or R&D		Lack direct access to foreign consumers and marketing skills. Functional and product upgrading	Innovative skills related to new product development
	If in collaboration with buyer	Relational		
	If buyer attaches its brand to a product designed by the supplier	Captive or modular		
OBM Original	Supplier acquires postproduction capabilities and is able to fully develop products		Knowledge	Innovative skills

Brand Manufact-uring	under its own brand names.		changing	related to marketing and consumer research
	If maintains relationship with and develops brands with buyer	Relational	Functional upgrading	
	If no longer relies on buyer for any functions and establishes own distribution channels	Lead firm	Channel and functional upgrading	

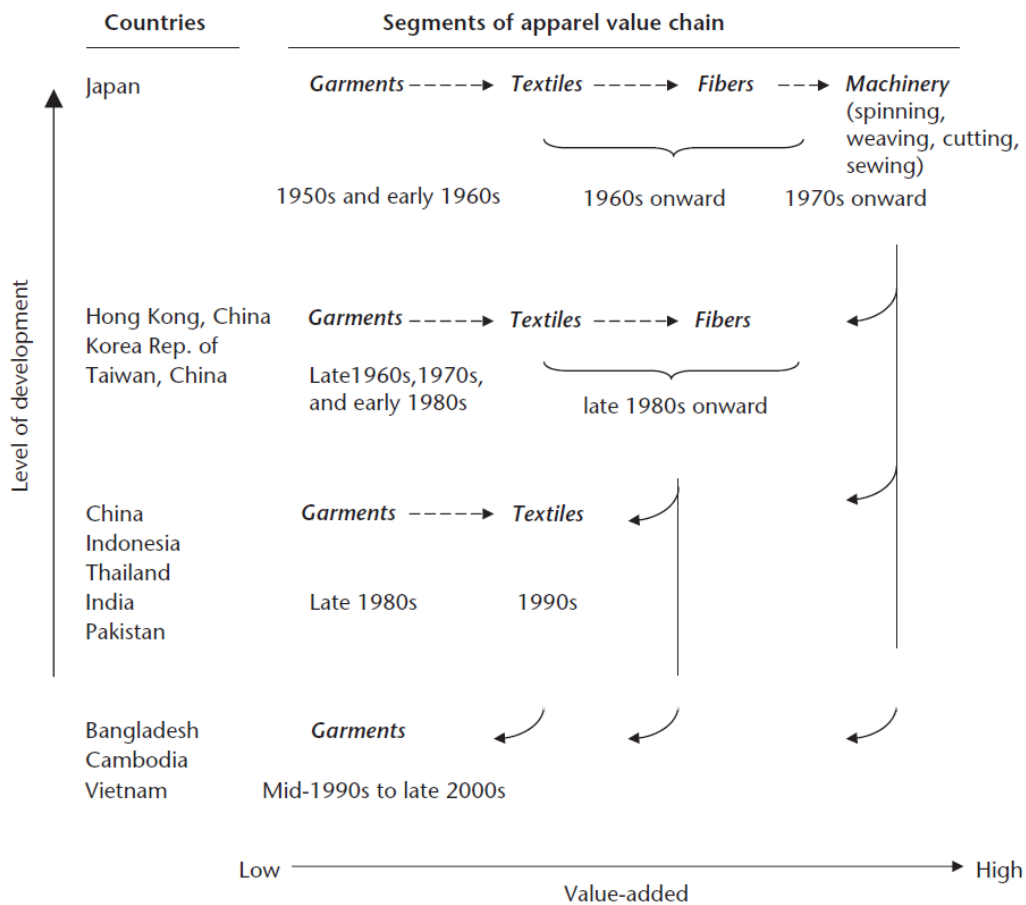


Fig. 2.1: Historical succession of the textile and apparel industry (Cattaneo, Gereffi, and Staritz 2010, 205)

The literature of GVCs has also provoked a number of important theoretical developments from geographers. One of the problems remains in the GVCs is that the production process is metaphorized as a chain, which precludes more complex connections between the chains (Henderson et al. 2001, 440). In particular, the geographical context and institutional/social embeddedness are largely ignored in the GVC literature. “[C]ommodity chains link not only firms in different locations, but also the specific social and institutional contexts at the national (sometimes sub-national) level, out of which all firms arise, and in which all - though to varying extents - remain embedded” (Henderson et al. 2001, 441). Based on their earlier works on the “global shift” and industrialization of NICs, the so-called “Manchester School” of economic geography thus emerged with the concept of Global Production Networks (GPNs), which they argue can integrate the biggest possible amount of the theoretical insights offered by chains studies and accommodate the complexity of real world geography (Henderson et al. 2001; Coe, Dicken, and Hess 2008). Although the literature of GPNs highlights the importance of spatial pattern, institutional contexts and relational thinking, I agree with Bair that in practice, their empirical work “does not differ greatly from analyses of global commodity chains in terms of methodological approach” (Bair 2008, 4). Therefore, in my dissertation, I would use the terms of GCC, GVC and GPN as interchangeable. At the same time, I follow the advocates of the GPN studies to pay more attention to the social/institutional embeddedness which defines the firm behaviors beyond purely economic rationalities.

To sum up, the literature of GVCs is important in three ways. First, complementary to the literature of industrial districts, the GVC schools pay more attention to the external relations of industrial clusters and specify the ways in which smaller firms are involved in production networks organized by lead firms. More importantly, it helps me to position the case of Prato into a global context of multinational corporations which both Italian and Chinese firms have to face. How can we evaluate the competitive advantages of the Chinese apparel and Italian textile in Prato in terms of its organizational forms and internal power structure? What are the domestic/global markets for Chinese apparel produced in Prato? These questions can be asked in concrete and systematic ways in the framework of GVCs.

Second, this literature seeks to offer practical methodologies for empirical studies and for making the comparison between cases structured and systematic. In particular, forms of governance structure, types of upgrading and degrees of power asymmetry are useful tools for studying processes of outsourcing, inter-firm relations and the possibilities of upgrading, and thus directly apply to my research in Prato. By breaking down the labyrinth of the local production networks in Prato, concepts such as functional capability and governance structure help me pinpoint the roles of different actors on the chain and the complex relations between them. Meanwhile, the GVC tools for assessing weaknesses and paths of upgrading become indispensable, if one asks why the synergetic relations between Chinese apparel and Italian textile are so far impossible. The difficulties for upgrading in the Chinese apparel industry are quite different from those faced by Italian firms.

Third, from the beginning, the conception of GVCs always highlights the role of state policies and government institutions (Gereffi 1994, 100). However, as the advocates of GPNs argue, followers of the GVCs usually do not pay enough attention to the impacts exerted by social and political institutions (Coe et al. 2004). Although this argument is true to a certain degree, if one has carefully studied the genealogy of GVCs, it is easy to find that one of the original purposes for GVCs was to move beyond the institutional stories repeated in the literature of industrial districts and turn the focus to firm-level behaviors (Humphrey and Schmitz 2002, 1019). Therefore, both IDs and GVCs provide rich and complementary “tool-boxes” for me to understand the institutional contexts in Prato. In particular, I show in Chapter 6 that the social embeddedness of the *pronto moda* needs to be understood through the conflicts between the rationality of capital and the rationality of government.

Finally, as Gereffi and his followers confirm in a number of cases, this body of literature is meant to be policy oriented (Gereffi 1999, 37; Humphrey and Schmitz 2002, 1808). This is actually a double-edged sword for those who want to use their methodology. On the one hand, students of the GVCs are usually more capable of offering down-to-earth insights of a specific industry in a specific place. It also makes the research mundane enough to be understood by policy makers. On the other hand, thinking from the

position of policy makers, usually the nation-states, people who use the GVCs tend to assume the *status quo* and deprive their researches of critical power (Bair 2008, 29; Bair and Werner 2011a, 1000).

Hopefully, speaking to the ongoing tensions between Chinese and Italians in Prato, I am able to make my research meaningful for both policy makers and critics.

2.3. Confluence of the two traditions

Although I have presented the two bodies of literature in different sections, I do not mean to suggest that they developed separately, without interactions. Actually, many of the original researches were direct outcomes of the conversation between the two traditions. For instance, the literature on industrial upgrading through GVCs was supposed to be a critique of the Third Italy as “containing the full range of activities required to produce finished products for the world market” (Humphrey and Schmitz 2002, 1020). Recent attempts to bridge the two traditions have been made by practitioners from both groups, and they can be summarized in 3 general directions.

First, stimulated by the substantial transformations in Italian IDs over the past two decades, scholars of the Third Italy have realized that there are growing connections between SMEs in the IDs and multinationals from the outside. Many studies have been intended to show the internal diversities among Italian IDs. Second, geographers are particularly interested in the spatial and institutional contexts of the ID and use GVC theories to connect firm-level activities with broader regional and national economic performance. In particular, issues of foreign migrant workers are now playing a more important role in the development of IDs than any time before. Finally, dissatisfied by the lack of critical power in the GVCs literature, some scholars are seeking ways to bring back the critical tradition of regional studies in economic geography and have done genuinely path-breaking works.

Since the early 1990s, traditional Made-in-Italy products such as textile and apparel have been facing increasingly intensive competition from the Asian NICs. The stagnation of the Italian GDP growth was

accompanied by the downturn in per capita productivity, and gave birth to the question whether or not the model of Marshallian IDs was still viable for long term development (Dunford 2006b, 2; Rabellotti, Carabelli, and Hirsch 2009, 19). Despite constant suspicions about the future of IDs from scholars such as Amin and Thrift (1992) and Dunford (2006a), many scholars, especially Italian scholars, have argued for their sustainability. Among others, Corò and Volpe were the first to use the theory of GVCs to explain the fragmentation and outsourcing of productions in the IDs (Corò and Volpe 2006). In particular, they argue that the outsourcing process of ID firms is actually not much different from the process organized by bigger transnationals in terms of the ways in which value is distributed along the chains. The importance of value chains is also recognized by Roberta Rabellotti and her followers who have done pioneering work on the consequences to ID firms when participating in GVCs (Rabellotti 2004). Although firms within ID still enjoy better performance than those outside, by joining the GVCs they have to give up all other functions except for production, accepting functional downgrading (Rabellotti 2004, 22–3). Depending on their size and specific sector, in order to remain competitive in the global market, the ID firms have to choose between pure exports, outsourcing and foreign direct investment (FDI) in response to competition from the outside, and so far, outsourcing to the Eastern European countries (EECs) has been the most popular strategy among SMEs (Rabellotti, Carabelli, and Hirsch 2009, 28–9).

In fact, there are diversities among Italian IDs. Belussi and Sedita (2009) have shown that Italian IDs have very different origins and follow diverse evolutionary paths. Although the original conception of an ID by Marshall highlights the endogenous innovative power, many Italian IDs actually originated from exogenous impacts such as the entry of foreign multinationals or specific policies of local institutions (Belussi and Sedita 2009, 509). Moreover, in the age of globalization, Italian IDs are increasingly open to global production networks and rely on knowledge input that is produced by distant firms outside the IDs (Belussi and Sammarra 2010; Camuffo and Grandinetti 2011; Belussi and Sedita 2012). Therefore, while some IDs might suffer a structural crisis, many others are still able to maintain to be competitive.

There have also been a number of researchers who have focused on the different development paths of Italian regional economies that cannot be subsumed under the conception of Marshallian industrial district (Bellandi and Sforzi 2003). Among others, Dunford and Greco have done one of the most thorough critiques on the Third Italy model and surveyed various forms of regional economies in Italy (Dunford and Greco 2006). There are two points most important in his research. First, they argue that a more viable regional theory requires connecting firm and inter-firm level researches, with sub-regional and regional statistics (Dunford and Greco 2006, 42–54). In particular, methodologies offered by the GVC literature are powerful in terms of showing complicated relations between forms of organization and paths of upgrading at not only firm level but also regional level (Dunford and Greco 2006, 46). Similar to what Markusen (1996) has claimed, they also contend that vertically integrated companies may still play important roles even in the traditional sectors such as apparel, and regional performance very often can be traced back to the performance of these lead firms (Dunford 2006a; Dunford and Greco 2006, 9). Second, like many other economic geographers, they point to the important role of national politics and institutional contexts in shaping the organizational structure of firms and inter-firm relations (Dunford and Greco 2006, 76–8). Issues such as taxation, national development plans and labor laws have significant impacts on the performance of Italian firms and regions throughout the postwar history (Dunford and Greco 2006, 95–100).

These two critiques of the Third Italy literature are in fact not unusual in economic geography. By studying the garage factories in Bulgaria, Begg et al. (2005, 154) show that the Third Italy model of regional development is geographically limited and has not yet taken into account historical contingencies and institutional complexities in post-socialist states. Parallel cases in other EECs (Sellar 2007; Smith et al. 2008) and Southeast Asia (Arnold and Pickles 2011) also show that national institutions are particularly important in shaping the local production networks which rely on migrant workers, because it is always the governments who design immigration policies and regularize (either successfully or not) labor force. These ways of incorporating migrant workers in local production networks are also

comparable to my case of the Chinese apparel industry in Prato. However, my case differs from Sassen's (1990) argument that migrant workers are "pushed and drawn" by multinational capital: in Prato, not only migrant workers, but also migrant entrepreneurs with their own capital are involved in the industry. This leads to a question about the globalization of Chinese economy as well (Henderson, Appelbaum, and Ho 2013). With an expanding Chinese economy, Chinese people and firms are increasingly encouraged to go abroad (Zhu and Pickles 2014). In what ways does the Chinese apparel industry in Prato rely on the Chinese economy and Chinese capital? Why do they bring workers overseas instead of manufacturing in China? These questions can be answered by studying the firm- and inter-firm level of organizational conditions.

One of the recent developments in the GVC literature is the critical turn initiated by a group of feminist scholars. Borrowing the concept of articulation from the British cultural studies and surplus population from Harvey, Bair and Werner (2011b, 989) argue: "the commodity chains approach tends to downplay, if not ignore, the fact that changing geographies of global production reflect moments of inclusion *and* exclusion" (original highlights). In their empirical research of a Mexican ID specialized in producing jeans, they found two important facts (Bair and Werner 2011a). First, the expansion of GVCs should not be taken for granted, because GVCs may withdraw from a certain place if markets and/or institutional contexts change. Second, the exclusion or disarticulation of firms and labor is a necessary process of GVCs and continuously reproduces forms of inequality among firms and laborers. I agree with them that "Processes of devaluation, for example, are an inherent dynamic of capitalism, but they cannot be reduced to the logic of capital. For one thing, capital alone does not determine whose labor will be exploited and where" (Bair and Werner 2011b, 991). In other words, since an economy consists of thousands of actors, a prosperous industry does not necessarily mean prosperity for all. Actually, many preceding scholars such as Massey (1984, 67), Harvey (1982, 425) and Markusen (1999, 877) have pointed out long before that inequality and uneven development are necessary outcomes of the capitalist accumulation and very often contribute to the contingent social and institutional contexts. By drawing upon the works of critical

geographers, I hope to contribute to this broader revival of the critical power of the GVC studies and put the current situation of Chinese apparel industry in Prato under critique.

2.4. Conjuncture and conjunctural analysis

Derived from the context of British society in the 1970s and 80s, a number of scholars including Raymond Williams (1997) and Stuart Hall (1978; 1988) founded the school of cultural studies in order to understand the contemporary socioeconomic crisis in the 1960s. In particular, inspired by the Gramscian conception of hegemony (1971) and Althusserian over-determination (2001), Hall and his followers (1978) first used the term *conjuncture* to analyze the British racism in the late 1970s, and successfully show a complicated map of economic, social and political forces that connected to racist discourses. For Hall, “[a] conjuncture is a period during which the different social, political, economic and ideological contradictions that are at work in society come together to give it specific and distinctive shape” (Hall and Massey 2010, 57). Therefore, conjunctural analysis is designed for empirical research and attempts to transcend the existing disciplinary boundaries toward a synthetic understanding of social crises. There are two slightly different conceptions of conjuncture in cultural studies. Williams uses the term as a general method to analyze “culture”. For him, any crisis must be studied in a conjunctural way in which not only economic, but also social, political and cultural forces need to be considered (Williams 1997). Unlike Williams who tends to generalize the use of conjuncture, Hall uses the term as a historically specific moment in which “a number of contradictions at work in different key practices and sites come together – or ‘con-join’ – in the same moment and political space and, as Althusser said, ‘fuse in a ruptural unity’ ”(Hall 2011, 9).

In fact, economic geographers are not unfamiliar with this argument, since the cultural/critical turn in our discipline has been trying to knock down these boundaries for more than 30 years (Sheppard 2011). As discussed in Chapter 6, I argue that the tensions between Chinese firms and Italian society must to be seen as conjunctural. The economic conflicts between Chinese and Italian communities are necessarily

entangled with social and political tensions. In this sense, my use of conjuncture seems to lean toward Hall's conception in which there are multiple crises condensing in Prato and potentially giving birth to a new historical conjuncture. Based on conjunctural analysis, I want to study the peculiar articulations of these different forces and present a more contextual picture of the Chinese apparel industry in Prato. Fortunately, scholars such as Bair and Werner (2011a) have made first attempts to bring together conjunctural analysis and regional studies, and so pioneered this way for me.

The other feature of the conjunctural analysis is its concern with the contingency and possibilities. The debates of industrial districts have led me think of Prato as a contingent assemblage of socioeconomic forces over a specific period of time. The concept of "conditions of possibility" was first introduced by Kant (1955) and later reframed by Foucault in a much different way (1982). For Foucault, the concept refers to the boundary of human knowledge at a given historical moment in which certain things became "sayable" and "seeable" while others did not. The articulations between "sayable" and "seeable" are by no means necessary and are subject to historically contingent events (Deleuze 1988). In other words, if we think it in terms of "the conditions of possibility", the current socioeconomic circumstances in which Chinese and Italian firms organize their production are no more than one incarnation out of many other possibilities. Two implications can be inferred from this argument. On the one hand, to analyze the current structure of production networks in Prato requires a survey of the historical conditions that have made this structure occur. On the other hand, the current difficulties and tensions in these production networks also provoke me to think of other possibilities that may change the *status quo*. Lawrence Grossberg's (2010, 57) declaration for cultural studies is therefore very relevant in my research:

"Instead, in my view, cultural studies has a more modest commitment to producing knowledge that illuminates the conjuncture and explores the possibilities of changing it; thus, it always presupposes a reconstitution of imagination in the context of its own analysis. It aims to give people an understanding of the contingency of the present. If the present context did not have to be this way, if it was not guaranteed in advance, then it could have been otherwise, and it can be something different in the future. It inquires into the possibilities for the future disclosed in the present."

I would like to see myself as practitioner of cultural studies in a broader sense, since I indeed agree with Grossberg that conjunctural analysis offers a theoretical framework to understand historical contingency and conditions of possibility. It constantly reminds me that the situation does not necessarily have to be in the way it is.

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Chapter 3: When Wenzhou meets Prato

“A rhizome has no beginning or end; it is always in the middle, between things, interbeing, intermezzo.” (Deleuze and Guattari 1987, 25)

There are a number of reasons a chapter devoted to the historical background of the Chinese migration to Italy and the industrial district of Prato is worthwhile. Although Chinese migration to the Prato ID only began in the late 1980s, their trajectories since the early 20th century prepared the necessary conditions for the encounter. On the one hand, the Chinese migration to Italy has been a consequence of historical contingencies since 1914. Besides wars and revolutions during this period, there have been a series of Italian and Chinese national policies including diplomatic treaties, amnesties and laws that imposed direct or indirect effects on the number, composition and occupational patterns of the Chinese migration to Italy. Even though the biggest wave of Chinese immigrants arrived after 1990, many of the contemporary features of Chinese migration to Italy were actually formed as early as during the WWI. On the other hand, as Becattini (2001, xii–xiii) makes clear, the industrial district of Prato was produced and constantly reproduced during the *longue durée*. Pratese people have always been proud of their great tradition in textile production and have been suppliers of Avignon and the Vatican since the 1400s (Origo 1957). Although this tradition prepared for later industrialization, it was not until the 1950s that the model of industrial district started to emerge. Since then, the Prato ID adapted itself to a series of economic and social crises. The current crisis of the textile industry in Prato to a certain extent reflects a number of path dependencies that have been left over by previous economic cycles. In particular, the emergence of the Chinese apparel industry in Prato has been conditioned on the crisis of the Pratese textile industry since the 1980s, the Italian immigration policies, and the waves of Chinese migration to Italy. In this chapter, I

probe into the history and investigate the potential ways in which social and economic forces in Prato were articulated with Chinese migration.

3.1. Two myths about Chinese migration

There have been two long-standing “myths” about Chinese migration in migration studies. First, as Skeldon (2003; 2007) argues, Chinese transnational migration and its diasporas have always been studied as an exception from common migration theories. In particular, there has been a tendency to fetishize the organization of Chinese migration surrounding the notions such as kinship and *guanxi*. By so doing, Skeldon (2007) warns, the Chinese migration becomes a mystified process in which everything can be explained by the exceptional Chinese “culture”. In order to contextualize the Chinese migration, many scholars such as Ong and Nonini (1996) have attempted to disenchant the “cultural aura” of Chinese diasporas and fit the migration into the bigger picture of colonial empires and capitalism.

Because of the dramatic growth of the Chinese economy in recent years, this attempt to contextualize Chinese migration in terms of capitalist globalization seems even timelier. Chinese outward foreign direct investment (OFDI) increased from US\$0 in 1979 to US\$378 billion in 2008 (UNCTAD 2009). In 2008, Chinese OFDI stock in Italy reached US\$133.6 million, and in terms of China’s some 2 trillion foreign exchange reserves and the country’s official ‘Go Out’ strategy, it is believed that bigger investments may be coming soon (Buckley et al. 2007; Pietrobelli, Rabellotti, and Sanfilippo 2010). Recent evidence suggests that new Chinese investments may seek to make use of the existing network of Chinese firms in Italy (Pietrobelli, Rabellotti, and Sanfilippo 2010). This recent trend also contradicts Saskia Sassen’s (1990) migration model in which migrant workers are “pushed” and “drawn” by transnational capital and by and large lost their autonomy. Instead, in Prato Chinese entrepreneurs play the central role of organizing the production and diverting capital to different places. All these phenomena point to my argument that Chinese migrants, both workers and entrepreneurs, are becoming more autonomous in the games of capitalism and respond to social and institutional barriers in their own ways. I agree with

Sandro Mezzadra (2004) in that in similar ways to Italian migrant workers who sabotaged the production in factories, recent migrant workers mostly from the Third World also sabotage the national borders which try to manage the labor migration in favor of the needs of capitalist (developed) countries. However, as I show in this chapter, while the Chinese migrant workers reworked the legal and social borders in their own ways, they have actually collaborated with the Chinese capital and actively participated in the capitalist accumulation of the Chinese *pronto moda*.

The other myth about Chinese migration particularly popular in the Italian mass media is to depict their global presence as a strategic plan by the Chinese government. There has been a political tradition in Italy since the 1990s that immigrants are criminalized and marginalized out of the existing social categories by a process Dal Lago (2009, chap. 2) calls “the fear machine”. In Prato, this fear machine has been widely enacted on TV programs and publications, and is nicely summarized by Pieraccini (2010, chap. 5). Such anti-Chinese sentiment has been increasingly articulated within the broader anti-China discourse of the mass media especially during the clash between Italian police and Chinese entrepreneurs in Paolo Sarpi of Milan in 2007 (Cologna 2008; Tarantino and Tosoni 2009). In fact, my research shows that the encounter between Chinese migrants and the Prato ID was by no means planned. The development of the Chinese apparel industry in Prato has been so disordered that it has also inflicted fractures within the Chinese community, as I show in Chapters 4 and 5. However, suspicion about Chinese migration was not entirely unreasonable. During the 2007 riot in Milan and many other protests, Chinese migrants often lined themselves with the Chinese consulate and inadvertently represented the power of the Chinese capital, and behind it, the Chinese nation-state (Cologna 2008, 12).

In the remainder of this chapter, I briefly introduce the history of Chinese migration to Italy in the 20th century and pinpoint a number of important events that shaped the migration in specific ways. Beyond facts and numbers, I want to analyze the social mechanism that these institutional events enacted and discuss their long-term impacts on the Chinese community in Italy.

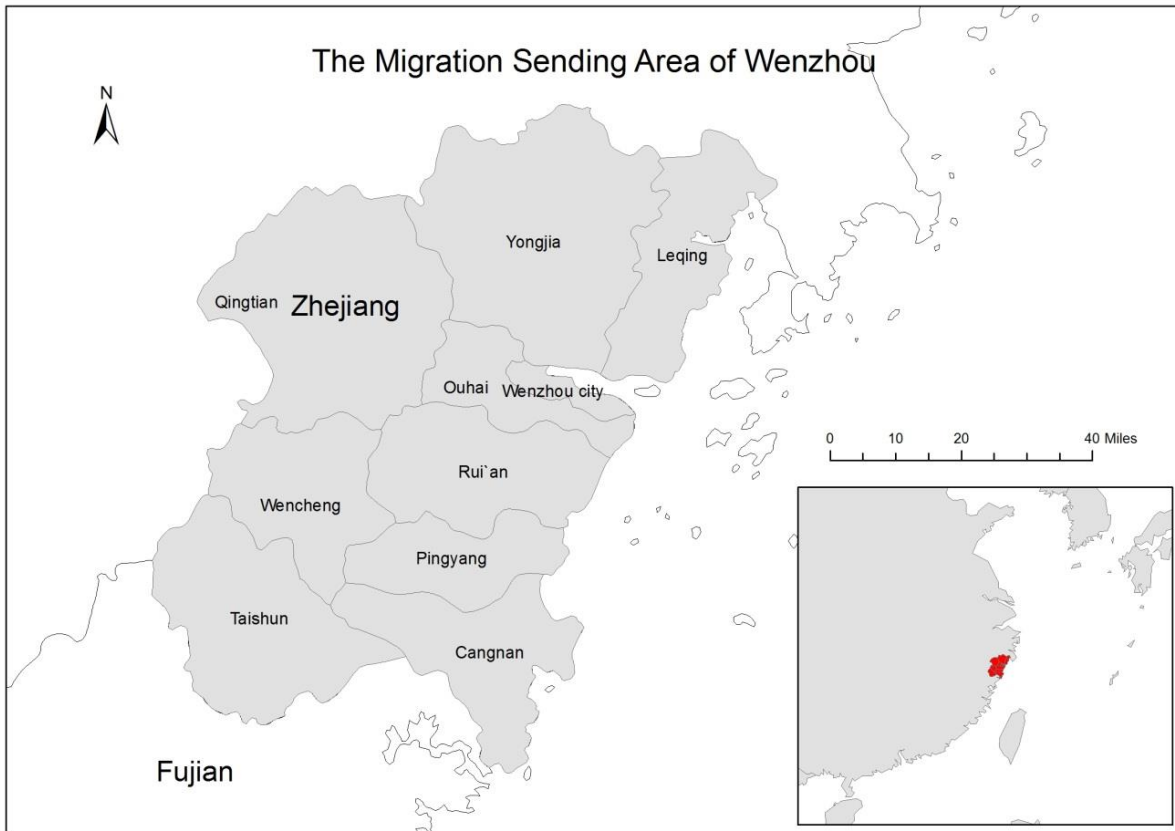


Fig. 3.1: Wenzhou in China

One of the primary problems associated with Chinese migration has been the very definition of “the Chinese migration”. Scholars have been arguing that the conception of Chinese migration may have been so diverse that any generalization of the Chinese migration would be empirically difficult (Thunø 2007). The problem is even more pertinent in Europe than elsewhere for two reasons. On the one hand, each European country has received a distinct composition of Chinese people from mainland China and Chinese diasporas all over the world. On the other hand, in many cases, one group of Chinese people might have settled in a number of European countries and share transnational linkages more than with other Chinese groups in the same country. To deal with the complexity of Chinese migration to Europe, there has been an initiative to transcend the national borders when studying Chinese migration in Europe.

For instance, in her seminal work *A History of Chinese Immigrants in Europe*, Li Minhuang argues that focusing on Chinese communities in each European nation-state may obscure the fact that the majority of Chinese migrants are from a limited number of sending regions in China, and they have been frequently moving from one country to another and in different countries adopt different occupational patterns (Li 2002, 49). Ceccagno makes a similar argument that “[f]or the Chinese, Europe can also be seen as a chess board on which various family members move around to minimize the risks, take best advantage of the existing conditions and to grasp the best opportunities” (Ceccagno 2003, 194–195). A more radical critique comes from Pieke (1998, 10) who is skeptical of the very validity of “A Chinese community” in Europe. He argues that in fact even within a single receiving country, subgroups of Chinese migrants are so numerous that they cannot efficaciously cooperate with each other to form a common socioeconomic identity.

Although to what extent the Chinese community in Italy is fragmented is still a question, there are at least two insights offered by this initiative. First, Chinese migration in Italy cannot be studied without considering its neighboring countries. In my case, the first group of Chinese immigrants in Italy actually came from France. Even today, Chinese migrants’ preference for Italy is always conditioned by economic, social and political environments in other European countries. Second, the Chinese community in Italy is by no means a duplicate of the communities formed by the same origins in other European countries. The distinct history of Italian institutional contexts and its economic opportunities in the IDs has resulted in a distinct socioeconomic structure of Chinese communities in Italy.

Although Europeans brought back a number of Chinese slaves or Catholic converts as early as in the 17th century (Li 2002, 60), Chinese migration to Europe en masse only happened in the early 20th century as war recruits and street peddlers. Due to the severe labor shortage of the Allied Powers during the WWI, the British and French governments brought in about 160,000 Chinese workers through five labor bureaus in China (Live 1998, 98; Li 2002, 106). Among them about 50,000 died during the war, and 100,000 were expatriated immediately after. Only about 3,000 remained in France, mostly in and around Paris (Live

1998, 98; Li 2002, 116). Compared with war recruits, the story about the other group of Chinese migrants was more legendary. In one of the most popular stories in 1890, a lucky merchant named Chen Yuanfeng from Qingtian, Zhejiang became very wealthy when he ran into a group of Europeans and managed to sell his Qingtian jade sculptures (*Qingtian Shi*) (Qingtian OCAO 2011, 4). With rumors spreading, his country folks fanatically joined the business and created one of the first migration channels to Europe. Although Li (2002, 98) doubts the authenticity of the story, she admits that the tradition of going to Europe probably began in those years and its symbolic value has persisted ever since. Although the actual number of early street peddlers was never officially recorded, their presence was observed widely in the streets of France, Germany, Austria and the Netherlands between the 1920s and 1930s (Li 2002, 95–96).

In only a few years, people from Qingtian and soon from all over the broader Wenzhou area saturated the street markets in major French cities.⁷ Propelled by the pressure of competition, in the late 1920s some decided to move to Milan and created the first Chinese settlement in Italy (Cologna 2005a, 2). Since that point, the Chinese immigrants in Italy started to explore business opportunities in manufacturing sectors. These street peddlers quickly climbed up specific value chains to become manufacturers. As early as 1929, the first silk tie workshop headed by Chinese was established in Milan, which soon became extremely successful in the city's street markets (Cologna 2005a, 2). One interesting thing about the first generation of Chinese entrepreneurs was that unlike their later followers, they relied on their co-ethnic street peddlers as retailing networks but mainly hired Italian female workers (many would later marry with them) who had recently migrated from rural areas (Cologna 2005a, 2). These manufacturers later diversified into markets of leather goods and garments. Joined by more and more family members from China, many migrants began to move southward between the world wars, first to Bologna and Florence, and then to Rome after WWII (Carchedi and Ferri 1998, 262). The size of settlements remained quite

⁷ Although Qingtian County now belongs to Lishui City which is adjacent to Wenzhou City, it was historically a part of Wenzhou until 1963. Therefore, Qingtian people have more familial, vernacular and cultural links with Wenzhou than with Lishui.

limited until much later. In Prato, based on my own interviews, the first Chinese workshop appeared in the late 1980s when certain national and international circumstances changed.⁸

Only after 1978 when China began its reforms and relieved its emigration control did large-scale Chinese migration revive, both internally and externally. The huge income gap between China and Italy was one of the most important reasons for the Wenzhouese people to reawaken their European dreams. However, economic motivation alone does not explain why Italy more than other EU countries became a popular destination for Chinese migrants. In fact, the Chinese migration to Italy was not significant until certain social and institutional contexts changed in Italy in the 1980s.

Italy: treaty and amnesties

In 1985, Italy along with its western allies signed the diplomatic treaty with the recently reformed People's Republic allowing citizens from one country to legally operate businesses in the other. Although not all industries were included in the treaty, it did encourage Chinese migrants to open companies in Italy. For instance, statistics from Florentine Chamber of Commerce show an increase of Chinese businesses "from a few dozen in 1986-7 to about 190 at the end of 1991" (Carchedi and Ferri 1998, 271). However, after the Tiananmen incident in 1989, the treaty was temporarily suspended, but returned to effect 9 years later in 1998 (Chang 2012, 184). During this period, the number of Chinese migrants did not seem to be affected, with the number of resident permits issued to PRC nationals increasing from 1,824 in 1986 to 22,875 in 1993 (Carchedi and Ferri 1998, 264). However, this change of institutional context affected the opportunities for Chinese entrepreneurship. Many newly established Chinese businesses, apparel or leather workshops were forced to hire undocumented co-ethnic workers (Carchedi and Ferri 1998, 271). In fact, the Italian immigration policies have always intended to control the immigrants' businesses to a limited degree, although the persistent growth of businesses headed by

⁸ The early history of Chinese Italians in Milan was mainly borrowed from the published works of and personal conversations with Daniele Cologna (2005b; 2008).

immigrants seems to disprove their original intention. However, as I discuss later, these policies did have unexpected impacts on the Chinese community in Italy.

Tab. 3.1: Businesses headed by top 10 immigrant groups in Italy in 2011 (Caritas 2011, 283)

Nationality	No. of businesses	% of total foreign businesses	Primary sector	% of businesses in the primary sector
Morocco	37,574	16.44	Commercial	70
Romania	35,060	15.34	Construction	78
China	33,593	14.7	Manufacturing	42.9
Albania	23,752	10.39	Construction	82.9
Bangladesh	9,838	4.3	Commercial	69.8
Egypt	9,674	4.23	Construction	52.8
Senegal	9,527	4.17	Commercial	89.2
Tunisia	8,914	3.9	Construction	67
Ex-Yugoslavia	8,045	3.52	Construction	65.9
Pakistan	5,027	2.22	Commercial	53.5

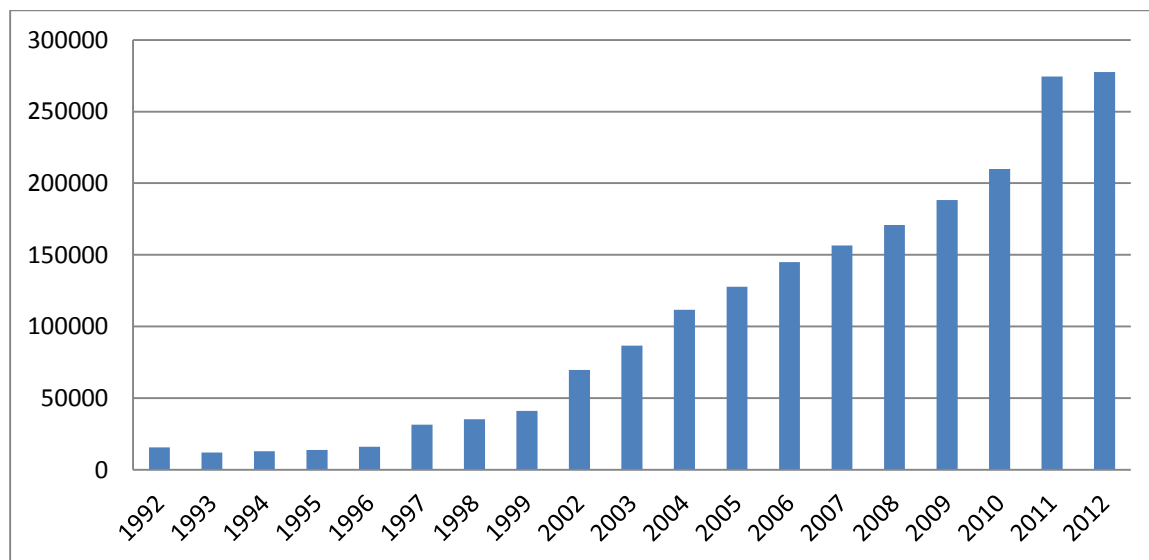


Fig. 3.2: Number of Chinese nationals in Italy by year (Pedone 2013, 1).

Traditionally famous as a country of emigration to Northern Europe and the Americas, Italy became a migration receiving country only in the 1990s. Many reasons caused this transition. First, after about 40 years of postwar development, Italy became one of the most industrialized countries in the world. Similar

to other industrialized countries, Italy faced serious problem of soaring labor costs since the 1980s. Moreover, in 1990, Italy had the lowest fertility rate among the EU countries and it has remained low since despite large-scale immigration (Eurostat 2010). Compared with its European neighbors, Italy adopted more proactive policies to encourage immigration which resulted in a series of amnesties in 1986, 1990, 1995, 1998, 2002 and 2012.⁹ These amnesties were beacons for the Chinese both in China and in other European countries (particularly Northern countries such as the Netherlands) as many entered the country without legal papers hoping for the next amnesty (Ceccagno 2003, 189–190). Although frequent amnesties partially solved the labor shortage in the receiving country, they also created many unintended consequences. As Ceccagno argues, unlike regularization policies in France or Germany, the Italian amnesties were mainly aimed at bringing in low-skilled labor force, which in turn created unresolvable hostilities from the unemployed and trade unions (Ceccagno and Rastrelli 2008, chap. 6). In Chapter 4, I show that this particular form of regularization also has also shaped the specific apparel value chains that Chinese immigrants articulated.

Social norms in the Chinese ethnic enclave

It is a very interesting contrast if we compare the labor choice of Chinese entrepreneurs in the 1990s with the migration in the 1920s that tended to hire local workers. There are a number of reasons for why Chinese apparel workshops decided to take the risk of using undocumented co-ethnic workers instead of locals. One obvious explanation could be that in the 1990s, the wage gap between China and Italy was much higher than it was 70 years ago. According to the World Bank report (2012), in 1990, the GDP per capita (PPP based on constant 2005 international US\$) in Italy was \$23,746, whereas in China it was only \$1,100.

⁹ In the meantime, similar regularizations were announced in a few other European countries. They were France (1981, 1992 and 1997), Spain (1986, 1991 and 2000) and Portugal (1992-3, 1996 and 2001) (Li 2002, 493–5; Levinson 2005). Although in terms of the number and scale of amnesties, Italy was ahead of its neighbors, a detailed comparative research of immigration policies, especially their consequences on Chinese migration, is still lacking.

As Cologna (2012, 1–2) points out, entrepreneurship for Chinese migrants is a “very down-to earth result of a trail-and-error process”. Working in the ethnic sector provides the best and fastest way towards self-employment and long-term security. First, in most cases, migrants have to pay for their migration. For the person who has no strong familial connection in Italy, she or he usually have to be undocumented for the first few years and pay a significant amount of money to the human traffickers or the snakehead (*shetou*). In the early 2000s, this amount was between 120,000 yuan and 150,000 yuan (circa between 12,000 and 15,000 euro at the time). As Cologna (2012, 2) indicates, compared with other immigrant groups who came to Italy with no money, Chinese immigrants normally came with a large amount of debt.

Second, the ethnic sector ensures a more familiar and secure place for migrants who have limited language skills and have legal barriers (i.e. those without legal papers) to transition into the host society. In fact, not only for Chinese but also for all other immigrant groups, working in the ethnic enclave is very common, such as for the Latinos in the US (Waldinger 1984; De Genova 2005). Potential racism and anti-Chinese sentiments might exacerbate this economic segregation and block immigrant’s opportunities outside the ethnic economy.

Finally, and more importantly, working in the ethnic sectors helps newcomers to accumulate their social and financial capital which will be crucial for their own entrepreneurship in future. In most cases, the first business of a Chinese migrant worker is always co-funded by a former employers and more successful relatives. Therefore, it is important for one to show loyalty in the first few years and not to change jobs too often. Normally, four or five years after arriving in Italy, migrants know enough people to build her or his own social network and raise one’s startup funds. One of the most common ways of fundraising for Chinese in Italy is to hold a wedding and invite former employers, family members and friends to give their support. They are supposed to show their wishes by giving the new couple money, usually in cash.

“We (Palazzo Brancaccio, one of the most expensive restaurants in Rome*) began to have Chinese customers in 2000. Their number increased very fast, and now we have at least one (wedding) every month... They are somewhat weird as we said, but they are very good customers. What makes us curious is that everything can be missed except for that reception

table, collecting gifts from guests: all these envelopes with cash inside. Some people even give cash without envelopes. The return is a cigarette or silk blanket... After the money is collected, it will be put in the office under surveillance. Attending such a wedding one has to give at least 500 euro. 200 guests then could contribute some 200 thousand euro. With 150 euro deducted from the wedding cost for each guest, there is still much money for their own startup in future... The couple usually in their 20s does not know more than half of their guests. But they are the beneficiaries, and so they keep bowing to the guests.” (Oriani and Stagliano 2008, 157–8) *My explanation.

“(Talking about two Fujianese friends who are going to have wedding) Have they really decided to have a wedding? They are not going to make money out of it. They have very few friends, and they never worked in one place longer than 3 months. If they are to have wedding, I bet they will actually lose money.”

Cheng, 32, apparel worker, interviewed in Prato on 3/20/2012

China: reforms and the era of migration

Before 1978, migration of any kind was minimal in China. Domestic migration was discouraged by a planned national economy and a strict *Hukou* system. International migration was forbidden especially during the Cultural Revolution. As a result, despite existing links between Wenzhou and Italy, there were only a small number of migrants before 1978. Between 1949 and 1978 in Qingtian, only 752 people were allowed to leave the country (Qingtian OCAO 2011, 85), and in Wencheng, only 42 (Zhu 2002, 3).

With reforms, Wenzhou was among the first regions to respond. Not only did it already have migration channels to Europe, Wenzhou was also a sending region for domestic migration within China.

Historically, because of limited arable lands, young men from villages surrounding Wenzhou city were forced to migrate across China as peddlers and craftsmen. This migration tradition in Wenzhou even managed to survive the Cultural Revolution when covert migrant groups continued to travel across the country usually as carpenters and cotton workers and to a certain extent helped to maintain an underground market (Xiang 1999, 218–9). Therefore, when market capitalism emerged in the early 1980s, Wenzhou people had already created a national network of information, and their entrepreneurs were the first to know where the demand was. Wenzhou had a second advantage which had been a disadvantage

just few years ago. As a coastal region with few natural resources, the city was one of the least invested regions by the state. Lacking state-owned enterprises, people in Wenzhou had no other choice but to develop their own businesses. Small and medium sized enterprises in clothing and leather industries, in many ways similar to Italian industrial districts, thrived and eventually created a “Wenzhou model” of economic development (Lombardi 2009).

These two conditions are important for understanding the situation in Prato. First, research has shown that internal and international migrations from Wenzhou people bear more similarities than usually thought (Pieke 1999, 12–3). Many Wenzhouese entrepreneurs in Italy had been migrating in China before they decided to go abroad. As peddlers and craftsmen, many of them had already acquired basic skills for clothing or leather industry. Second, during the early era of industrialization in Wenzhou, many potential migrants had learned a certain level of entrepreneurship. On the one hand, basic knowledge about how to run a small business had been dispersed even among rural areas through family networks (sometime could be quite extended). On the other hand, rapid growth in the urban area of Wenzhou created what Li calls “relative deprivation”(Li 1999, 184): that is, compared with people in the city, young people in rural areas surrounding Wenzhou had less education and social capital or *guangxi* which are crucial for a successful business in China. Provoked by this uneven development, they found that going to Europe was the easiest way for them to realize their entrepreneurship. Therefore, although they were probably not the poorest group of people in China, they became the most motivated migrants to Europe.

“Before coming to Italy, I was doing a small business of auto parts with a couple friends in Jiangsu and Hunan. My friends and I were all about 20s and we got contracts through one of my friends’ family. Profits were ok at the moment but as young men we lived an extravagant life, drinking, eating and gambling—you’ve seen how our Wencheng people are living here. Exactly the same life style. Soon after a while, when we faced hardship, the business had to be closed down. As a son of peasants, I didn’t have any other chance to start a new business in China and so my family thought going abroad would be good for me. Then I was contacted by my younger sister here in Italy and was asked to come over to help. You know what, I was so lucky that I came in 1999 and got a resident permit in the last amnesty through my sister. I know there are many who came later but are now still workers since

they don't have permits. Since 1999, I've settled in Prato first working for an apparel workshop and in 2009 started my own workshop."

Hua, 37, owner of apparel workshop, interviewed in Prato on 4/7/ 2012

The (undocumented) migration routes

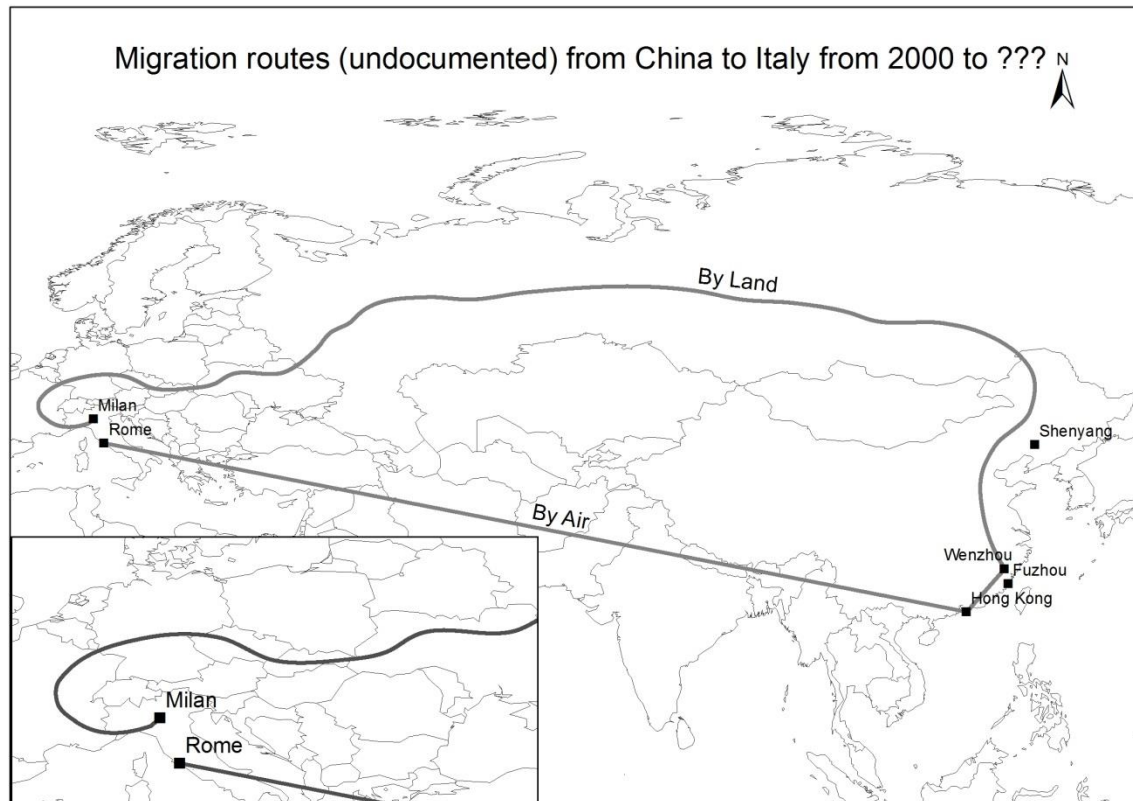


Fig. 3.3: Migration routes (undocumented) from China to Italy in the 2000s

Source: Author's illustration based on interviews with Chinese migrant workers in Turin and Milan from December, 2011 to January 2012.

"In around 2002, it cost about 120k yuan to smuggle into Europe. It was the price at the moment. I spent 14 months via Russia, Ukraine, Slovenia, Czech Rep., Germany and France. I still remembered that night on the snowy mountain on the border between Russia and Ukraine we had to bribe the border police to cross unless we wanted to die in freezing cold. We were caught twice on the way. Once in Slovenia, the second time in Czech Republic. The police there offered an opportunity to us through their translator: we could stay there for from 4 months to 1 year and then get a residence. It was in 2004 or around that point when these two countries were about to join the EU. We were told that once we got the residence, we were free to move across the EU countries, to Italy and to anywhere. All of us (at the moment we still had 14 people) declined, since we were so determinant [for Italy]. Now I

know how silly we were at the time, but we didn't know. To come to Italy was everyone's faith. When we arrived in France, another chance came in. We could decide either to go to the UK or to Italy. Since the UK route was much more dangerous- we needed to seal ourselves under the trucks- I decided to come to Italy. Now I think the UK might offer a better chance, but who knows. All in all, it was the history. No one do this now. The new comers usually have family union visa. They would never suffer this anymore."

Cheng, 32, apparel worker, interviewed in Turin on 12/21/2011

"Then I paid 120k yuan to the snakehead and spent another 30k on the road. I was kind of luckier than others since I did not spend months in the sea or on the mountains. I applied for a tourist visa and travelled from Hong Kong and other places all the way through Italy. But then I realized that I wasn't that lucky. The last amnesty was in 2002, but I arrived in 2004. The family worker permits were open for application in 2008 but I didn't get one. Now I still had to work for Chinese workshops."

Mu, 30, apparel worker, interviewed in Turin on 12/23/2011

Between the 1990s and 2000s, Economic opportunities and potential regularization in Italy encouraged a significant number of undocumented immigrants from China. The number of the undocumented has been debated by scholars (Smyth and French 2009). Based on her research in Prato, Ceccagno (2004, 117) estimates between 15% and 20% of the Chinese immigrants in Italy did not have resident permits in 2003. Her research also shows that in 2003, "in many small firms run by Chinese, often one or two out of eight to ten workers are irregular", whereas in the early 1990s, usually only the employer possessed the resident permit (Pieke et al. 2004, 117). The number of Chinese immigrants without paper thus continuously declined in the past decade. Cologna (2012, 4-5) observed a similar trend that the increase of Chinese immigrants has slowed down since 2003, while more immigrants were able to obtain resident permits in the late 2000s. He thus hypothesizes that this trend is the consequence of the diminishing income gap between China and Italy. When the Italian economy stagnated over the past decade, the Chinese economy (in particular the Zhejiang Province is part of China's most vigorous economic zone of the Yangtze River Delta) continued to grow rapidly (Cologna 2012, 9).

Economic motivations may explain the initial surge and subsequent decline of the number of undocumented workers from China. However, as my research shows, it is the changing institutional contexts of European countries that determine the routes of (undocumented) migration. My interviews show that at least in the early 2000s, the migration route clearly navigated along the least "securitized"

borders in Europe as shown in the Fig. 3.2. Although I do not have exact numbers, I hypothesize that the enlargement of EU might contribute to the initial surge of irregular migration to Italy. Typically, migrants found that the border control of new EU members such as Slovenia and Czech Republic was more porous than Western European countries. But since the internal border within EU has been abolished, these new members became important entry points for undocumented migrants. However, very few of Chinese migrants stayed in these new EU members based on my interviews. Most of the migrants stopped in Slovenia and Czech Republic en route to Italy, France, Spain, and the UK.

A particular regulatory system in Italy coinciding with a particular group of Chinese migrants generated unexpected outcomes. So far I have explained where the migration motivations came from and why Italy became a popular destination, but why did Wenzhouese entrepreneurship succeed in apparel and not in any other industry? And why is it in Prato not elsewhere that a Chinese apparel industry emerged? I argue that the economic and spatial structure of the Pratese ID prepared the conditions for this industry. As the industrial district was undergoing a transition, the Chinese apparel industry emerged in a right place at a right time.

3.2. Prato: an industrial district as an adaptive system

Becattini (2001, 3) divides the modern history of the Pratese textile industry into two general stages. From 1945 through 1973 was the period which he calls the “metamorphosis” and “classic development” of the Marshallian industrial district (Becattini et al. 2003, 3). From 1974 through 1993 there was a period in which Prato was under a different set of national and global pressures. It was on the eve of the massive arrival of Chinese apparel firms in Prato that Becattini (2001, 162–3) detected the potentials of Chinese immigrants. Based on works of Dei Ottati (2003c; 2009b; 2009a) and others (Smyth and French 2009), I identify a third stage (1993 onwards) in which the Chinese apparel industry began to emerge as in the

Pratese economy. Each of the stages left significant legacies in the local production networks which in turn constituted the conditions of possibility for Chinese firms to emerge in the 1990s.¹⁰

Formation of the industrial district: 1945-1973

Although Pratese textile dates back to the medieval age when local merchants were famous for supplying wool cloth to popes and cardinals (Origo 1957), the modern history of Prato's textile industry took off after the second World War. Becattini (2003, 16–20) summarizes three major reasons for the initial development of the Pratese industrial district immediately after the war. First, postwar national reconstruction plans built highway networks in northern and central Italy which for the first time made an Italian national market possible. In particular, the *Autostrada del Sole* (Motorway of the Sun) was built in 1962 and became the pivot of the country's economy (Becattini 2001, 77). Neighboring Florence, Prato gained access to the *Autostrada* and highways connecting Tuscany with the industrial Po river basin in the north and markets of Rome and Naples in the south. Second, as a medieval center for textile production and trading, an artisan culture based on family workshops always existed in the area, alongside strong working ethic and open-minded entrepreneurship. This tradition persisted to the modern, and even in the prewar period, sharecroppers in the rural areas had already worked in family textile workshops on an irregular base. Sharecroppers who migrated to Prato after the war provided a qualified labor market for Prato's initial industrialization.

Finally, social and political conditions in the postwar period provided a favorable environment for industrialization. On the one hand, there was a bottom-up movement in which locals and recent immigrants (first from surrounding areas in Tuscany, and later from the South) created a number of associations. Based on these associations, a formalized mechanism of social cooperation gradually became a tradition in Prato. As I show later, this mechanism proved to be very effective and efficient for reaching a “consensus” during times of economic crisis. On the other hand, there was a top-down process

¹⁰ This part of the chapter is heavily relied on the secondary works of the Florentine school led by Becattini (2001; 2003) and Dei Ottati (2003c; 2009b; 2009a). In particular, Becattini's seminal work on the postwar history of Prato *The Caterpillar and The Butterfly* (2001) is a rich mine for my historical research here.

in which local governments played important roles. As the battlefield of guerilla wars, Prato like most of Tuscan cities became the stronghold of the *Partito comunista Italiano* (Italian Communist Party, PCI) after the WWII. Throughout the postwar years, the PCI cooperating with local powerful families successfully maintained a moderate relationship between labor and capital, and so avoided the mass strikes that occurred in Turin and Milan. In other words, a Gramscian hegemonic bloc was successfully created and well maintained by the efforts (or compromises) of the PCI.

All these internal conditions did not necessarily lead to the emergence of the industrial district. Actually at least until 1951, Prato's textile industry was still dominated by a group of vertically integrated producers (Dei Ottati 1996, 36). It was a number of changes happening outside the ID that kicked off the process of what Becattini calls the "flexible integration" (Becattini 2001, 44). First, since the 1950s, the global textile market underwent substantial transformations (Becattini 2001, 30–34). Global textile markets began to diversify rapidly after the 1950s; in particular, demands for new synthetic fibers such as nylon and polyester soared, while the demand for traditional fibers such as wool declined. Second, some traditional markets such as South Africa, Middle East and India who were then the major markets for Made-in-Italy products all adopted protectionist policies (Dei Ottati 2003c, 503–4). The late 1940s also saw the first wave of worker's movement in Italy. National trade unions successfully lobbied for new labor laws which imposed stricter regulations on bigger plants (Dei Ottati 2003c, 506–7).

All these made vertically integrated textile companies so unprofitable that the owners decided to close the plants and subcontracted less profitable phases such as spinning and weaving to smaller companies. The logic behind this was that by subcontracting phases out, the company reduced its fixed capital costs and became more flexible and versatile in global markets (Becattini 2001, 46). It was at this point that the Italian industrial district emerged. Former workers who had just been laid off had already attained some of the skills and aspirations needed to open their own businesses. These workers were now encouraged by their former employers (usually their relatives) who invested in their machinery and established with them relatively stable subcontracting relations. In such a way, bigger firms reduced their managerial costs and

turnover time, while former workers' became entrepreneurs in a tightly networked association of small producers, which in turn boosted productivity. These former workers, who used to be sharecroppers in the rural areas, had learned the know-how of organizing production through their experience working in the factories. While workers borrowed the start-up money from their former employers and then became subcontractors, their former employers became the organizer of the production and only specialized in the final phase of the textile production.

As Beccatini shows, the initial break-down of the production networks resulted in chaotic competition between new subcontractors and their ex-employers. The PCI and other leftist groups emerged and helped the associations such as *Confederazione nazionale artigianato pratese* (Pratese Artisans' Association) to operate in collective bargaining negotiations with bigger firms who organized around the *Unione industrial pratese* (Pratese Industrialists' Association), as well as mitigating tensions among its members. Therefore, we have the two most important characteristics of ID: (1) division of labor between subcontractor firms that specialize in one phase of production and lead firms that design the products and coordinate the production, and (2) the social and political mechanisms for alleviating competition.

The first crises: 1974-1993

After a period of almost 30-years of uninterrupted growth, Prato faced its first crisis in the mid-1980s. Carded woolen textiles, either from original wools or from used rags from other industrialized countries (or *materia prima* as locals call it), had always been the major product of the district (Beccatini 2001, 62). In 1951, Pratese carding spindles accounted for about 30% of the national total, while in 1981, it accounted for more than 60% (Dei Ottati 1996, 37). However, during the period of economic takeoff in Prato, the global market in traditional textiles shrunk substantially from 15% of total trade volume in 1953 to less than 5% in 1992 (Beccatini 2001, 31). Prato was among the most severely affected as the demand for carded wool declined by about 40% between 1985 and 1989 (Dei Ottati 1996, 39). The difficulty was worsened by a number of other factors including competition from newly industrialized

countries in Asia, competition from big textile producers mostly from the US and Japan, and the depreciating US dollar against Italian lira.

Dei Ottati (1996, 41–6) identifies a number of strategies that were most commonly used to counteract the crisis. Catering to the changing market, lead firms reacted in three ways. First, in order to diversify the product lines, final firms (firms that specialize in finishing phase) began to source intermediate materials from outside the ID. Second, they quickly upgraded the fashionable quality of their products which were at the moment still oriented toward mass market. Third, many of them sought to outsource production to Eastern Europe or to Asia. Moreover, some of the most powerful families reorganized the production network around them. They exited manufacturing and created a holding company which owned the real estate of their sibling companies. As Dei Ottati (1996, 45) points out, these strategies reduced the self-sufficiency of the ID and rearticulated the power structure among companies. Firms with financial and familial ties formed closer alliances than those without, and the holding companies gradually gained more power over their siblings.

Transformation: 2001-present

The crisis since the 1980s substantially transformed the Pratese ID. Textile production grew in 1991, while the number of textile producers declined by about 30% (Dei Ottati 1996, 41). The Artisans' Association gradually compromised and ceased in their attempts to regulate the sourcing prices. Instead, they turned to regulate the behavior of the companies and finally gave birth to the Gentlemen Agreement in 1997 (Dei Ottati 2003c, 515–6). On the one hand, in response to lower prices outside of the ID, this agreement partially abandoned the collective agreement between subcontractors and lead firms, allowing prices to float freely. On the other hand, in order to foster upgrading, it required written contracts to replace traditionally vocal contracts and specified technical standards for the production processes in the contract. In short, very different collective strategies were adopted by companies in the name “of

rationalization and growth for the district as a whole” (Gentlemen’s Agreement, 1997; quoted from Dei Ottati 2003a, 202).

The most important event for the global textile market was the end of the Multi-Fiber Agreement in 2005. The phase-out of MFA resulted in the dramatic growth of textile and apparel production in East Asia, especially China (Cattaneo, Gereffi, and Staritz 2010). This competition affected Italy in a specific way. Rabellotti et al. (2004) show that instead of losing market share to newly industrialized countries, Italian producers simply left the lower end of the market. Based on the trade data between Italy and China, Prodi (2011) argues that in the textile market, Italy’s share of carded and worsted wools, of which Prato produced a large portion, went down only slightly after 2005, while the volume and value of it continued to plummet. Therefore, it was not that NICs took over Italy’s share in wool market. NICs alongside mass producers in developed countries were simply pushing forward the fashion trend of cotton and synthetic textiles which squeezed the demand for wools. The problem was aggravated by the transition from lira to euro as Italy now lost its ability to depreciate their currency against dollar (Dei Ottati 2009b, 1819).

During this period, massive closures of spinning and weaving phase firms occurred, while lead firms that had upgraded into high-end markets decided to acquire more competitive subcontractors and outsourced less profitable phases to Eastern Europe and China (Dei Ottati 2009b, 1826). Firms that survived also sought to diversify their businesses into textile related services such as computer supports and designing. Based on these new phenomena, Dei Ottati (2009b, 1828) concludes that “[E]vidence suggests a possible transformation of Prato from a manufacturing district to a local system in which the outputs of the core activities are mainly intangible as in design, fashion, coordination, marketing or distribution.”

3.3. Lead firms vs. subcontractors

One of the main division in the production network of the Prato ID (and other IDs as well) is between the lead firm (final firms) and subcontractors (phase firms). Originally, the final firms were those who used to be the vertically integrated producers but later broke down the production phases into separate companies.

These firms now specialized only in finishing phase of the textile production but were still the organizers of the production. They were also responsible of buying raw materials and designed the models of products. Phase firms instead were those who specialized in only one intermediate phase of the production such as sorting of rags, spinning and weaving. Phase firms were usually supported by the final firms through the process of “interlinking transaction”, in which the owner of a final firm loaned the material and initial capital to a phase firm and by so doing secured the prices of the intermediate products that phase firm produced for it (Dei Ottati 2003b). Typically, these transactions were made through family networks. However, although phase firms usually owed credits to the final firms, final firms did not exert direct control of the management in phase firms. Instead, phase firms were allowed to receive contracts not only from their “parent” firms but also any other firm who might even be the competitor of the “parent” firm (Becattini 2001, 46). In such a system, know-hows and the latest information of fashion were transmitted freely among firms, and formed what Becattini (2001, 49) calls the “imitative resonance”. Original ideas of one final firm were quickly learned by other final firms through their subcontracting phase firms, and feedbacks would later transmit back to the original firm. Becattini (2001, 49) argues that this process created a mechanism of “collective intelligence” in the ID and helped the ID compete with mass producers outside. I show in Chapter 4 that similar “imitative resonance” has now also dominated the Chinese apparel production in Prato.

Besides final firms, the role of the putter-out (*terzista*) and broker (*impannatore*) was also important in the local production network (Becattini 2001, 47; Piore and Sabel 1986, 215). Usually these were the people who had connections with both buyers outside and producers inside the ID. Therefore, these brokers formed the channels of market and technological information between global markets and the ID. As brokers accumulated his or her own capital, they would eventually become “final firms” in a real sense (Dei Ottati 1996, 38).

Textile production in Prato was thus fragmented among thousands of phase firms which created a labyrinth-like network that no outsider could easily navigate. Many have argued that this is precisely the

reason why the ID on the one hand encouraged knowledge sharing inside, but on the other hand encrypted the knowledge that the ID firms produced from multinational producers (Rabellotti, Carabelli, and Hirsch 2009). The model of Foreign Direct Investment in most cases simply did not work in the ID, since usually few foreign firms were able to insert themselves into the family networks. This complicated network of firms and brokers also built distinct retailing channels across Italy from the North to the South. These usually personalized retailing channels which relied on small independent retailers in fact created a “non-tariff barrier” against foreign producers in the Italian domestic market (Becattini 2001, 36).

As shown in Chapter 4, this typical distinction between final and phase firms along with this mechanism of “imitative resonance” was inherited by the Chinese immigrants and grafted to their apparel production with some important modifications.

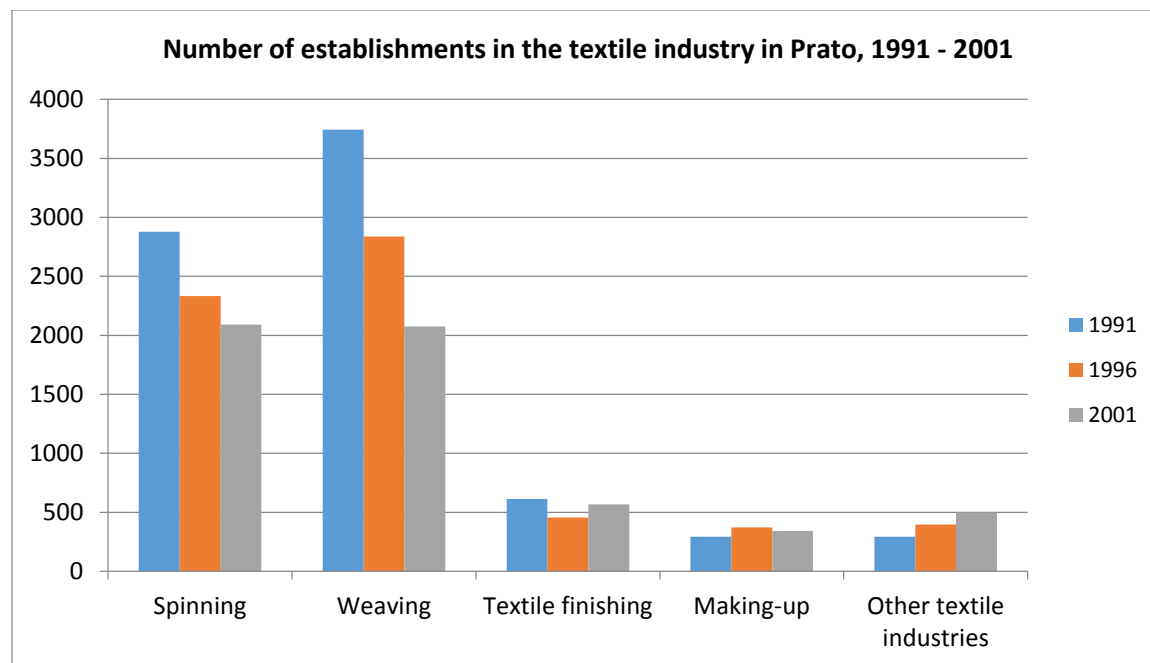


Fig. 3.4: Number of establishments in the textile industry in Prato, 1991-2001 (Dei Ottati 2009b, 1822)

3.4. Government and social institutions

As indicated in Chapter 2, such a system of SMEs could not be practically imagined without mechanisms to somehow control the competition. In fact, what has made Prato so different from other IDs was that it created a formalized system of collective negotiation at the beginning of its formation. This system comprises institutions representing three different interests in Prato: (small and big) entrepreneurs, workers and the local governments.

Entrepreneurs

One of the characteristics for industrial district is the widespread entrepreneurship among its population. During the heyday of Prato's industrialization in the 1950s, not only owners but also newly migrated sharecroppers worked "day and night" sorting rags, spinning, weaving and dyeing (Becattini 2001, 45). Violations of labor and environmental regulations were very common among these early enterprises, to a degree similar to what Chinese firms were doing later (Becattini 2001, 162). Such intensive competition among phase and final firms theoretically should have led to mass closures and vertical integration during the crises. However, Prato's textile industry has shown strong resilience during past crises, and mass closures of phase firms only happened much later in the 1990s. What constituted this resilience? What kinds of mechanisms helped Prato overcome the previous economic crises?

At the core of this resilience were social organizations of entrepreneurs that played an important role in mitigating the tensions between producers and buyers in the ID. There are three industrial associations dominating Prato's business world. On the one side, there are the *Confederazione nazionale artigianato pratese* (Pratese Artisans' Association for left-wing artisans) and *Confartigianato* (Catholic Artisan's Association for right-wing artisans) who represent the interests of smaller producers who are mostly phase firms. Both are branches of nationwide organizations founded in the 1940s. On the other side, it is the *Unione industrial pratese* (Pratese Industrialists' Association) who represents the interests of bigger industrialists and traders, usually the owners of final firms. UIP is also the branch of *Confindustria* at the

national level which was founded in 1910. These three associations have been the central actors in the Pratese economy since the 1950s.

In 1958, an informal regulation of subcontracting was discussed and eventually put into effect through negotiations between associations.¹¹ The regulation worked as “a complex table of rates” (Becattini 2001, 51) that secured the minimal prices of intermediate products and was aimed to protect profits for both *artigianati* and *industriali*. In particular, this agreement had two functions. On the one hand, for *industriali*, it was to maintain the competitive advantage of costs over the producers outside the ID and guaranteed the overall quality of products. On the other hand, for *artigianati*, the agreement was to ensure “the preservation and reproduction of consensus” that secured market positions for its members. As Becattini (2001, 52) claims, through this first postwar agreement, “a sense of belonging” was thus constructed and formed the “institutional core” of the Prato ID. Since that point, these associations have proven to be very adaptive in each of the crises. During the major crisis in the 1990s, another Gentlemen’s Agreement was reached between these associations. However, this time in response to intensifying external pressures, associations agreed to liberate the prices of intermediate products but standardized the quality of intermediate products (Dei Ottati 2003c). By so doing, they became the major promoters for the ID’s upgrading.

Workers

Italy has always been a country with strong unionist tradition. At the national level, there are two trade unions, the *Confederazione generale italiana del lavoro* (CGIL) which stands for the left, and the *Confederazione italiana sindacati lavoratori* (CISL) which stands for the right. In Prato as well as in many other IDs, the *Consiglio nazionale dell'economia e del lavoro* (CNEL) is also influential for its stance with the small businesses. Although all these national unions have branches in Prato, their roles have been ambiguous in the history of Prato.

¹¹ For a detailed record of negotiations one can read Becattini (2001, 51–3).

In fact, the birth of the Prato ID produced one of the major failures of organized workers' movement in Prato. When the massive closures of vertically integrated companies occurred in 1950, strikes were organized by trade unions in order to stop the layoffs (Dei Ottati 2003c, 503–4). However, owners and workers eventually reached an agreement outside the purview of trade unions. By loaning the machines and financially investing in ex-workers' enterprises, owners downsized their companies even with protests from the unions. During the following years, trade unions continued to be less powerful than the associations of entrepreneurs.

At the same time, trade unions seemed to also lose their popularity among migrant workers in Prato. Between the 1950 and 1970s, the population of Prato increased by 50% from 120,000 to 180,000 (ISTAT 2012). Among these new Pratese, the majority came from the South, in particular, the two cities of Panni and Bovino in the region of Puglia (Becattini 2001, 63). Similar to the Chinese migrants, these Southern migrants arrived with families and formed their own organizations based on their places of origin. There are three major associations organized by the southerners. While the ICAS (Southerners' Association of Prato) is the biggest one, the Cultural Association of Friends of Panni and the Cultural Association of Friends of Bovino organized cultural festivals every year (Becattini 2001, 63). These associations were able to maintain good relations with the local communist government and actively joined the entrepreneurs' associations, since many of the first generation southerners became firm owners themselves. As Becattini (2001, 64) argues, one major reason for which Prato by and large avoided violent antagonisms between capital and migrant labor as happened in northern industrial metropolis was the mediation of these self-organized migrants' associations. The problem of migrant labor was thus digested by the production network of Prato ID and transformed into the relations between final and phase firms, while the role of trade unions was replaced and circumvented by the entrepreneurs' associations.

Research institutes

When the first postwar crisis hit Prato in 1983, a group of textile entrepreneurs (mostly young entrepreneurs) formed the group and called themselves *Pratofutura* (Future Prato). According to its website, the mission of Pratofutura is to build “the cultural awareness of its members” and discuss “issues relating to the corporate culture, awareness of the advantages and nodes of an industrial district, the individual maturity together with the confrontation and debate, the experiences of a collective, the deep knowledge related to the business administration” (PratoFutura 2012). Therefore, a cultural identity of Prato ID was vigorously constructed by the PratoFutura through their series of meetings and research projects collaborating with local academics and activists on development issues of Prato. As discussed in Chapter 5, PratoFutura has become a major actor in dealing with the local tensions between Chinese and Italian companies, and designed a number of research and social projects which may open up potentiality of cooperation.

Universities and schools are also important in the reproduction process of the ID. The *Polo universitario "città di Prato"* or Pin was the Prato campus of University of Florence as well as a society of local scholars. It was founded in 1992 also as an effort to stimulate innovation and “open to dialogue with companies and institutions that is desired by all” (Pin 2012). In practice, the Pin offers vocational courses to local entrepreneurs and gave classes on local issues to students at University of Florence. As discussed in Chapter 6, Pin was involved in the Tuscan-Zhejiang project and became a think-tank for local decision-makers. The other major research institution is the *Istituto tecnico industriale statale Tullio Buzzi di Prato* (The Buzzi Technical School) which was the high-school equivalent research institute for textile technologies. These two institutions thus became the center for reproducing not only a new generation of entrepreneurs and textile workers but also the “cultural identity” of the industrial district.

Local government

Between 1950 and 1992 Italian politics was divided between the *Democrazia Cristiana* (Christian Democratic Party) and *Partito Comunista Italiano* (Italian Communist Party). As a consequence, the

Italian electoral map comprised *la zona bianca* (the white zone of DC) and *la zona rossa* (the red zone of PCI) and did not change a lot until 1992 when political scandals and the collapse of Soviet Union dissolved the two parties and rearticulated the national hegemony. To a certain degree, this political map reconfirms the regional unevenness of the Italian economy in which *la zona bianca* represents the interests of northern industrial capitalists and the Catholic church while *la zona rossa* represents entrepreneurs of SMEs in the central part of the country including Prato.¹²

Unlike their counterpart in neighboring countries such as France and Germany, the PCI was less concerned with a directly revolutionary program than what Beccattini (2001, 83) calls the “pragmatism” of Tuscany and Emilia-Romagna. This “constructive participation” became PCI’s leitmotif during WWII when guerillas had to seek supports from local entrepreneurial families (Beccattini 2001, 78). Therefore, in return, during the postwar years, PCI was more like a mediator between labor and capital than the leader of proletarian revolution.¹³ “Luckily, between the pressure from ‘below’ and the rush of new problems, the rulers of Prato limited themselves essentially to ‘helping events along’ and avoided for the most part trying to force them against the grain of their uncomprehended logic” (Beccattini 2001, 83). Even though after the Comune of Prato was won by the right wing in 2009, both the provincial and regional governments were still controlled by the left-wing coalition surrounding the *Partito democratico della sinistra* (Democratic Party of the Left, PDS). However, this pragmatic attitude towards the local development engendered many side effects. One of the main side effects was that Prato as a city was never carefully planned, and its urban space was composed by myriad of dead ends and one ways designed by individual companies. I show later that this particular spatial pattern has shaped the production network of the Chinese apparel firms in important ways.

¹² For a detailed discussion of the changing red and white zones in the Italian politics see Agnew and Shin (Agnew 2002, chap. 5; Shin and Agnew 2008). For a comprehensive research on the economic unevenness of Italian regions and how that shaped Italy’s political economy, see Dunford and Greco (2006).

¹³ This was partially the reason why radical workers did not agree with PCI and decided to form their own groups such as *Autonomia* (Lotringer and Marazzi 2007).

In short, there has been a network of social and government institutions that actively participated in the development of the Prato ID. Without their involvement, Prato's ID could have ceased to exist during the various economic and social crises. The Gentlemen's Agreements saved Prato from malicious internal competition; associations of southern migrants relieved it from class war; a variety of research institutions constructed the local identity; and the leftist government was pragmatic towards economic issues.

Although all these institutional contexts have contributed to maintaining Prato's textile industry, an important question was whether they would continue to work as Chinese apparel firms emerged in Prato? In particular, for entrepreneurs' associations, how do they recruit Chinese members and exert their influence in the apparel production? Are there going to be similar associations of migrants which mediate between Chinese immigrants and local community? How do research institutions perceive the current tensions in Prato and what suggestions have they given to local companies and authority? And finally, facing a foreign population which has yet been integrated, how do local governments "help things along" this time? These are important questions that I have to deal with in the later chapters.

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Chapter 4: Production teams of the *pronto moda*

“Fashion is a bubble. I’m not saying the design itself but the commercial part of fashion is a bubble.”

Owner of a sourcing company, interviewed in Prato on March 23, 2012

“Our model is actually no different from ZARA in terms of the model of business, but we are smaller and have no support from the capital market. We never have external support.”

Wholesaler, interviewed in Rome on March 28, 2012

This chapter asks: what makes the Chinese apparel industry in Prato survive the competitions from peer producers in other European countries and in China? GVC theories of industrial upgrading have shown that the apparel industry has the lowest requirement for capital and technology, and therefore is highly sensitive to costs, in particular, labor costs (Gereffi 1999). Developed countries including Germany and Japan were textile and apparel producers at the beginning of their industrialization, but in time rising labor costs squeezed local production (Gereffi and Frederick 2010). Chapter 3 showed that although the structure of the industrial district (ID) to some extent protected the textile production in Prato, Pratese textiles also faced the same cost pressures. Facing competition from newly industrialized countries, the Pratese textile industry has been contracting since the 1980s. Local textile companies had to either upgrade to high-end value chains supplying for high fashion brands, or they had to exit the industry. In fact, not only in Prato, but also in many other Italian IDs, different types of upgrading have been seen as one of the necessary ways to keep the manufacturing process in Italy (Rabellotti, Carabelli, and Hirsch 2009). The Chinese apparel industry in Prato runs counter to this predominant story of industrial upgrading in a number of ways.

Since the apparel produced by Chinese in Prato are low-value products, several scholars have suggested that the emergence of the Chinese apparel industry might reflect a downgrading of the Pratese ID (Dei Ottati 2009a; Toccafondi 2009). Although the emergence of such low-value apparel might ruin the reputation of Made-in-Italy products, the phenomenal growth of Chinese apparel in Prato over the past decade seems to demonstrate the viability of this “downgrading” as a strategy for managing cost pressures. How could companies based in one of the most developed countries succeed in the cut-throat competition of the global apparel market? How could these companies keep their labor costs low enough to offset the high costs of other inputs such as rent and utilities necessarily incurred by producing in Italy? Is cheap labor the only reason to explain their success?

The proliferation of apparel produced in Prato is even more surprising if we compare the Chinese apparel producers in Prato and those in China. Since the end of the Multi Fiber Agreement in 2004, China has become the biggest apparel exporter in the world (Gereffi and Frederick 2010). Driven by cheap labor and relatively well-constructed infrastructure, “the China cost” has been seen as the benchmark for sourcing companies. Therefore, why do Chinese entrepreneurs invest in manufacturing companies in Prato instead of in China? Is it because the apparel produced by Chinese in Prato is even cheaper than apparel produced in China? If not, is there any other reason that makes the Chinese apparel firms in Prato outcompete their colleagues in China at least in certain niche markets? What are the niche markets for Chinese apparel produced in Prato? As the studies in Eastern and Central Europe by Pickles et al. (2006) reveals, beyond labor costs, there are multiple institutional and spatial contexts determining the advantages of textile and apparel industry in one particular country and strategies of one particular firm. A similar case of lower-value apparel production in Haskovo, Bulgaria shows that local economic conditions and specific regional lower-value niche markets allow a clustering of some 2,000 garage firms prospered even under the competitive pressures of Chinese and Turkish imports (Begg et al. 2005; Pickles et al. 2006, 2317). Parallel to these cases, I try to investigate to what extent this is also the case in Prato.

I argue that the rise of the *pronto moda* is a unique response to the rise of fast fashion and the demand for regionalized production in Europe. As many scholars have shown, the end of the MFA did not result in complete eradication of apparel production in higher-cost regions of the world (Abernathy, Volpe, and Weil 2006; Pickles and Smith 2011). Because the new trend of fast fashion requires more fashion designs, faster replenishment, and smarter inventory control, some European apparel brands such as ZARA have retained a significant portion of their manufacturing in Europe and nearby regions (Tokatli 2008; Tokatli and Kızılgün 2009). I argue that the business logics of the Chinese *pronto moda* in Prato are in fact very similar to these European fashion brands. Meanwhile, as Becattini (2001, 13–4) argues, fashion market should be seen as a spectrum of highly segmented and diversified markets, and each niche market targets to very different groups of consumers. He argues that studies of fashion industry should focus on how each niche market is created and defended against other niche markets. If this is right, then the Made-in-Prato apparel might not actually compete with the either European fashion brands or Made-in-China. Instead, we should ask what specific niche market it occupies between the two. In this chapter, I argue that the rise of the Chinese *pronto moda* in Prato in fact supplements a particular gap between higher cost European fashion brands and lower cost Made-in-China imports. To achieve this, the Chinese *pronto moda* depends on not only Chinese production teams in Prato, but also a horizontally integrated network of Chinese migrant traders across Europe. In this chapter, I shall investigate the production teams in Prato, while in the next chapter I shall analyze its trade network across Europe.

This chapter is divided into four parts. First, I briefly review the origin of apparel production in Prato. Unlike textile production, the apparel industry in Prato was not a major sector until the arrival of the Chinese. Chinese immigrants were first subcontractors of Italian apparel firms in the 1990s and gradually upgraded into final firms in the early 2000s.¹⁴ Second, I introduce the production teams of the Chinese apparel industry in Prato. I focus on the different types of firms and actors involved in *pronto moda* and the ways in which they contract with each other.

¹⁴ For differences between phase firms and final firms, please read Chapter 3.

4.1. The origin of the *pronto moda*

Although the textile industry has been dominant in the Pratese economy, there has always been an auxiliary, apparel industry which sourced local textile (Dei Ottati 2009a). The apparel industry in Prato gradually grew during the 1980s absorbing capital and workers from recently closed textile firms (Toccafondi 2009, 77–8). In the early 1990s, a small cluster of apparel firms emerged in the south of Prato. Compared with the Pratese textile industry which was upgrading quickly during the period, the apparel industry in Prato took off in a very different path from the beginning. Many of these Italian apparel companies survived by sourcing cheap, sometimes left-over textile from local textile manufacturers and produced for lower-cost markets in Europe. In fact, the term *pronto moda* was first invented by these Italian firms (Toccafondi 2009). The term is literally translated as “ready to wear” and reflects the nature of this business model to cater to the ever shortening turnover time in the fashion market.

In many ways, the *pronto moda* system resembles the labor division between final firms and subcontractors in the Pratese textile industry. In *pronto moda*, final firms receive contracts from buyers outside the ID and subcontract production phases to different specialized firms. Similar to the Pratese textile industry, final firms are the organizers of the *pronto moda* value chains. In contrast to the textile industry, apparel manufacturing has fewer production phases. Operations such as stitching are simpler, and usually require less capital and technical skills. Apparel production in general can be divided into 4 major phases: design, cutting, stitching and dyeing. In *pronto moda*, design and cutting are controlled by the final firms, while stitching and dyeing are subcontracted to other firms. Although phases such as cutting and dyeing have been automatized, productivity of stitching remains low, requiring more hours of manual labor. Stitching workers have to sit in front of a sewing machine and spend hours to produce a few hundred pieces of apparel. Indeed, stitching is so repetitive and tedious that very few young Italians now would like to work. As mentioned in Chapter 3, the low fertility rate and youth’s preference for

service sector has aggravated the labor shortage in Prato's apparel industry, making Chinese labor a very good substitute for Italian apparel firms in Prato, particularly in their start-up phase.

It took about two decades for Chinese immigrants to upgrade through the apparel value chains and to be on a par with the local textile industry as a major player in the Pratese economy. As Ceccagno (2007b) indicates, almost all of the first Chinese immigrants in Prato worked as stitchers for Italian apparel firms when they first arrived at Prato. Later when they acquired skills and enough capital to purchase sewing machines, some set up their own workshops. In just a few years between 1993 and 2001, the number of businesses registered by Chinese in Prato increased from 212 to 1,392, many of which were stitching workshops (Ceccagno 2003, 202). Thus, the Chinese *pronto moda* was a recent phenomenon which did not occur until the 2000s. Based on my own interviews, the first final firm headed by Chinese was founded in 2000, while the first Chinese dyeing company was founded in 2006. Since then the number of Chinese final firms has grown quickly. In 2001, there were already about 100 Chinese final firms (*prontisti* in Italian) working in the Chinese *pronto moda* (Ceccagno 2003, 203). According to Dei Ottati (2009a), Chinese apparel companies upgraded within the existing apparel value chains organized by Italian firms in favor of different types of Italian firms at each stage of their upgrading—that is, as migrant workers, they were welcomed by the Italian stitching workshops, and then as owners of stitching workshops, they were welcomed by the final firms. In the end, Dei Ottati and Toccafondi (2009a; 2009) argued, when they became direct competitors of the Italian apparel industry, no one is able to wipe them out. I agree with them that Chinese apparel firms inherited the general structure of the *pronto moda* from Italian precedents. However, as I show in the next section, the Chinese *pronto moda* is distinct in many ways. A number of new features were invented by Chinese entrepreneurs to accommodate the changing trends in the fashion market and the changing Italian regulations. The structure of the Chinese apparel production network therefore came out of the interaction between Chinese entrepreneurship and Italian institutional contexts.

4.2. Structure of the Chinese *pronto moda*

The Chinese *pronto moda* is generally constituted by three types of companies: the final firms (*caijian gongsi* in Chinese, literally cutter firms), stitching firms/workshops (*buyi gongsi* in Chinese) and dyer-washer (*ranxi gongsi* in Chinese), and they form the production teams in Prato. Final firms are organizers of the production and responsible of designing, cutting and wholesaling. Based on my interviews, there were between 700 and 800 Chinese final firms in Prato in 2011, about 20% of the total Chinese establishments (3,489) in the apparel sector (Camera di Commercio di Prato 2012). The number of Chinese dyer-washer was more limited. My interviews show that by the end of 2011, there were only 8 dyer-washers headed by Chinese entrepreneurs. The main part of the Chinese apparel industry comprised thousands of stitching firms. Most of these were small- and medium-sized enterprises hiring less than 10 workers. Beyond these three types of companies in the *pronto moda*, there are two other important types without whom the *pronto moda* would be impossible: the textile suppliers and buyer-wholesalers. While textile producers can be either in the ID or from the outside, the buyers usually come from all over Europe. In this chapter, I focus on the production teams in Prato but leave the textile suppliers and buyer-wholesalers to the next chapter.

Final firm

Final firms are at the leader of the production teams and manage the most technical and value-added phase of the apparel production—designing. Since not every final firm is capable of designing their own model, their approach of innovation in many ways resembles that of the Pratese textile industry, the process Becattini (2001, 49) calls “imitative resonance” by which SMEs not only copy each other but also add their own piece of innovation into the design and technology. Early in March, some of the most established firms begin to bid the fashion of the coming summer. Information is collected through a variety of channels such as buyers, business partners and family members. In general, they imitate the designs of French and Italian high-fashion brands. More established firms who have relatives or business

partners in Paris and Milan will be able to obtain the clues in the fashion weeks or through “trend books” published by European fashion brands. Those companies who have no channel to collect fashion information will have to wait and see what most established colleagues produce. Those models that are proved to be best sellers on the market will be quickly imitated by these smaller companies with minor or no revisions. Besides “imitative resonance”, smaller companies can also produce some of the older models from the past year. From late February to early March, since no one knows the exact fashion trend of the summer, firms are producing in very small quantities (usually 100 to 200 pieces) for each design and each color, and constantly shifting from one model to another based on what other companies sell as well as on their own feedbacks from buyers.

Although design is always important for the Chinese *pronto moda*, most of Chinese final firms do not have their own brands. As many claim in the interviews, even though some firms did own brands, their customers normally did not care. Some buyers might even explicitly ask for their orders unbranded. There are two reasons for Chinese final firms to be brand-less. First, since most of the final firms produce for lower-cost market, brand-name has little value and therefore is simply not a concern of their customers. In my interviews, brand names were usually regarded as less important than price and lead time by Chinese entrepreneurs. Second, because many of these companies imitate the designs of French and Italian lead firms, being brand-less is also a common way to avoid legal issues for their buyers. Therefore, while these firms have qualified themselves OEM and ODM, most of them are not OBM. Probably, the only exception is Giupel headed by a successful Chinese entrepreneur Xu Qiulin, who is the first and so far also the only Chinese member in the *Unione Industriale Pratese* (UIP) (La Nazione 2011). However, my interview in 2013 showed that his company has quit the fast fashion market and transformed into a trader importing garments from China (Interview in Prato on 11/4/2013).

The other production phase for final firms is buying and cutting fabric. Again, timing is important for this phase. Usually, when wholesalers all over the Europe close at 5 or 6 pm, they will contact the final firms and provide feedbacks on the models they bought. Based on feedbacks, final firms will revise their design

and prepare the next bundle of products. Given the intense competition of this market, they have to respond immediately. Normally, revised new designs will be ready by 7 pm. If revision is minor, final firms will use the existing storage of fabric. During the peak season, cutting can go overnight to make sure the clothes of the new design are received on the day after.

In order to fulfill these two functions, final firms need a specific composition of workforce. Each final firm usually hires one designer who in most cases can be a family member of the owner or a shareholder of the company. In some cases, the designer is the owner him/herself. Besides designer, the company also needs one or two cutters. Most of the Chinese final firms do not have computerized laser cutting machine and so require their cutters have manual cutting skills. In addition to the skill requirement, cutting cloths usually happens at night and requires extremely long hours of work. For these reasons, cutters are usually paid a lot more than other manual workers in the *pronto moda*. Larger final firms also have to hire one or two driver-helpers who are responsible of shipping, loading and arranging final products. For new established final firms these tasks are usually carried out by the owner and his/her family.

In terms of their spatial pattern, Chinese final firms are mainly located in warehouses or former textile mills in the area of *Macrolotto 1* to the southwest of the city. Abandoned by the Pratese textile companies, these warehouses are often more than 40,000 square feet in area and therefore are able to house an office, design room, at least one cutting machine, rolls of textile and final products. This area also has convenient access to the *Autostrada 1*, the major expressway traversing the country between Milan in the north and Naples in the south. Fast delivery thus can be guaranteed. I will discuss the spatial arrangement of the production teams in Chapter 6.

Stitching firm

Implied by its name, a stitching firm does nothing but sew clothes. Because the requirement for opening stitching firms is low, competition among stitching firms is more intense than among final firms.

Depending on its size, each final firm can partner with between 2 and 10 stitching firms. When final firms receive feedbacks from wholesalers in the late afternoon and make the new designs, owners of its partnered stitching firms will already get together at its front door and wait for the orders. Physical presence is a prerequisite for winning this competition. Normally, stitching firms evenly divide up the orders, with each stitching firm working on a few hundred garments. Again, timing is also important for the stitching phase. Between February and April, the owner of the stitching firm can decide either to work overnight or to work the day after. During the peak season however, most of stitching firms have no option but to work overnight in order to get the contract done by the next day.

The size of the stitching firm varies more than the final firms. The average size of stitching firms seems to have increased in the past few years. Ceccagno (2003, 201) discovered that in 2002, firms which hire 10 to 15 workers were considered to be large. Based on my interview, a medium-sized stitching firm normally has 8 to 10 workers while the biggest ones can have more than 50. There are in general three types of workers in the stitching firms: stitching workers (*buyi gongren* in Chinese), trimming workers (*shougong* in Chinese) and miscellaneous workers (*zagong* in Chinese). Stitching workers are indeed the foundation of the stitching firms and the entire *pronto moda* system. The majority of the workforce in stitching firms would be stitching workers. Although compared with the works of designers and cutters, stitching does not require many skills, the training of a qualified stitching worker normally takes one to two months, depending on the worker's intelligence and determination. What is unique to stitching workers is that they are the only ones in *pronto moda* who are paid by pieces. For each piece stitched, a worker makes 0.5 euro, while the owner of the stitching firm makes the other 0.5 euro. During the heyday of *pronto moda* between 2002 and 2009, a diligent worker could easily make 2,000 to 3,000 euro in the peak season, i.e. between April and June. The stitched clothes often have broken knots and mismatched seams. These defects become very common particularly during the peak season when speed is the top priority for stitching. In these cases, the firm needs trimming workers to repair defected clothes. Based on my interviews, trimming requires even fewer skills than stitching and so is usually paid less than stitching

workers on a monthly base. Moreover, not every stitching firm needs trimming workers. For smaller firms, the owner and owner's family would themselves work as trimming workers since it does not require too many skills. The last sort of work in the stitching firm belongs to miscellaneous workers. Their tasks also include indirect work, such as cooking, cleaning and sometimes shipping. Again, only big stitching firms are able to hire such workers. One of my interviewees claimed that he once worked for a big stitching firm with about 100 workers; to cater all the workers the firm had to hire a professional chef who worked for 12 hours a day. For smaller stitching firms, these miscellaneous works are also the responsibility of the owner and his/her family.

By the nature of its intensive work, the stitching firm is usually a combination of home and workplace. Workers do not pay for food and lodging, although the quality of both sometimes may be considered low. Because they do not need a large space, these stitching firms are primarily located in the *Macrolotto 0* areas to the west of the walled medieval city of Prato. In most cases, the owner's family would live together with workers and engage in the production with no visible privilege. It has been argued that this work ethic has been very common among Chinese businesses either in China and overseas, and creates a familial aura between the owner and workers, and thus mitigates the tensions between capital and labor in the workplace (Wright 2003; Lee 2009; Chen and Randolph 2009).

Dyer-washer

Being technology and capital intensive, these dyer-washers occupy an un-substitutable position in the production teams of *pronto moda*. Depending on the design, clothes should either be dyed before or after being sewed. However, even though clothes have been dyed before sending to workshops, technically they still have to be washed before going back to the final firms. Therefore, the work of dyer-washers guarantees the final quality of the products. Once the clothes have been stitched, owners of stitching firms send the clothes directly to the dyer-washer, and here, clothes will be dyed and washed according to

specific requirements of the final firms. Normally the capacity of one dyer-washer can support the outputs of more than 5 final firms.

The position of dyer-washers in the *pronto moda* is unique in two ways. First, compared with both final and stitching firms, dyer-washer requires much more technology and capital inputs. Therefore, until recently, most of dyer-washers were still owned by Italians. The first Chinese dyer-washer did not open until 2006 when an Italian dyer was accidentally involved in debts and reluctantly sold his company to a Chinese entrepreneur. By the time of my interview, there were 8 dyer-washers owned by Chinese, most of which opened in the past 2 years. Second, because of its skill requirements, dyer-washers were much more selective on their recruitment.¹⁵ Based on my interview, the biggest one headed by Chinese had 60 to 70 workers including 8 Italians. Normally, final and stitching firms only hire Chinese workers, and only the most successful final firms, such as Giupel, have reasons and are able to enroll Italian designers. On the contrary, for dyer-washers, Italian technicians are claimed to be indispensable for the sophistication of dying formulas. Even for less skilled positions, dyer-washers are more selective than their colleagues. In one of the dyer-washers, Chinese workers were not hired in Prato as final and stitching firms normally do. Most of their Chinese workers were recruited through labor agencies directly from China. By so doing, the quality of skilled workers are ensured, while the labor cost was controlled.

Textile producer

In 2011, there were 219 Chinese textile producers in Prato. Compared with 2,694 Italian-headed textile companies, the scale of the Chinese textile industry in Prato was still quite small. Similar to what happens to dyer-washers, the know-how and capital requirement for machinery have so far excluded Chinese entrepreneurs from this sector. I do not intend to investigate the internal structure of the textile industry in Prato. Instead, I focus on its relations with the Chinese apparel industry in the city. As discussed in

¹⁵ For a detailed study of the Chinese labor market in Prato, one must read Fladrich (2009). I also analyze the contribution of this peculiar labor market to the competitive advantage of the Chinese apparel industry in Prato later in the next section.

Chapter 1, there has been a debate on whether or not a synergistic relation exists between the Chinese apparel industry and the Italian textile industry in Prato. Based on my interviews, such synergistic relation seems not to be the case for most firms.

“We source both locally and from China. Recently Turkish textiles become very popular and have good price-quality ratio. As of our company, we source local textile for winter clothes but mostly imported textile for summer.”

Chi, about 40, owner of a final firm, interviewed in Prato on March 23, 2012

“It (using Italian textile) is very difficult. One time when a government commission from Zhejiang came, as a gift for local community, they said they would like to buy something that Italian governments suggested. In Toscana, they recommended wine and textile. Wines were good and the Zhejiang government was able to make companies to buy them up. However, for textile, no one wanted to buy, because Italian textiles are way too expensive for them. On the one hand, China now produces the most diverse textiles in the world by huge quantity. On the other hand, even though the quality of Italian textile is relatively higher, high quality is not necessary for our market. Textiles made in China are good enough for our companies in Prato. This is why many companies here import textiles from China.”

Su, in one of the Chinese associations, interviewed in Prato on February 22, 2012

Further interviews confirm the gap between the Chinese *pronto moda* and Italian textile manufacturers in Prato (Author's interviews Nov. 2013). Most of the informants claimed that about 70% of their fabrics were made in China. Even though some of them source from the Italian textile companies in Prato, most of the fabrics sold by Italian traders are also imported from China. Only between 20% and 30% of their fabrics are actually manufactured in Prato. In recent years, companies have also begun to source Turkish fabrics, although the percentage of Turkish fabrics is still small comparing to Made-in-China. While the majority of Pratese textiles supply high fashion brands such as Prada and Gucci, the Chinese-made apparel mostly go to street markets in Europe (interviews at UIP on March 16, 2012).

Tab. 4.1 Internal structure of the Chinese *pronto moda* (Source: compiled from author interviews)

	Function(s)	Workforce	Skill requirement	Value added
Final Firm	Designing and cutting	5 to 10, mostly Chinese. In rare cases, Italians are hired as designer.	Medium	Large
Dyer-Washer	Dyeing and washing	50 to 70, mostly Chinese. Italian technicians are always required for making dyeing formulas.	High	Large
Textile Producer	Supplying textile	Varies from 10 to 100, see Chapter 3.	High	Medium
Stitching Firm	Sewing	8 to 50, all Chinese.	Low	Small

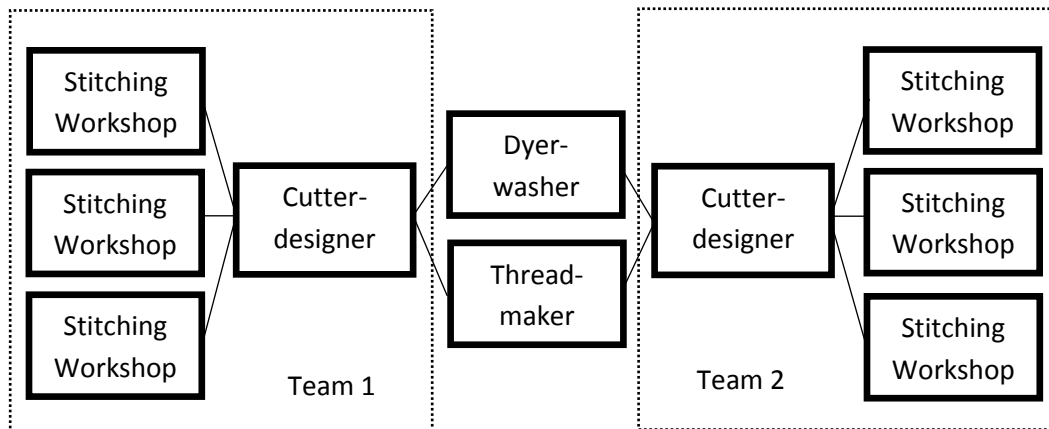


Fig. 4.1 Production teams in the Chinese *pronto moda* (author's interviews 2011-2013)

4.3. Competitive advantage of the production teams

It is misleading to ask why Chinese apparel produced in Prato is competitive in the global market. In fact, its success is always partial and conditioned on a number of limits in the fashion markets. Here, Becattini's (2001, 13–14) theorization for Prato's textile industry can also be applied to the Chinese

apparel industry in Prato. He adopts a Marshallian concept of niche markets which sees every producer to a certain degree works in its own specific niche market. In particular in the fashion markets, there could be thousands of niche markets available for highly variegated products. Therefore, Becattini argues, instead of thinking competition as one product swallowing up shares of others, the correct way of conceptualizing fashion markets has to take account of the degree of diversification and the way in which niche markets are created and defended. In another word, whenever we ask what makes the Chinese *pronto moda* competitive, we always need to ask competitive in what specific context and against whom. Based on a variety of literature and my own research, there are at least four advantages of the Chinese apparel production network in Prato: low labor costs, untraded interdependency, its fashion elements and niche markets (Ceccagno 2009; Dei Ottati 2009b). In this chapter, I focus on the first two but leave the rest to the next chapter.

Labor

The most apparent advantage of *pronto moda* is the low cost of labor. Dei Ottati (2009b, 1829) asserts that the success of Chinese *pronto moda* relies on an labor market that is cheap and flexible but exclusive to the Italian companies. But there are questions that remain to be answered. Why is this labor so cheap and flexible? Why it is exclusive to the Italian employers? Why is it Prato not anywhere else which allows such a Chinese labor market of such a scale to exist? To what extent is cheap labor a competitive advantage of the Chinese apparel produced in Prato? Finally, if its labor is indeed comparatively cheap, whose labor do we compare it with?

I discuss in Chapter 3 that the institutional contexts, i.e., the ban on self-employment for Chinese until 1998 and constraints on resident permits thereafter have produced and still keep producing a distinction between documented and undocumented workers. The effect of institutional contexts is reinforced by the preexisting social norms within the Chinese community which define the optimal, upgrading path of individual immigrants. Under both external (from the Italian regulatory institutions) and internal (within

the Chinese community) pressures, Chinese migrant workers are locked in a disadvantaged position in the ethnic economy, and have to make themselves both cheap and flexible. I have analyzed in Chapter 3 how the cultural mechanisms in the Chinese migrant community offer better opportunities for individual entrepreneurship for Chinese migrant workers. Here, I would like to dig into this process and ask why Chinese workers prefer to work in the ethnic enclave, while Chinese employers prefer to hire Chinese workers.

First, some of Chinese workers are willing to stay in the ethnic enclave because there are more possibilities for their own entrepreneurship in future. Even though they want to work for Italian employers, the major obstacle for them to work outside the ethnic enclave is a resident permit. Without resident permits, migrant workers are not allowed to be employed by Italian employers.

“It is very normal to work for more than 14 hours and only sleep for 2 hours (for apparel workers in Prato). I used to work just like that. I believe people (undocumented workers) in America have a much humanitarian working hours, right? Now since I got the resident permit, I only work for Italians. But Italians have already known how Chinese people work. We used to work eight hours per day (for Italian firms) but now they ask for 12 hours. They paid a little bit more for overtime hours, though... If I could not find a job here in Turin, I will go back to Prato soon.”

Stitching worker, interviewed in Turin on December 23, 2012

“A residence permit in Italy usually costs 20,000 euro for Chinese, and if there’s another Chinese who plays as intermediate in the deal, another 5,000 euro would be paid to this intermediate. Since amnesties are now hopeless, (...) it is usually through domestic worker program.”

Owner of a stitching firm, interviewed in Turin, January 11, 2012

For a diligent worker who worked for a successful workshop during the heyday of the early 2000s, she or he could make more than 2,000 euro a month. Thus, a resident permit usually amounts to their one-year’s saving, let alone the money they paid to snakeheads (organizers of human trafficking) on their way to Italy (normally 120,000 yuan or approximately 12,000 euro between 2002 and 2008). Even though Chinese migrant workers, in particular the newer generation, increasingly prefer to work for Italian employers for better pay and working conditions, the barrier to get a resident permit is often unbearable

for them. Based on my interviews, most of Chinese immigrants, entrepreneurs and workers alike, obtained their resident permits by borrowing money from their more established family members in Italy. The current economic crisis in Italy makes the situation even worse. On the one hand, because of the economic downturn, apparel workers now can only make about 1,000 euro in 2011 and 2012, half the salary of the early 2000s (remember, stitching workers are paid by piece). It would take longer for them to accumulate sufficient funds to purchase a permit. On the other hand, the Italian government has reduced the number of resident permits issued since 2008 and thus made the price of a permit increase (see Chapter 5 and 6).

The way that Chinese labor is made cheap and excluded from the mainstream economy is, in this sense, similar to what happens to the Mexican labor in American cities (De Genova 2005). As De Genova argues, by continuously creating the social and economic boundary between legal and illegal, and by confining the illegal in specific sectors and positions, the migrant workers are successfully devalued and made disposable (Wright 2003). What makes my case in Italy different is that unlike the Mexican laborers who found no job opportunities except for those in the low-skilled service sectors, Chinese migrant workers in Italy are pushed into the manufacturing sector that their co-ethnic entrepreneurs have built. These Chinese workers are luckier than the Mexicans in the US in the sense that they are offered a defined upgrading path, no matter how blurred it has become in the recent years. Therefore, Chinese migrant workers prefer to work in the Chinese ethnic enclave, while Chinese employers prefer to hire Chinese workers who are cheaper and more flexible than Italian workers.

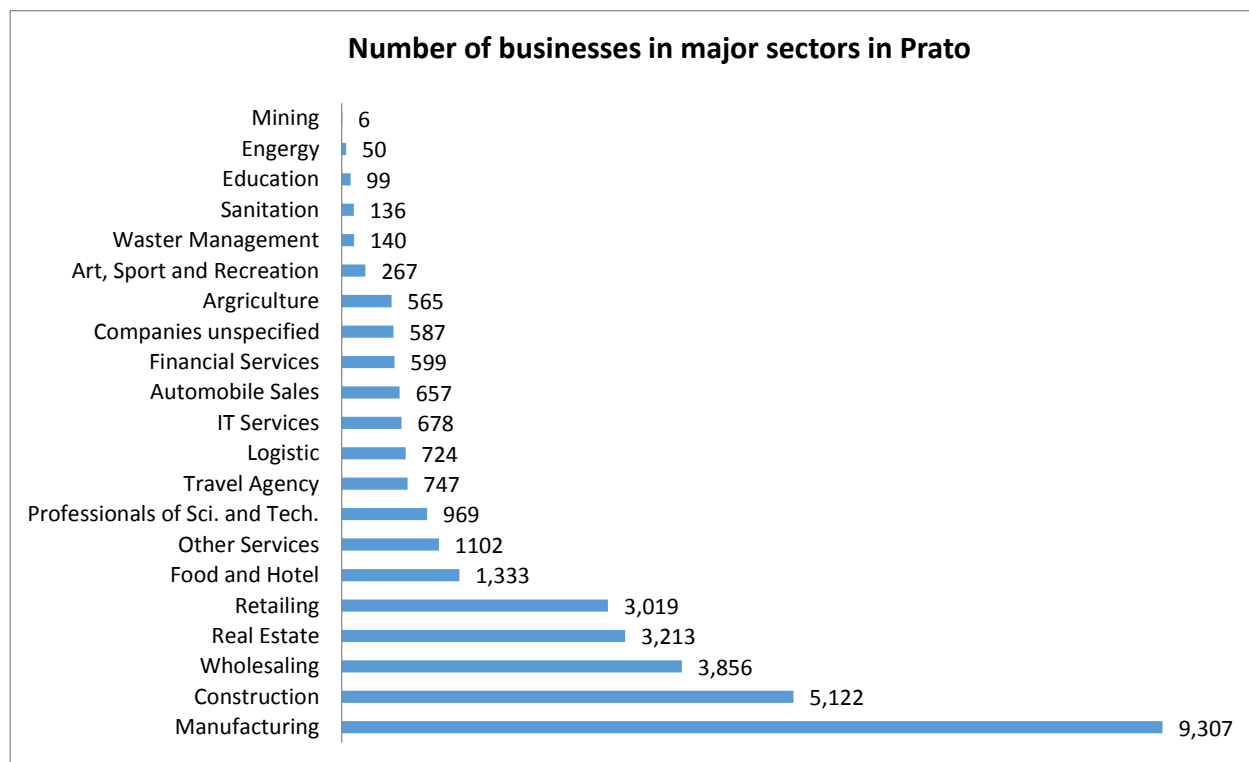
This exclusion of Chinese labor from the mainstream economy is less obvious in other Italian cities than in Prato. As Cologna (2012) reveals, particularly in Milan, more and more Chinese immigrants have left the manufacturing sector and diversify themselves into service sectors such as bars and barber shops. Indeed, the gloomy working conditions of apparel sweater shops are undesirable for any human being, and so many Chinese immigrants want to leave the apparel industry if they ever have a chance. Cologna argues that by joining the more socially and spatially “open” service sectors, Chinese immigrants have

more chances to be familiar faces to the locals, and therefore enjoy better degree of social integration. In Milan, many of the second generation have indeed left the ethnic economy and successfully joined the mainstream economy.

Why is this process not happening in Prato? Why does Prato keep attracting Chinese apparel workers? Why does the Chinese economy in Prato fail to diversify its sectors? My research shows that there are four main reasons that make such transformation less likely in Prato. First, in Italy, institutional contexts make some industries less possible, if not impossible, for foreigners than others. Indeed, this is part of the reason why the diversification of the Chinese occupations came late even in Milan. It is true that in the past decade Italian economic policies have been liberalized and more sectors have been opened to foreign nationals including Chinese. For instance, there used to be restrictive requirements for foreigners to open a wholesaling business in Italy, but these limitations were removed only in 2007. Many wholesalers whom I interviewed indicated that this was the major reason for a surge in the number of Chinese wholesalers nationwide after 2007. On the contrary, the businesses such as gas station were still under restriction as of 2011, and so there still could not be any Chinese gas station. The current economic crisis was supposed to accelerate the process of liberalization under the pressure of European Central Bank. To “boost competition”, in 2012, the Monti government released a number of new licenses for taxi drivers but faced massive protests across the country (Hornby 2012; Emsden 2012). Even today, a Chinese taxi driver in Italy is legally impossible.

Second, the Pratese economy simply does not offer many opportunities beyond the manufacturing sector. Based on Prato Chamber of Commerce statistics (2012), in 2011, there were in total 33,176 businesses registered in Prato among which 9,307 were in the manufacturing sector. Thus even for local Italian people, manufacturing companies were still the biggest employers. As for businesses registered by Chinese immigrants, 3,954 out of in total 5,209 were manufacturers. As discussed earlier, beyond apparel manufacturing and related commerce, there were institutional barriers for Chinese in other sectors. Moreover, it is not only because Chinese immigrants lack capital and skills as in the case of the textile

industry, but also because in other industries Chinese have not created “untraded interdependencies” and thus have to pay much higher entry costs. For instance, in 2011, there were 1,240 construction companies registered by foreign nationals in Prato, among which only 32 were headed by Chinese. On the contrary, 544 construction firms were run by Albanians and 285 by Romanians. I do not intend to study the differentiated privileged sectors for different immigrant groups in Prato. Why this differentiated occupational pattern among immigrant groups occurred in Prato remains a question. Instead, I only want to show that there are both institutional and social (interracial) costs for Chinese immigrants to enter into certain industry. The differences between the number of Chinese businesses and total businesses by sectors in Prato clearly show the pattern (below). While the concentration in the manufacturing sectors was significant in the Pratese economy, this concentration for Chinese immigrants was even more aggravated.



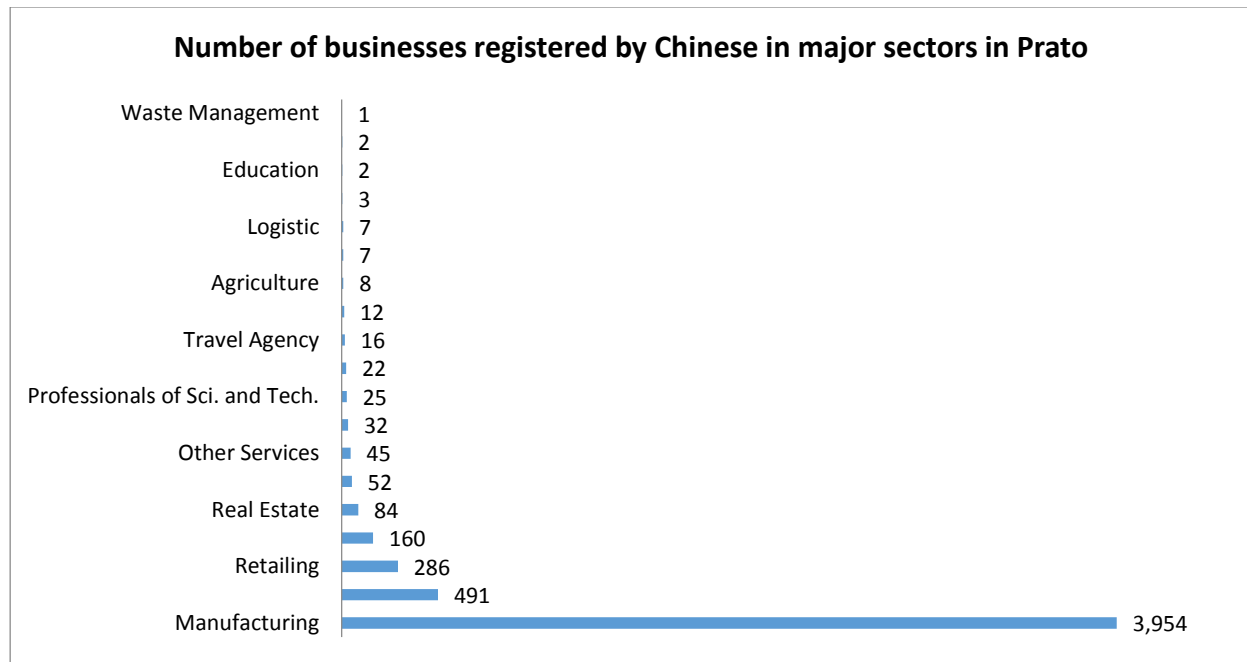


Fig. 4.2: Predominant role of manufacturing sectors in Prato

Source: Author's illustration of data from the Prato Chamber of Commerce

Third, by its rapid development in the past two decades, Prato gained its reputation as “the first stop for Chinese immigrants in Italy”. Because of the low skill and language requirement for working in the apparel sector, since the 1990s newly arrived Chinese immigrants nearly always headed to Prato for their first job. According to Cologna, this was also part of the reason why the social hostility toward Chinese was most visible in Prato.¹⁶ Upon arrival at Prato these Chinese migrant workers typically had little knowledge about the Italian culture or even the urban culture in general (in China, they were migrant workers/petite entrepreneurs from rural areas). Their personal habits such as spitting on the street were widely criticized by local Pratese people. My interviews also confirm that nearly all of my Chinese interviewees lived and worked in Prato for a while as their first stop. Although the actual situation of job opportunities in Prato has changed a great deal since 2010, this reputation and associated symbolic value as “the easiest place to find a job” (Ma, interviewed on December 23, 2012) still persists. Many of the

¹⁶ Personal conversation with Daniele Cologna in Milan on January 12, 2012.

unemployed Chinese immigrants go back to Prato to find a job as apparel worker, despite the generally low wages available to them. To a certain extent, Prato has become the first and last resort for Chinese immigrants in Italy.

Finally, the cheap labor in *pronto moda* also comes from the self-exploitation of the business owners. In Chinese apparel firms, stitching firms and final firms alike, owners and their family often contribute a large amount of labor into production. As Ceccagno (2007a) argues, both workers and owners have been sacrificing their family time in return for longer work hours. My research also confirms that particularly in stitching workshops, owner's family always works side by side with workers. In addition, stitching workshops normally provide free food and lodging for workers even when there is no contract. By so doing, owners are able to create a paternalistic aura within the workshop and so stabilize the workforce. Previous research has shown that this work ethic is in fact very common in Chinese businesses either in China (Wright 2003) or overseas (Lee 2009). It has been reported that the limited overhead for manager salaries is one of the most important competitive advantages of overseas Chinese companies compared with western companies, such as the cases of construction companies in Africa (Pheng and Jiang 2003).

All these conditions contribute to a labor market that is cheap and large enough for the Chinese apparel industry in Prato. As 10 of 10 owners of Chinese apparel firms confirm, labor cost is indeed one of the most important competitive advantage for their business. I have analyzed why the Chinese migrant labor in Prato is cheaper and more flexible than the Italian labor. However, it would be unrealistic to argue that the Chinese labor in Prato costs less than the Chinese labor in China, or even the Chinese labor in other European countries. If the Chinese labor in Prato is actually more expensive than that in China, why is the apparel produced by Chinese in Prato still more competitive than those from China in niche markets? If labor cost is cheaper in countries such as Spain and Hungary, why do Chinese companies still adhere to Prato? To answer these questions, more dimensions have to be brought into our analysis.

Untraded interdependency

In fact, the Chinese apparel industry does not solely rely on cheap labor. Its particular structural pattern also contributes to its competitiveness. By structural advantages, I refer to a set of advantages generated by the internal structure of the Chinese production network in Prato. In particular, these advantages include transaction cost, flexibility of production and power of innovation. I show that this structural pattern and its advantages resemble the Pratese textile industry in many ways, and that is the reason why the Chinese apparel producers in Prato are able to outcompete producers in other parts of Europe.

In the Chinese apparel industry in Prato transaction costs are successfully controlled by the “untraded interdependencies” among producers. As discussed in Chapter 2, one of the key concepts for the Florentine school of industrial district is contextual or un-codified knowledge as opposed to systematic or codified knowledge (Becattini 2001, 9). The un-codified knowledge includes those skills, transactions and innovations that are shared among ID workers and entrepreneurs but cannot be easily taught through textbooks. The sharing of such un-codified knowledge relies on the mutual trust among players which in most cases means the spatial proximity among players. To conceptualize the importance of spatial proximity and local conventions in regional economies, Storper (1997) introduced the notion of untraded interdependency which subsumes all the uneconomic stickiness between actors in a regional economy. In my case, untraded interdependencies plays an important role in creating the mutual trusts between immigrants and thus reducing the uncertainty of transactions.

Two types of untraded interdependency exist in the Chinese *pronto moda* between workers and employers, and between ID companies. First, there is mutual trust between Chinese workers and Chinese employers. My research also shows there usually is no written labor contracts between employers and employees in the Chinese *pronto moda*, in particular, in the stitching firms. Whenever there is a labor dispute in the Chinese business, workers are easily disadvantaged with no external supports. Then what guarantees the mutual trust between the labor and capital in the Chinese *pronto moda*? I argue there are two main

reasons: one inside the Chinese community and one outside. As I discussed earlier, there is a social mechanism in the Chinese community that allows immigrants to quickly accumulate their capital and themselves become entrepreneurs. In short, new immigrants agree to work for their employers for a certain period of time with low pay, in return for their employer's financial supports later when workers pay off their debts and want to set their own business. This process normally takes 3 to 5 years during which uncertainty always looms. Thus, for most workers, at least during the first 3 to 5 years, they are willing to trade off part of their labor rights for a potential opportunity of becoming self-employed. This mutual trust is also maintained by the employer who usually tries to create a familial milieu in the workplace. The owner's family (normally he, his wife and sometimes adult children) almost always work and eat amid workers with little feeling of privilege. Workers are usually taken care of as members of the family. Although as I show in Chapter 5 that the labor relations in the Chinese *pronto moda* are far from harmony, the open cases in which workers broke up with their employers were not very frequent based on the number of workers and businesses in Prato. The following words from an owner of a stitching firm are convincing:

“It is not good for them (workers) to change boss too often. I myself worked in the same stitching firm for the first 5 years and then got enough funds to open my own company. Workers who changed their jobs too often will have difficulties to find another job. Because our jobs are mostly seasonal, many workers have to leave the company during the summer. Depending on the market, our workforce will be adjusted throughout the year. Therefore, only the most loyal workers are kept all the time. If one changed jobs too often, her/his friends would be reluctant to recommend her/him to new employers, and employers would question her/his loyalty to the company. Those who are not loyal will be the last to be employed even during the peak season. Also, since we are immigrant's business, we all don't want to bring in trouble makers. So I always tell these ‘kids’ (*xiaohaizi*, referring to the workers) to be loyal and this is good for them as well.”

Owner of an apparel firm, interviewed in Prato on 1/16/2012

At the first glance, it might contradict to the fact that more Chinese workers are now willing to work for Italian employers as I mention earlier, as indicated by Cologna (2012) and Ceccagno (2009). However, I want to argue that in fact these workers who now prefer working for Italians were no longer those who preferred staying in the ethnic sector. On the one hand, in recent years, the possibility of upgrading for

Chinese apparel workers has shrunk as the markets of *pronto moda* were quickly saturating (Ceccagno 2007b). In particular, since the Italian debt crisis beginning in 2010, it has been less likely for workers to open their own firms, when existing apparel firms started facing a hard time and many have closed down. The number of apparel firms has dropped from 4,476 in 2010 to 4,338 in 2012 (Camera di Commercio di Prato 2012). On the other hand, as Cologna (2012) rightly points out, new immigrants from China are becoming less submissive and less willing to take drudgeries such as apparel stitching. After dramatic economic growth in the past two decades, both Zhejiang and Fujian have become the most developed provinces in China. Going back to China has become an option much more viable than before. My research shows that at least in the spring of 2012, many workers indicated their hesitation about whether or not staying in Prato. Many employers were also worried about an upcoming labor shortage in the Fall. For these new workers, working for Italians means better wage and work condition. The traditional social mechanism for upgrading in the Chinese Italian community simply no longer worked for them. All these factors are undermining the untraded interdependency between workers and employers in the years of crisis.

The second untraded interdependency exists between contracting companies in the Chinese *pronto moda*. If the first interdependency explains why Chinese workers are willing to trade off short-term income for long-term financial supports, this second interdependency tries to explain why Chinese companies are more willing to (sub)contract with co-ethnic companies if contracting with Italian companies means higher payback. It does not necessary mean that all Chinese companies only contract with co-ethnic companies. In fact, some of the most successful final and stitching firms have been working for Italian fashion brands for many years, as shown by Ceccagno (2007b). However, even though Italian fashion brands pay much more for their orders, there are still many Chinese companies willing to stay with co-ethnic partners. In another word, they are willing to trade off a portion of their profit in favor of something else. What do they want in this seemingly irrational strategy? Among other factors, my

research finds that many Chinese companies are concerned with the uncertainties of the Italian contracts and their disadvantaged position whenever dispute occurs. The following story is telling in this sense:

“Working for Italian apparel firms means two things at the same time. Italian firms usually pay much more, but in the increasing number of cases, they are prone to delay the payment. Delay may last as long as 6 months and after that, the company may simply declare bankruptcy. They know that Chinese usually pay no taxes, use undocumented labor, and so are reluctant to sue them. Therefore, working for Italian firms also means to bear more risks.”

Owner of a stitching firm, interviewed in Prato on 1/16/2012

There could be other reasons for why Chinese firms prefer to subcontract with Chinese firms, such as many Chinese stitching companies not having sufficient skills to meet the quality requirement of Italian brands. However, in my interview, these reasons have been identified as less important, since stitching does not require high skills. Still, I do not want to exclude other reasons and will leave this question for future research.

The interdependency among Chinese labor and companies not only guarantees the low cost of Chinese apparel produced in Prato, but also makes it adaptive the market tastes in terms of its fast turnover time. Mutual reliance between Chinese workers and their employers allows companies, in particular stitching companies, to work much longer and much more flexibly than potential Italian competitors. Some scholars have reported the extra-long hours that apparel workers work in Prato (Chen and Randolph 2009). My research shows the work-day for stitching workers can be as long as 12 hours a day and 7 days a week during the peak season such as April and September. This certainly violates the Italian labor law which determines the working day should not exceed 8 hours a day or 40 hours a week (Act n.196/1997, Sect. 13) (Matteis, Accardo, and Mammone 2011). But interviews with workers also indicate that many stitchers agree to these long hours in order to make more money. Comparing with Italian stitching firms that pay monthly wage disregarding the individual output, the Chinese stitching firms pay by piece and thus motivate the workers much better. Although in the end workers may receive a worse per piece rate, they nevertheless make more monthly wage by producing more output. Based on this extremely flexible

and adaptive labor, the Chinese *pronto moda* is able to deliver new designs much faster than its competitors.

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Chapter 5: Trade network across Europe

In the previous chapter, I have shown how the production teams work in Prato. Based on low-cost (and sometimes irregular) labor and close connections between stitching workshops and final firms, the production teams in Prato are able to deliver new fashion designs much faster than their competitors elsewhere. In this chapter, I continue to explore the competitiveness of the *pronto moda*. In particular, I show that the competitive advantage of the *pronto moda* depends on a horizontally integrated network of Chinese traders living across Europe. These migrant traders offer the manufacturers latest fashion trends, immediate market feedback, and an expanding wholesale network in a number of Western and Southern European countries. Although the *pronto moda* does not have a renowned brand, its business model is in a sense very similar to that of ZARA and other fast fashion brands.

Based on data provided by the Prato Chamber of Commerce (*Camera di Commercio di Prato*) (2012), I shall explore the major markets of the Chinese *pronto moda* and the sources of the textile inputs to *pronto moda*. The Prato Chamber of Commerce provides international export and import data between Prato and foreign countries: <http://www.po.camcom.it/servizi/datistud/index.php>. However, there are two major problems in this dataset. First, it does not record domestic trades between Prato and other Italian provinces. Therefore, in this chapter, I only focus on the transnational imports/exports. Meanwhile, the trade data does not distinguish between the apparel produced by Chinese firms and by Italian firms. To cope with this problem, my hypothesis is that because about 83% of the apparel firms in Prato were registered by Chinese in 2011, the performance of the Chinese apparel from Prato is equivalent to the performance of the Pratese apparel. I do not deny the potential problems with this hypothesis. For instance, although small in number, the 731 Italian apparel firms might be supplying higher-end markets

and thus contribute more value in trade. Limited by data availability, I have to leave this question to future research.

This chapter is divided into three parts. Section 1 continues to discuss the competitiveness of the *pronto moda* but from the perspective of its trader network across Europe. I argue that a large part of the competitiveness of the *pronto moda* in fact lies outside Prato. Section 2 questions how this trade network impacts the ways in which apparel firms in Prato source fabrics, while Section 3 analyzes how it support the exports of Made-in-Prato garments to other European countries.

5.1. Competitiveness outside Prato

My research shows that the buyers of *pronto moda* are located across all major European countries, and some of the most successful final firms even claim to have exported to Canada and the US. More importantly, the wholesale networks are increasingly controlled by ethnically Chinese migrants. This is in line to what Ceccagno (2007b) shows, in 2006, many Chinese entrepreneurs in Italy moved to places such as Spain and Greece and transformed into export-import wholesalers for Chinese apparel. Many informants claimed that more than 50% of their buyers in France and Spain were in fact Chinese migrants. These Chinese traders have not only controlled the apparel wholesaling of the low-end fast fashion in key cities such as Paris and Madrid, some of them have also begun to develop their own retail chains. As one of the informants claimed, “now even if you go to those little French towns, you can find Chinese apparel stores here and there” (Interviewed in Wenzhou, 6/13/2011).

There are in general two kinds of Chinese wholesalers that people sometimes conflate. The first kind is those who specialize in importing finished apparel from China. In Italy, there are two clusters of these Chinese importers: Milan and Rome. Based on my interviews, Milan used to be the center of the wholesaling of Chinese goods, although its position was replaced by Rome recently because of the unfavorable business environment in Milan and its long distance to main harbors. The enforced renovation of the area of Paolo Sarpi and subsequent clashes between Chinese entrepreneurs and local

police in 2007 accelerated the decline of Milan as a trading center for Chinese goods (Cologna 2008). Instead, Rome benefiting from its closeness to Naples (one of the main harbors in Europe for Chinese goods) and its friendlier environment became the largest center for Chinese wholesalers in the 1990s. Most of these wholesalers frequently travelled back to China and placed orders only after face-to-face meetings with manufacturers in Zhejiang and Guangdong. Only a small number of wholesalers own factories in China. In fact, many of my interviewees indicated that owning factories in China was not always a good option due to its management costs and fixed capital inputs. Because of the unstable demands of the European fashion market, wholesalers would rather trade off a portion of profit for more flexibility. These wholesalers in Milan and Rome usually do not source apparel from Prato and sometimes are even in direct competition with the Chinese *pronto moda*. I compare their competitive advantage with the Chinese producers in Prato in the next section.

The second kind of wholesaler is those based in other European countries. Different from those based in Italy, these wholesalers source apparel both from Prato and from China. For them, there is a hierarchy among cities. Usually, Rome and Prato are identified as the first tier. Rome is the main sourcing place for Made-in-China apparel while Prato is the place for Chinese Made-in-Italy. A number of European capital cities serve as the second tier centers for their regional markets. For instance, Paris and Madrid serve as the major centers for Chinese apparel sold in France, Belgium, Spain and Portugal, while Budapest serves as the center for Eastern European countries (Ceccagno 2007b). Under these cities, there are national centers for smaller countries and subnational centers. For instance, Lisbon is the center for Chinese wholesalers in Portugal. In general, a wholesaler at each level would source products from their respective higher level centers. In one of my interviews, a Chinese wholesaler based in Lisbon has to make monthly visits to Madrid, Paris and Prato in order to keep her repertoire up to date. These wholesalers are the ones who send regular feedbacks to the Chinese final firms in Prato and are arguably the major buyers for the Chinese apparel produced in Prato.

Fashion

Flexibility of Chinese firms and their closeness to European fashion centers make their products more fashionable than their competitors elsewhere. I introduced Becattini's (2001) concept of the "imitative resonance" in the previous chapter. Similar to what happens to the Italian textile industry in Prato, the final firms of the Chinese *pronto moda* adapt to the most up-to-date fashion by imitating each other. This is one of the biggest advantages that the Chinese *pronto moda* possesses. Compared with producers in China, or even in other less developed countries close to Europe, the Chinese apparel producers based in Prato have faster and more effective channels to learn the newest fashion at least in the European market. Their location in Italy thus plays a central role here. Spillover effects of the Italian fashion industry sometimes even directly contribute to the innovation power of the Chinese *pronto moda*. As I mentioned before, many Chinese final firms and stitching firms are still supplying Italian fashion brands. New designs and fashion trends are thus learned by these direct subcontractors and subsequently copied by all other participants in *pronto moda*.

We need to go back to the division between codifiable knowledge and un-codifiable knowledge. Becattini (2001, 12) is right that Prato's success has by and large depended on its innovation of un-codifiable knowledge which can only be presented and learned by participating in local-based production, that is, only in Prato. Here, the un-codifiable knowledge includes not only the technology and the genuine way of organizing production through small firms, but also the very idea of what is fashionable and what is not. In fact, as many pointed out in my interviews, Prato has never been a place where large scale R&D occurred and large amount of research capital concentrated. Local scholars also admit that Prato's innovation is "soft": Pratese producers might have pioneered a particular style of weaving and a new complication of different fibers, but never actually invented a new weaving machine or a type of new synthetic fiber (Author's interview at the Buzzi School in Prato on March 21, 2012). Meanwhile, many scholars (Rabellotti 2004; Rabellotti, Carabelli, and Hirsch 2009) have argued that the production network of Italian IDs has so far been impenetrable by foreign capital precisely because its way of

innovation and its closure to outsiders. This then leads to a necessary question: to what extent can the uncodifiable knowledge be learned by Chinese migrants?

“(Talking about cooperation with Chinese apparel firms in Prato) It turned out to be very difficult because the Italian entrepreneurs are actually very afraid of such cooperation of technology with the Chinese. Among innovations, they are most afraid of the cooperation of fashion innovation. So I don’t know if they really made the right decision.”

Leader of the *Prato Futura*, interviewed in Prato on 2/15/2012

Italian entrepreneurs may be right to have worries. My research indeed suggest that fashion can be learned. Although back in these migrants’ hometown, Wenzhou, a similar model of regional economy has been developed based on small and medium-sized enterprises in the past three decades, many of the characteristics of the Chinese *pronto moda* are in fact inherited from the Italian production network. Moreover, by participating in the Italian apparel value chains, fashion as one of the most intangible knowledge has been “learned” and incorporated into their production practices by Chinese designers. However, we have to be careful about what learning means here. In the *pronto moda*, Chinese companies merely learn what has been announced and procured by the Italian brands, but so far, there is no evidence that these companies have been able to define new fashions. Even Chinese entrepreneurs themselves admit this:

“You probably have heard that we Wenzhouese people were famous by copying even in China. One company’s best seller can quickly be copied by others, and all the sudden, everyone is producing the same product.”

Owner of a stitching firm, interviewed in Prato on 1/18/2012

Therefore, the concern among Italian entrepreneurs that they may be undercut by local Chinese apparel firms may be exaggerated. To date no Chinese company in Prato is able to initiate or change the fashion trend in Italy or anywhere. They are followers; but followers of whom? Although I do not have a clear answer, Dunford’s research (2006) on the magic circle may be instructive. Dunford argues that the power of the Italian industrial districts has been exaggerated in the past, and that, in fact, the most important apparel value chains in Italy are controlled by big, multinational corporations based in Milan. If he is right, the position of the Chinese *pronto moda* within the apparel value chains might seem clearer now. At least

in terms of information flows, both Chinese and Italian textile and apparel companies are in fact subject to the same value chains that are dominated by companies outside the ID. This does not necessarily mean these multinational corporations are outsiders. Actually, many of the most renowned fashion brands have their roots in Tuscany, and in some cases, exactly in Prato, such as Prada.

Niche markets

Beyond the flexible production teams in Prato, the flexible business model of the *pronto moda* is also enabled by effective communications between producers in Prato and wholesalers across Europe. As indicated earlier, final firms receive feedback every day from their buyers and are able to adjust their design immediately overnight and deliver new orders less than a week. Moreover, they are particular friendly toward smaller buyers, normally Chinese wholesalers all over the Europe. Because Chinese wholesalers tend to have much smaller capital and less market influence than European fashion chains, they have to adapt to the newest fashion as fast as fashion chains while also maintaining their stocks as small as possible. Because of the fluidity of demand, a 30-euro skirt may be worth less than one euro after a week. Therefore, many Chinese wholesalers only stock 100 garments for each color of each model. Not every producer is willing and able to cater to such fast, very diverse and low-volume demands, but the Chinese *pronto moda* in Prato can. In fact, both final firms and wholesalers identify this flexibility as one of the most important competitive advantages for the Chinese *pronto moda* in Prato.

“Our major advantage is being fast. It takes 3 months for apparel produced in China to arrive. For us, it takes just a few days.”

Owner of a final firm, interviewed in Prato on 3/23/2012

“I come to Prato every month or half month. Clothes made here have many advantages over clothes from China. They change fast, have more diverse models and colors, and could 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 models (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 Italy.”

Wholesaler based in Lisbon, interviewed on 2/25/2012

My research shows that most of the Chinese apparel producers in Prato aim for lower-cost markets. In particular, they focus on women's summer clothes which are technically unsophisticated but fashionably sensitive. Cheap cost and extreme flexibility make the Chinese *pronto moda* very competitive in this specific niche market. In many respects, the business model of the Chinese *pronto moda* in Prato is similar to the celebrated model of fast fashion chains such as ZARA (Tokatli 2008). They all focus on limiting storage and accelerating turnover rate. The only difference between the petite producers in Prato and these major fashion brand names is that the latter have massive financial support and can to a certain extent foresee the upcoming fashion. Positioned in very different price categories, the Chinese apparel produced in Prato do not directly compete with these brand names. However, as the debt crisis loomed in a number of EU countries, some conditions changed. As one of the Chinese entrepreneurs reasoned, the crisis might boost the demand for the Chinese apparel produced in Prato because more and more working class people could not afford the brand names and had to turn to Chinese-Pratese products which have similar fashion elements but priced much less (Interviewed in Prato on 2/3/2012). This seemingly surprising outcome is also predicted by Gereffi (2010) who has suggested that since apparel is in a sense a rigid demand for consumers, the crisis may simply force consumers in developed countries to buy cheaper clothes. Indeed, although the decline in the number of apparel establishments has occurred, many of the remaining firms I interviewed had not felt the effects of the crisis.

“We began to feel crisis last October (of 2011). The demand declined by 30%. But we older businesses did not have very big problems. Many of us invested in China and other sectors. Only those new final firms were hit a big time. Many Chinese people found it much more difficult to do business than before.”

Owner of a final firm, interviewed in Prato on 2/23/2012

“Although the first half of 2012 was indeed difficult for us, the latter half of 2012 was surprisingly good. In the end, our revenue of 2012 was only a bit less than that of 2011.”

Owner of a stitching firm, interviewed through phone on 2/20/2013

In the next section, I would show some statistics and try to analyze the real performance of the *pronto moda* in the past ten years.

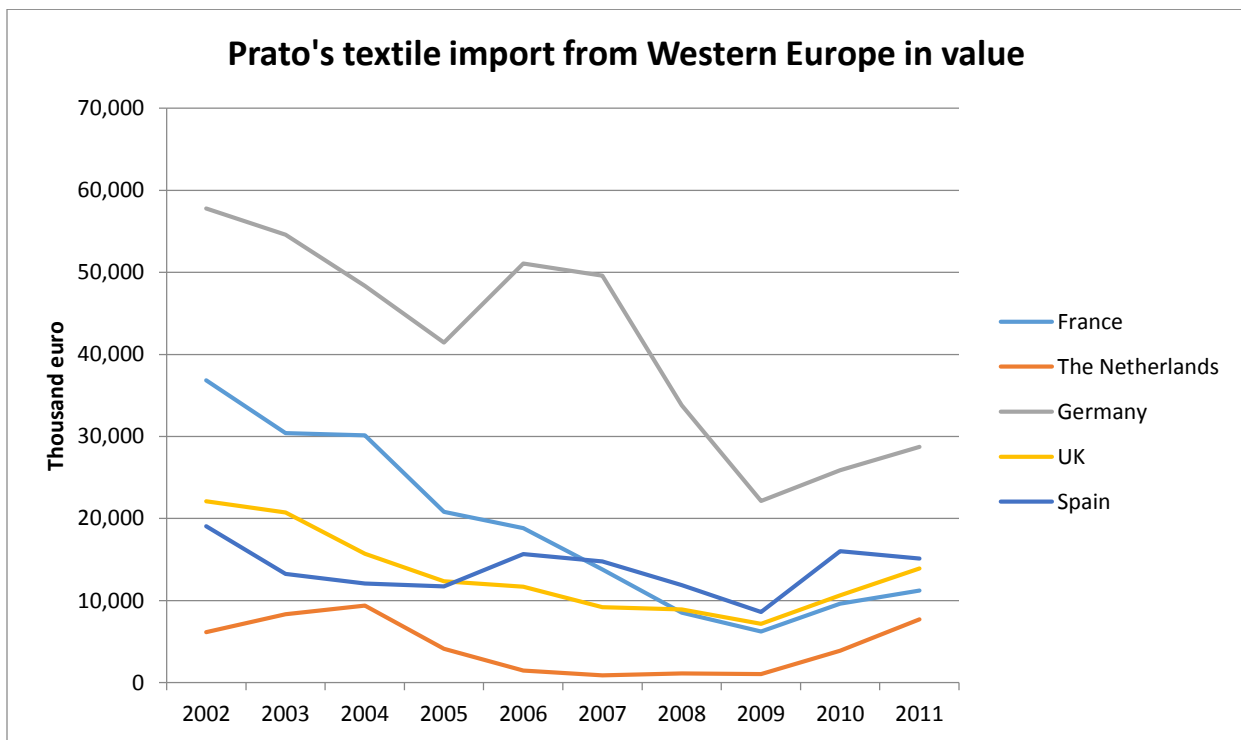
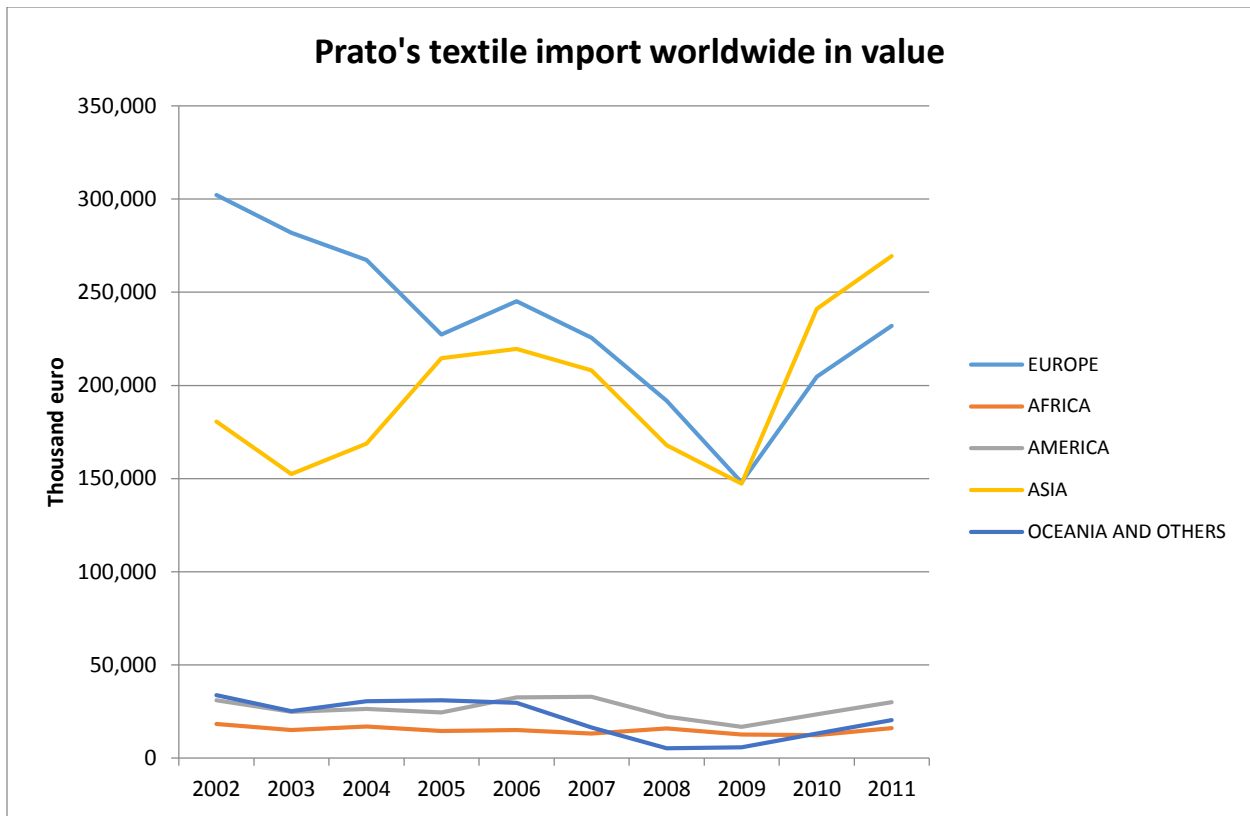
Tab. 5.1: Competitive advantages of the Chinese *pronto moda* compared with potential competitors

	<i>Pronto moda</i> in Prato	Italian fashion chains	Made-in-China
Labor cost	Medium	Depends on specific sourcing strategy: high - low	Low
Flexibility	High	Medium	Low
Fashion	Medium	Fast	Slow
Major products	Women's summer clothes	Men and women, all sorts.	More standardized clothes, e.g. T-shirts and jeans
Niche markets	Mostly European	Global	Global

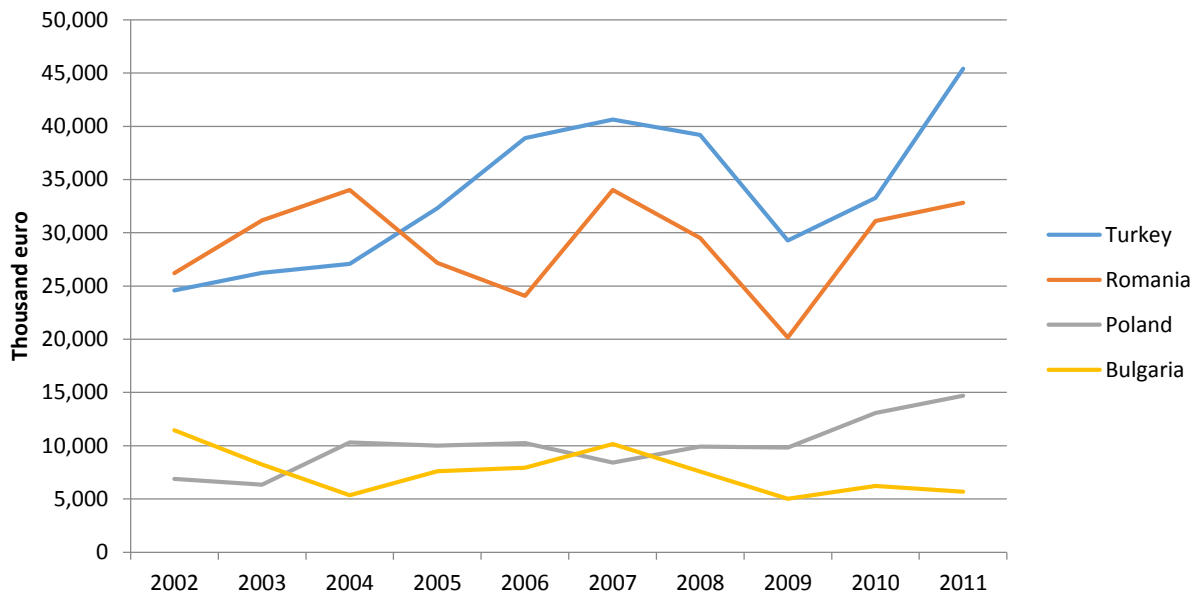
Source: compiled from author interviews

5.2. Upstream – textile sourcing

In the previous chapter, I have shown that the Made-in-Prato fabric only accounts for a small portion of the sourcing of the *pronto moda*. Chinese final firms tend to source textile from China not only because they need Made-in-China lower-value textile, but also because they are able to get preferable price and have mutual trusts with Chinese textile importers. The efficiency of the sourcing channels contributes to the competitiveness of the *pronto moda*, as indicated in Fig. 5.1.



Four biggest textile exporters in Eastern Europe to Prato



Prato's import of textile from Asia

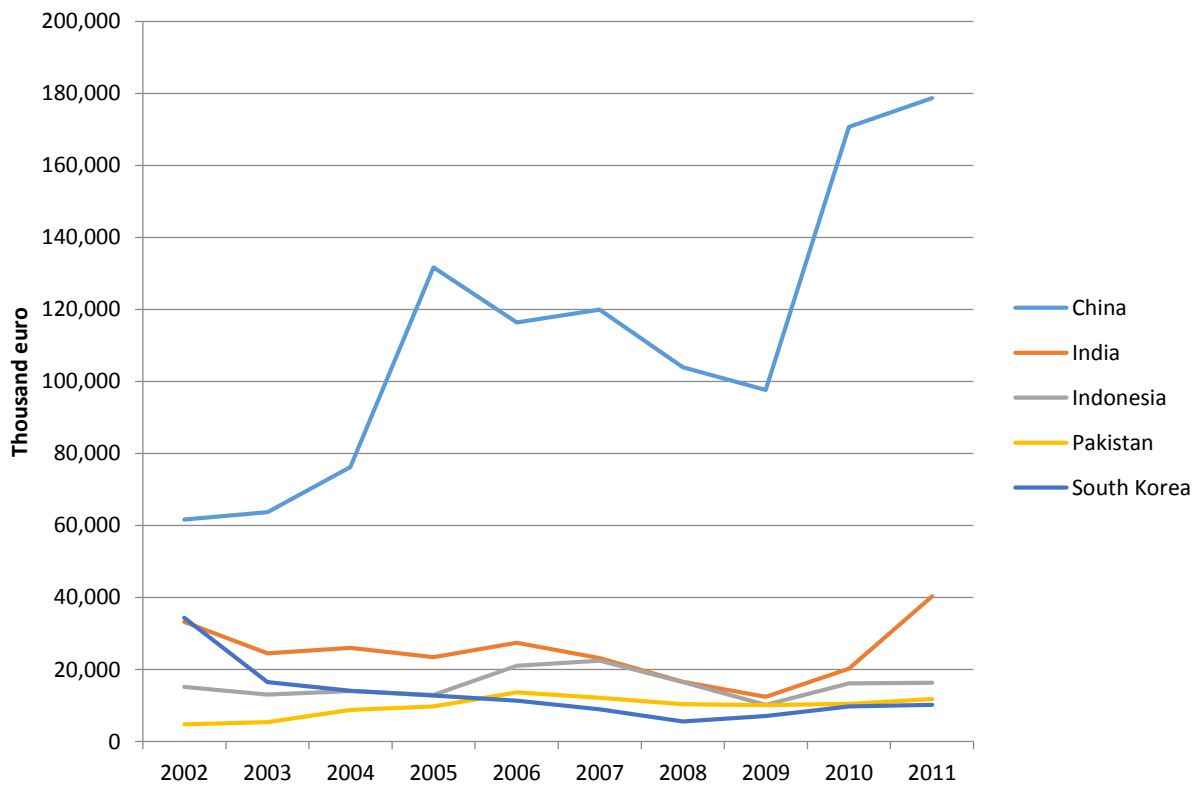


Fig. 5.1: Textile imports by Prato and Italy

Source: author's illustration based on data from Prato Chamber of Commerce (2012).

One has to note that the textile imports may include intermediate yarns for Italian textile producers in Prato. However, even with the portion for the local textile industry, the data tell us three realities. First, the textile imports from Europe were gradually replaced by the imports from Asia, particularly from China. It may be partially because of the general decline of the European textile industry as a whole. But the rise of the Chinese *pronto moda* and its demand for lower-value textile could be an important factor. Comparing the Pratese data with the national data, we can see a clear impact of the Chinese *pronto moda* on Prato's textile import. At the Italian national level, although there has also been a shift from European to Asian textiles, the change was much more moderate, and the share of Asia was still smaller than Europe. Therefore, the changes in Prato appear to be due to the Chinese business networks rather than a general sourcing shift.

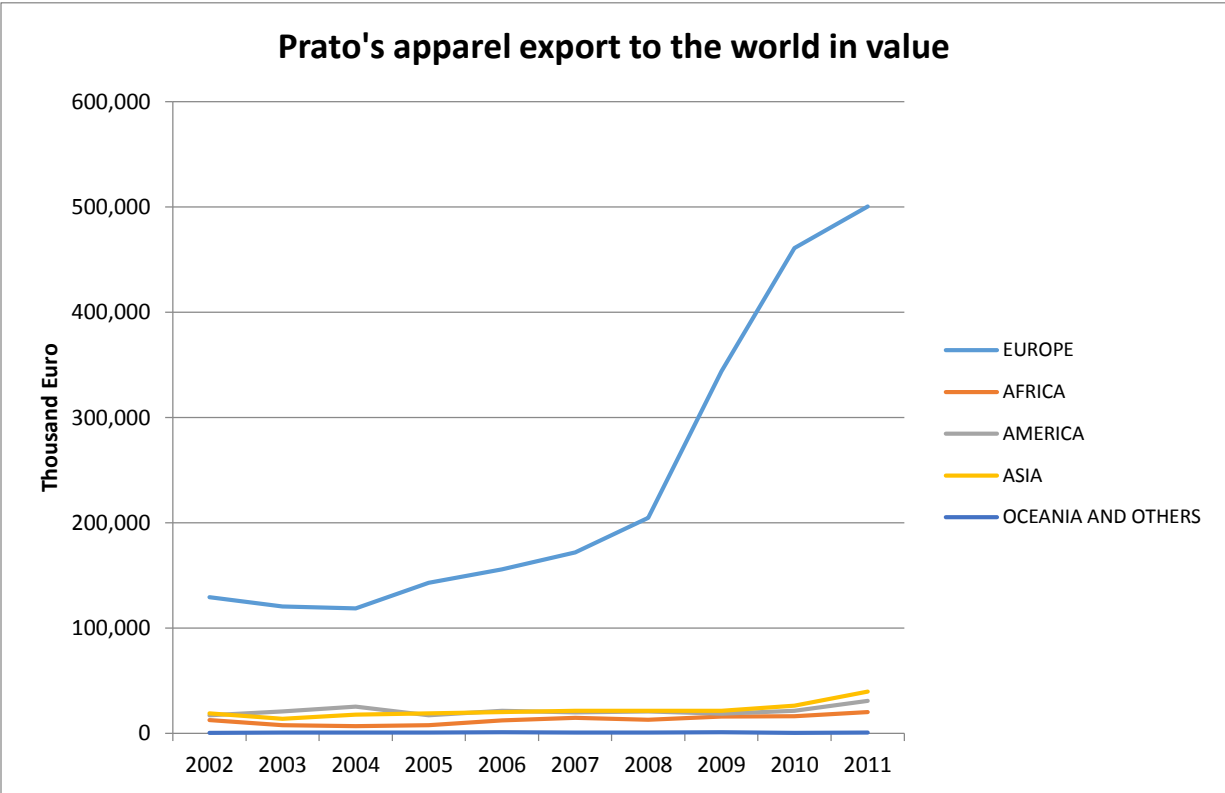
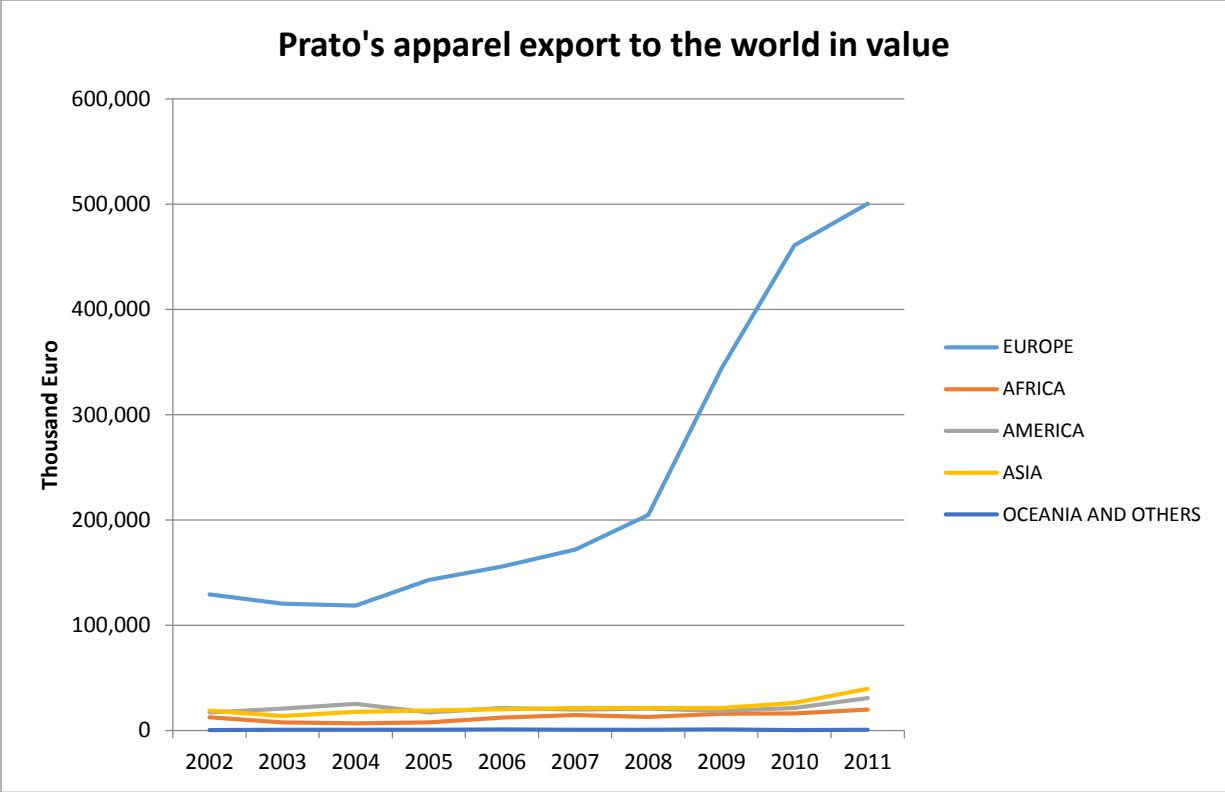
My interviews also confirm this. Most of the informants claimed that about 70% of their fabrics were made in China. Even though some of them source from the Italian textile companies in Prato, most of the fabrics sold by Italian companies are also imported from China. Only between 20% and 30% of their fabrics are actually manufactured in Prato. In recent years, companies have also begun to source Turkish fabrics, although the percentage of Turkish fabrics is still small comparing to Made-in-China and Made-in-Prato.

Meanwhile, there was a decline of imports from both Europe and Asia between 2006 and 2009. Since it happened right before the economic crisis but right after the end of MFA, it seems difficult to explain. Many Chinese traders indicated that it could be an ironic outcome of the end of the MFA. They claimed that between 2006 and 2009, the Italian customs imposed additional tariffs and inspections which severely delayed their goods at several Italian ports. The real impact of the end of MFA in fact occurred four years later. This is in line with many scholars who argued that the end of MFA does not mean the

withering away of any kind of import quota (Abernathy, Volpe, and Weil 2006; Pickles and Smith 2011). In fact, the EU and the US continued to impose import quotas to the countries that did not sign favorable trade agreements with them. These post-MFA quotas might also affect the textile imports even after the official quotas were removed.

5.3. Downstream – apparel exports

Scholars have shown that the Chinese communities in different European countries are well connected and form a unified transnational community (Pieke et al. 2004; Thunø 2007). Relying on this transnational Chinese community across Europe, the *pronto moda* has created a parallel value chain of fast fashion alongside European brands. Focusing on women's clothes, particularly summer clothes which are technically less sophisticated but highly fashionable, the *pronto moda* gradually occupied a low-end niche market catering to working class consumers in a number of Southern and Western European countries.



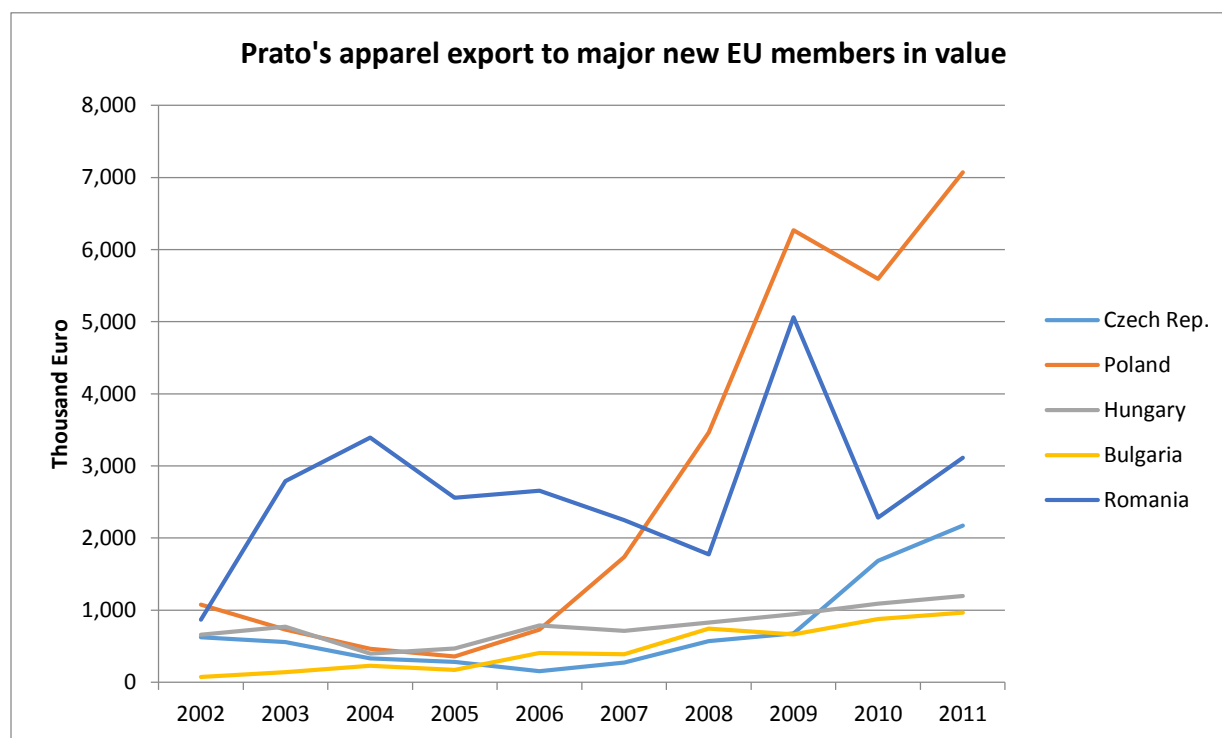
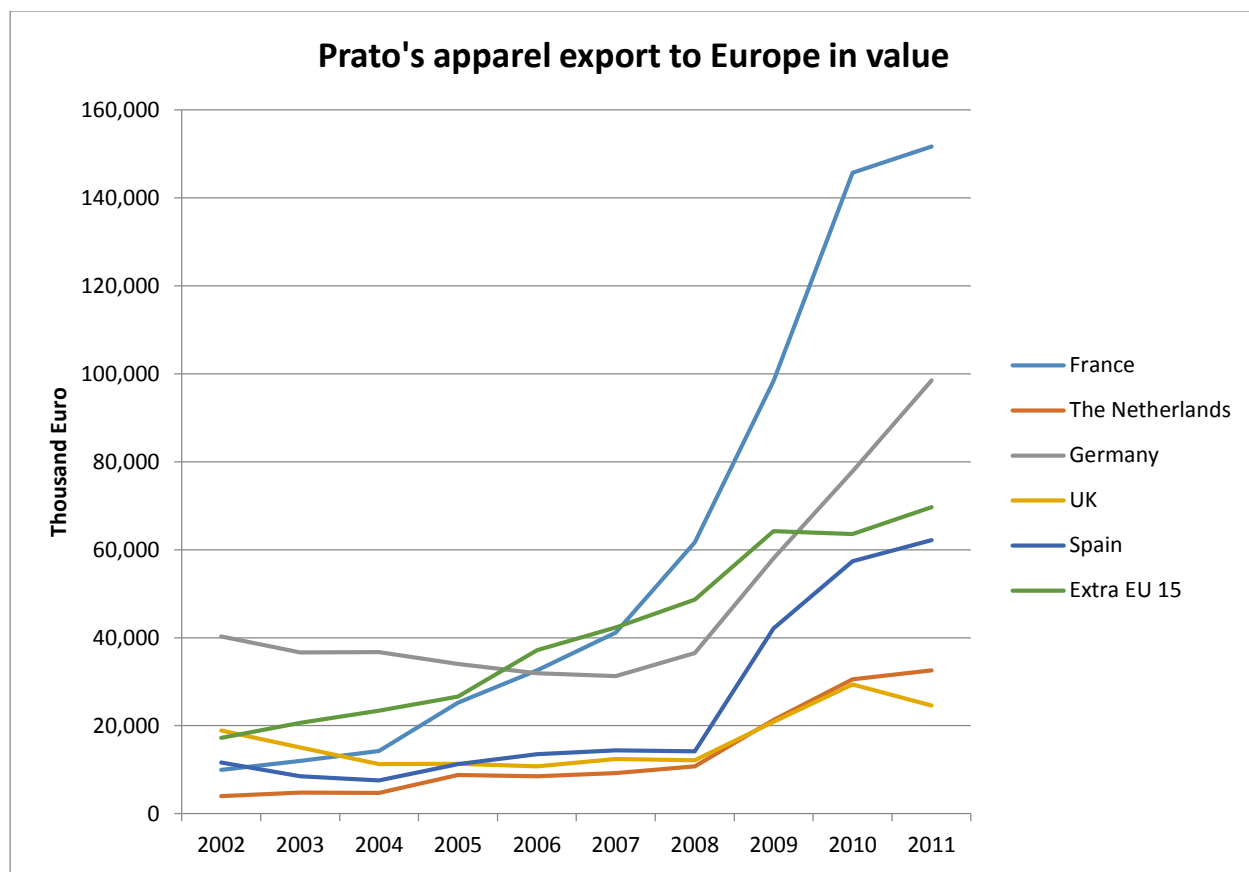


Fig. 5.2: Apparel exports by Prato

Source: author's illustration based on data from Prato Chamber of Commerce (2012).

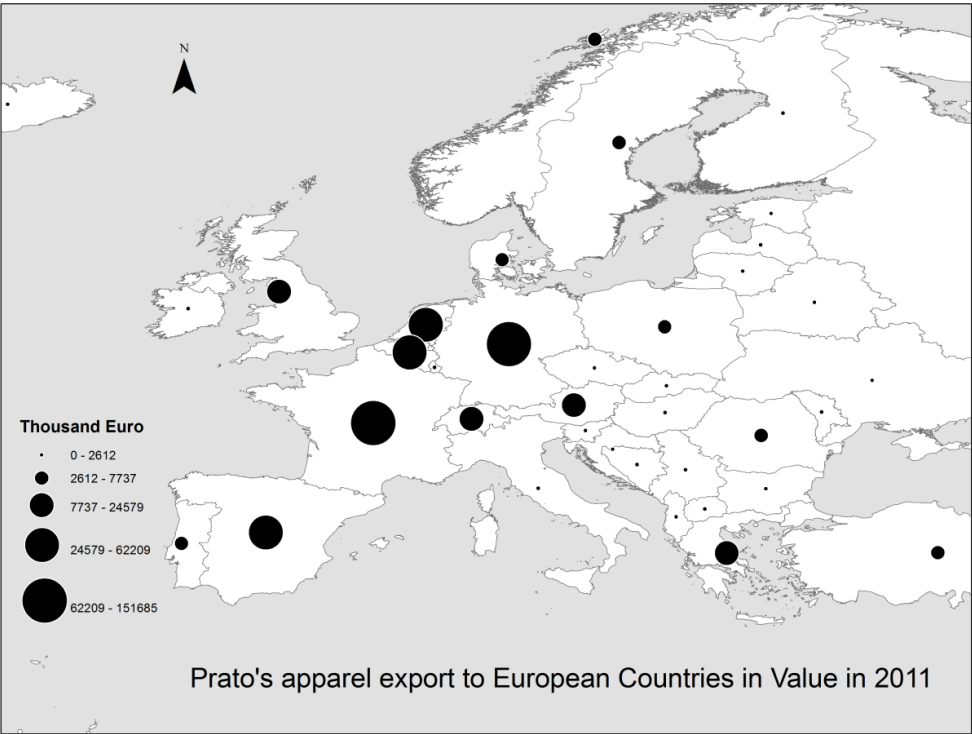
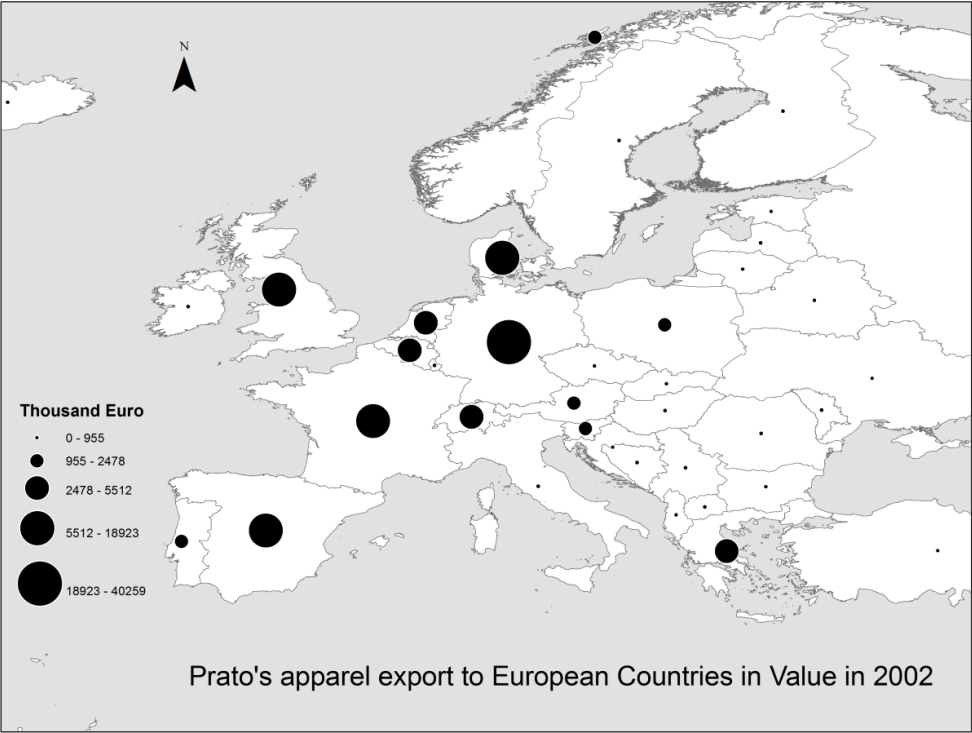


Fig. 5.3: Maps of the major markets for the *pronto moda*

Source: author's illustration based on data from Prato Chamber of Commerce (2012).

There are two important points in these graphs. First, compared to the Italian national exports in which Asia and America took a substantial share, Europe is the single most important market for the *pronto moda*. Within Europe, France, Germany and Spain are the primary markets. Why is it France and Germany that took the biggest market share? Why did particular Southern European countries, such as Spain, have more market shares than bigger economies such as the UK? Meanwhile, the economic crisis since 2008 seems to have no negative impact on the *pronto moda*. Instead, the years following 2008 witnessed the most rapid increase of the apparel export from Prato. Was it because the expansion of the lower-value apparel markets in Europe due to the economic hardship? Or was it because the expansion of a particular wholesaling and retailing network for the *pronto moda*? The actual impacts of the 2008 crisis on *pronto moda* are more complicated than mere recession (also see Ceccagno 2012).

Informants confirmed that France, Germany, and Spain were indeed the biggest buyers of the *pronto moda*. Besides the size of these economies, a network of Chinese traders in these countries also played a very important role. Many informants claimed that more than 50% of their buyers from these European countries were in fact Chinese migrants. These Chinese traders have not only controlled the apparel wholesaling of the low-end fast fashion in key cities such as Paris and Madrid, some of them have also begun to develop their own retail chains. As one of the informants claimed, “now even if you go to those little French towns, you can find Chinese apparel stores here and there” (Interviewed in Wenzhou, 6/13/2011).

This low-end fast fashion might already have existed long before the emergence of the *pronto moda*. Some scholars (Baldwin-Edwards and Arango 1999) have shown that other immigrant groups, such as Indian and Pakistani, have been working in this niche market much earlier than the Chinese. Informants

claimed that Pakistani traders had been working in this market segment at least since the 1980s. However, what is distinct about the *pronto moda* is the development of a horizontally integrated production network from manufacturing to retailing. Such process of integration is having complicated impacts on the non-Chinese ethnic traders across Europe, as the following remarks of a Pakistani trader show:

“My brothers run wholesaling shops in Germany. Years ago there were only Pakistani and Indian traders in Germany, but now there are more and more Chinese traders... We Pakistani entered into the apparel trading earlier than Chinese, but we never had our own manufacturing. I think it is because the South Asian immigrants are mostly unskillful in apparel manufacturing... In fact, I am making more profits with Chinese manufacturers than I did with Italian ones before. I had no problem with Chinese in Prato at all. They are very cooperative and very nice. They give you extra services and treat you like friend. For example, they take me to the train station after I make the order. We have worked in very friendly way... However, I’m still worried that we may eventually be driven out of the market in the future, because I suppose Chinese traders can always get better prices from Chinese manufacturers than we get.”

Pakistani trader, interviewed in Bologna, 11/10/2013

Informants also claimed that the post-2008 crisis has had limited but complicated impacts on the *pronto moda*. On the one hand, the number of apparel firms indeed decreased in 2010 and 2011. Many new establishments, both stitching workshops and cutter-designers, have been facing bigger difficulties recently. On the other hand, the business of more established firms, the cutter-designers in particular, seemed to be immune to the crisis. When asked about why they maintained successful in the market, many cutter-designers and traders referred to a sort of “downgrading” of the apparel demand in Europe. In particular, the demand for cheaper clothes has actually increased, and over time, the firms have to reduce the average unit price. For instance, in the winter of 2013, coats between 29 and 39 euro became more popular than the previous year, while those between 79 and 89 euro were no longer demanded (interviewed in Prato, 11/1/2013). This downgrading of the apparel demand is consistent with trends observed elsewhere (see Gereffi and Frederick 2010).

In short, from upstream to downstream, the growth of *pronto moda* in Prato has increasingly relied on the expansion of the ethnic-Chinese networks across Europe. Although some institutional contexts such as custom policies and the current economic crisis might have made their businesses difficult from one moment to another, the expanding Chinese networks have given them stable access to lower-cost textiles

from China and a booming segment of low-end fast fashion market in Europe. A major part of *pronto moda*'s competitiveness thus lies outside of Prato.

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Chapter 6: Power asymmetry and spatial conflicts of the *pronto moda*

“That everything is always said in every age is perhaps Foucault’s greatest historical principle: behind the curtain there is nothing to see, but it was all the more important each time to describe the curtain, or the base, since there was nothing either behind or beneath it.”

(Deleuze 1988, 54)

Power asymmetry is one of the most common characteristics of GVCs (Gereffi, Humphrey, and Sturgeon 2005). The *pronto moda* in many ways resembles a typical buyer-driven value chain in which final firms are able to substitute stitching workshops easily and thus retain unchallengeable power over the entire system. Among consequences of this power asymmetry, I want to focus on the ways in which not only profits but also risks of using irregular labor are distributed in the *pronto moda*. I argue that the process of subcontracting risks of using irregular labor is in the center of the tensions between Chinese firms and local society. In particular, a conjunctural analysis of the economic, political, and cultural forces articulated in Prato is employed to unravel the complexities of these tensions. In the end, I want to show that the struggles around the working and living spaces ritually culminated in the annual dragon parades for the Chinese New Year.

Literature on GVC-GPNs has found that the increasingly flexible demand for consumer goods contributed to the power asymmetry between Third-World suppliers and global buyers. Since the late 1980s and early 1990s, the idea of just-in-time production and minimizing inventory has dramatically transformed the structure of retail market in the US and Western Europe (Gereffi 1994, 105; Gereffi 1999, 45). Retail chains began to be concentrated in a small number of big retailers who were able to meet ever shorter lead time and offer more diverse product lines. A consequence of this transformation is the transferring of economic insecurity to manufacturers in the Third World. For one thing, since retailers constantly chase the lowest labor cost across the world, local manufacturers in developing countries have to squeeze their

labor costs as much as possible to meet the requirements. Moreover, since the demand now fluctuates and diversifies more than any time before, manufacturers have to rely on a more flexible workforce that they can easily manipulate and dispose of whenever necessary. This trend has given birth to a proliferation of labor agencies who mediate between labor and capital and help reduce the burden of labor management for employers (Hughes 2001; Coe and Jordhus-Lier 2011; Barrientos et al. 2012; Barrientos 2013).

Although labor agency is largely absent in Prato, the Chinese *pronto moda* resembles this process in important ways.

In Chapters 4 and 5, I have shown that the rise of *pronto moda* responded to a specific niche market of fast fashion in Europe, and the end of the MFA did not necessarily eradicate apparel manufacturing in these higher cost regions (Pickles 2006). Instead, regionalized apparel manufacturing has remained important in certain parts of Southern and Eastern Europe, in order to meet the demands of fast fashion, i.e. shorter lead time, faster replenishment, more designs, and minimized inventory (Abernathy, Volpe, and Weil 2006; Tokatli 2008). While GVC-GPNs scholars have been primarily interested in the ways in which such a trend of “regionalization” of apparel production impacted the firm-level upgrading and labor organization (see the debates between Barrientos 2013 and Selwyn 2013), very few have paid attention to the complexity of social and political struggles in the affected regions. In this chapter, I argue that the rise of fast fashion has been compounded with a number of social and political struggles in Prato and become what cultural studies would call a conjuncture.

First, since an internal negotiation process is fundamentally lacking within the Chinese *pronto moda*, the burden of flexible production has been unavoidably pushed down to the least powerful actors in the production network, i.e. the stitching workshops and their workers. Unlike their Italian counterpart in Prato, the relationship between Chinese final firms and stitching workshops is more rigid and asymmetric. According to the records of Becattini (2001) and Dei Ottati (2003), in the Pratese textile industry, although final firms were central organizers of production, smaller firms were not completely subordinate to final firms. Smaller firms were normally allowed to work for multiple final firms if their “team leader”

final firms did not have enough work to subcontract (Becattini 2001, 179; Dei Ottati 2003, 517).

Empowered by associations of artisans (CNAP and *Confartigianato*, see Chapter 3), smaller manufacturers were able to defend their profits against final firms during each of the past crises (Dei Ottati 1996; Dei Ottati 2003). It is this mechanism of negotiation and compromise that has successfully kept at bay the collapse of industrial district. However, Chinese stitching workshops are normally locked in one production team organized by one final firm and are usually not allowed or not able to work for other teams even during less busy seasons. Therefore, in order to meet ever shorter lead time and lower cost in fast fashion market, final firms subcontract not only the least profitable phases but also precarious forms of work to stitching workshops. As a consequence, Chinese stitching workshops in Prato respond by using undocumented migrant workers and resort to under-standard working conditions, the most available strategy they have.

Second, I argue that the Italian institutions in Prato have not been able to capture the irregular labor in the Chinese *pronto moda*. In particular, while the Italian labor law strictly forbids any mixture between working and living spaces in a building (Skype interview with a local lawyer, 10/26/2012), the Chinese firms and workers tend to mix the factory with dorms for both economic and social reasons. Facing pressures from both the final firms and Italian authority, stitching workshops have to hide themselves from the public to avoid legal risks while still maintaining profitable. In fact, such a strategy is markedly similar to the ways in which manufacturers in the Third World respond to the cost pressures from global buyers. While the Third-World manufacturers need to “hide” the irregular labor from both the global buyers and independent auditors (Hughes 2001, 400), Chinese stitching workshops that disperse across Prato and neighboring provinces need to “hide” their irregularities from the local society. The “hiddenness” of the *pronto moda* has thus become a central problem in Prato, and has gone far beyond the purely economic realm into social and political debates (see Pieraccini 2010).

In this chapter, I borrow the concept of conjunctural analysis from the British cultural studies to analyze these spatial struggles in and around the *pronto moda*. By so doing, I want to contribute to the literature

of social and institutional embeddedness in GVC-GPNs. One of the original purposes for GPNs was to bring back the social and institutional contexts that were somehow lost in the GVC studies (see Coe et al. 2004). This tradition has been reclaimed throughout the development of the GPN studies, and to a certain extent, Bair and Werner's (2011; 2013) recent works on articulation can also be seen as a critique of the social and institutional embeddedness in the GVCs studies. However, so far, very few research adopted a conjunctural view and used both discursive (e.g., interviews and videos) and non-discursive (e.g., actual spatial arrangements and photos) materials to decipher the complexity of the social crises around a particular production network.

As Hall defined it, conjunctural analysis studies "a number of contradictions at work in different key practices and sites come together – or 'con-join' – in the same moment and political space and, as Althusser said, 'fuse in a ruptural unity' "(2011, 9). Drawing upon the conjunctural analysis, I argue that the economic transformation and associated social tensions in Prato should always be viewed in a bundle of "contradictions" including not only the economic gap between Chinese and Italian companies (see Chapters 4 and 5), but also the social tensions within the Chinese community in Prato and the political pressures from the Italian authority. While some scholars have pointed to these internal tensions within Chinese community and Italian society (Ceccagno and Rastrelli 2008; Zincone 2006), none of them have ever "articulated" these contradictions together in a conjunctural way. More importantly, as Grossberg (2010) argues, conjunctural analysis offers a standpoint to see social reality as always historically contingent and always an "incarnation" out of multiple conditions of possibility. In this chapter, I survey a number of conditions of possibility for the spatial struggles in Prato and point to their historical contingency.

Chapters 4 and 5 have shown that the rise of *pronto moda* is historically contingent upon a number of social and institutional contexts. In particular, the ways in which apparel production is organized in Prato are (over-)determined by not only economic logics but also a number of social and political forces. In this chapter, I focus on one particular problematic: what of the apparel production can be seen and why?

According to Foucault, a problematic or “problematization” refers not to the problem itself but to the very mechanism that makes problem a problem (Grossberg 2010, 49). Based on this concept, I am less interested in whether or not the stitching workshops should hide themselves than why and how their visibility has become a problem for both the Italian government and Chinese companies alike. In particular, I do not intend to reveal “true” logics beneath the materials collected in my research. As quoted at the beginning of the chapter (Deleuze 1988, 54), I want to analyze exactly these materials as expression and content of the reality that is the *pronto moda* (Grossberg 2010, 37). The form of the expression “defines a field of sayability”, whereas the form of the content “defines a place of visibility” (Deleuze 1988, 47). It is what is sayable and what is seeable that really matters in this chapter.

The chapter is divided into 4 sections. In the first section, I analyze the rationalities based on which certain phases of production are subcontracted to stitching workshops. I show that this is not only a consequence of capitalist accumulation, but also an outcome of cautious risk management. In the second section, I briefly review the history of urban planning in Prato which, I argue, has important ramifications in the current spatial organization of the *pronto moda*. Following this review, in section 3, I focus on a variety of irregularities in the buildings occupied by Chinese stitching workshops, and the project called *fabbrica abitata* advocated by a local employers’ association, *Prato Futura*. By juxtaposing different ways of thinking of and using space, I want to show how different rationalities of using space clashed and influenced each other. Finally, I pay attention to the dragon parades which have been held by local Chinese associations to celebrate Chinese New Year. I want to show that the evolving form of the parade in fact summarizes the ongoing struggles between the local government and the Chinese community.

6.1. Subcontracting the visibility

Having modeled on the *pronto moda* of Italian apparel firms, the Chinese *pronto moda* differs in two important ways. First, as immigrants’ businesses, Chinese companies have been able to enjoy a surplus labor that has so far been exclusively reserved for Chinese employers. In Chapter 3, I have shown how a

series of national and local circumstances have allowed Chinese firms to emerge in a particular sector and particular place with the support of an abundance of immigrant labor. Second, the particular hometown composition and path dependency in the Chinese immigrant community exacerbated inequality not only between labor and capital, but also between bigger and smaller firms. This power asymmetry precludes any possibility for the kind of internal coordination that has played a vital role in the Italian IDs. In this chapter, I want to show how power asymmetry has been created between final firms and stitching workshops in the Chinese *pronto moda* and how such asymmetry resulted in a particular way of managing “visibility” in *pronto moda*.

Legitimacy problem of associations

Although the Turco-Napolitano Law in 1998 eventually removed the ban of self-employment for Chinese immigrants in Italy (Zincone 2006, 356), the Italian immigration policy has continued to impose restrictions on the entrepreneurship in the Chinese community. A series of immigration policies were reinforced by the social norms in the Chinese immigrant community that confined a large number of Chinese immigrants in the ethnic sectors. The resulting abundance of surplus labor was the prerequisite for the *pronto moda* which relies on lower-cost markets (see Chapter 3). Since the municipal government began to put pressure on undocumented labor in 2009, it has been increasingly difficult for Chinese apparel firms to hire irregular immigrants (Fazzino 2010). However, as I showed in Chapter 4 and 5, the *pronto moda* emerged in a very specific niche market in Europe catering mostly to working class consumers, with low cost being universally seen by the owners of apparel firms to be their main competitive advantages (Author’s interviews). It is nearly impossible at least in short term to eliminate undocumented workers in *pronto moda* without eradicating the entire industry all together (some indeed have implied the need for this complete eradication , such as in Pieraccini (2010)). Therefore, the most pragmatic solution for Chinese firms has been to make undocumented labor invisible. But how do they make it invisible? Who is going to take the risk of hiring undocumented labor? This has become not only a question of economics but also of power.

As Becattini (2001, 179) shows, the Pratese textile industry is characterized by the balance of power between final firms and phase firms. Final firms are a small number of companies which mediated between its team of smaller manufacturers and external buyers; phase firms are smaller manufacturers that normally specialize in only one phase of production. Typically, a phase firm was allowed to work for more than one final firm and maximized its capacity whenever it could. Phase firms were able to confront the pressures from final firms not only because the uncodifiable knowledge of textile production required a high degree of mutual reliance, but also because there were a number of institutions that represented the interests of smaller manufacturers. Employers' associations such as CNAP and *Confartigianato* effectively pronounced the interests of phase firms and forced the UIP who represented the final firms to compromise (Dei Ottati 2003). These have resulted in a series of Gentlemen's Agreements that reduced noxious effects of competition and industrial upgrading (Becattini 2001; Dei Ottati 2003).

A legitimate mechanism of internal negotiation has been missing in the Chinese *pronto moda*. On the one hand, sewing is a skill fairly easy to codify and learn. Based on my interviews, a new immigrant with no previous experience in apparel manufacturing can acquire excellent skill levels in less than two months. Low entry requirement for stitching workshops makes them highly substitutable for final firms. On the other hand, there has been no mechanism of negotiation and collective bargaining in the Chinese community in Prato. Although there have been a number of Chinese associations in Prato, most of them are organized based on hometowns and lack representative power even among their hometown people (Ceccagno and Rastrelli 2008, 136–140). Currently, there are four associations within the Chinese community in Prato: the Buddhist Society of Prato, the Chinese Trading Association, the Fujian Association and the Sino-Italian Friendship Association. Each of them supposedly represents the interests of a part of the community, although in fact, none of them has obtained legitimate rights among the represented. As Ceccagno and Rastrelli (2008, 137) show, none of the associations has ever run an election, and the leadership has been chosen by deals made between the most powerful companies. Therefore, leaders of Chinese associations are normally only interested making profits for their individual

families and companies. My interviews also confirmed the widespread skepticisms toward the dubious leadership of associations:

“Current members of the Friendship Associations are mostly from the Wenzhou city and Rui’an, while members of the Trading Association are mainly from Wencheng. The Friendship Association has a Chinese school here and so to emulate it, the Trading Association also wants to have one but has failed many times... We Wenzhouese are not as solidary as Fujianese people. We like to fight with folks (wolidou)... There has so far been no democratic election in associations. We did and elected one Chinese representative which turned out to be another disaster. XX, the guy we elected was a businessman with bad reputation. But he was the only one who showed interest at that position. And because those big entrepreneurs don’t want to waste their time on the community affairs, they all agreed. I don’t know what it will be like in future.”

A Chinese professional, interviewed in 2/28/2012, in Prato

“What has the Fujian Association done? They’ve done nothing except for paying a one-way ticket back to China if some folk was found dying. Other than that, they did not care about us.”

Fujianese apparel worker, interviewed in 3/6/2012, in Prato

Economic hierarchy of the hometowns

As Ceccagno and Rastrelli (2008, 81–2) show, the Chinese community in Prato is far from homogeneous. Each of the three major groups of immigrants, the Wenzhouese (including those from the city of Wenzhou and Rui’an), the Wenchengese, and the Fujianese, occupies a specific position in the *pronto moda*. Therefore, the differential interests and relative power of associations can be partially explained by the hierarchy of these hometowns in the production system. Mistrust between hometowns has further made the collective bargaining and internal cooperation impossible.

The majority of Chinese immigrants in Italy are from Zhejiang province, and in particular, from the area of Wenzhou city in the southern part of the province. Looking closely into the Zhejiangese community in Italy, however, one can easily discover the disparities between specific hometown counties in the Wenzhou area. My interviews found that there were three major subgroups within the Zhejiangese community, and each subgroup dominated a specific city in Italy: people from Qingtian mostly concentrate in Milan; people from Wencheng in Turin; Rui’an and other areas (hereafter, I use Rui’anese

to differentiate this particular group from the broader Wenzhouese, although they also include people from the urban area of Wenzhou) in Prato. All these subgroups of Zhejiangese have their specific dialects. Even though they normally manage to dialogue with each other, they nevertheless maintain their distinct local identity.

Their relative power in each area depends on the time of their arrival in that area. In Prato, it is the Rui'anese people who opened the first apparel workshops and successfully upgraded into final firms in the late 1990s. To date, entrepreneurs from Rui'an still occupied the top of the *pronto moda*, owning most of the final firms and dyers. People from Wencheng came later and therefore occupied a lower status in the community. Although there is no statistics available, all the 4 stitching workshops that I interviewed in Prato were owned by Wenchengese people, while all the 3 final firms were owned by people from Rui'an. Therefore, the mistrusts between final firms and stitching workshops can also be read as the conflicts between people from Rui'an and those from Wencheng.

At the bottom of the system are the Fujianese who arrived later than both Zhejiangese subgroups. So far, most of the Fujianese immigrants are still stitching workers. The only exception is the owner of a dyeing company and the president of the Fujian Association, who is in fact of Wenzhou descent:

“Most of the Fujianese people arrived in Italy in the late 1990s. The Wenzhouese and I arrived instead in 1989/1990. Before we came to Prato, there was actually no Chinese here... Although I was born in Sanming, grew up in Nanping (both cities in the west of Fujian Province), both of my parents are Wenzhouese. That is why I speak Wenzhouese dialect fluently. Because they came late, Fujianese people have not been very well established yet. It's getting better in recent years however... This Fujian Association was established in 1999. Upon their first arrival, the Fujianese did not get well with the Wenzhouese. And our former president founded this association for helping Fujianese workers, such as in labor disputes and arrears of wage. But in general, our association is still weak since very few of Fujianese is company owner. The majority are still workers. When they get cancer or die, we will give them financial supports.”

Owner of a dyeing company, interviewed in 4/13/2012, in Prato

The remarks of the president of the Fujian Association clearly show the disparity between Zhejiangese and Fujianese people in Prato. In this specific case, the mistrust between hometowns is translated into a class struggle between Fujianese workers and Zhejiangese capital. Therefore, except for the Buddhist

Society which is not interested in politics in general, all the three main associations in Prato in fact coincided with the interests of the big capital, petite bourgeoisie, and the workers. Mistrust among different hometowns further diminished the possibility of internal cooperation in the *pronto moda*.

Beyond these three main groups, however, there is a marginalized group of Chinese which falls completely outside the *pronto moda*. The Northeasterners (*dongbei ren*), people who are from Liaoning, Jilin, and Heilongjiang provinces are seen as the lowest class in the Chinese community. As many scholars have shown, this group of people arrived in Italy in the mid-2000 and so far has been discriminated in the main ethnic sectors (Cologna 2005; Ceccagno and Rastrelli 2008, 82). In *pronto moda*, the Northeasterners mainly work as the so-called miscellaneous workers (*zagong*), such as chefs and janitors who earn the lowest wage in apparel firms. Beyond the *pronto moda*, many of these people worked in the restaurants while some women have been reported to perform prostitution (Cologna 2005). Unlike people from Zhejiang and Fujian, the Northeasterners are mostly from urbanized area and used to be workers in state-owned enterprises (SOEs). The major motive for their migration was the reforms in the late 1990s and early 2000s that closed down the majority of SOEs in that area. Therefore, these people were traditionally less entrepreneurial than Zhejiangese and Fujianese, and were more willing to work as wage labor. Cologna (2005) also discovers that the Northeasterners are also more likely to work for Italian employers than other Chinese groups since the aforementioned social norms of self-employment simply do not work for them. However, this has in return reinforced the stereotype of Northeasterners in the Chinese community and further marginalized them in *pronto moda*, becoming the *de facto lumpenproletariat* (Tyner 2013, 4–5).

“It is really a shame that these women (the Northeastern women) work as prostitutes. It is a shame for the entire community. They are just too lazy and want to make money without real work (*bulao erhuo*)... I never hired Northeasterners as apparel workers in my company.”

Owner of a stitching workshop, 2/20/2012, in Prato

Because of the economic, social and cultural disparities between hometowns, none of these Chinese subgroups has legitimate leadership in the Chinese community in Prato. Except for the Buddhist Society

which plays a central role in the community ceremonies as I show later in the chapter, all the three other associations play very limited roles except for profiting their leaders. As Li (1999) indicates, one of the most common motives for Zhejiangese entrepreneurs in Europe to invest titles in the associations has been to establish political connections with the Chinese consulates and higher level Chinese officials who visit Europe. These connections are potentially valuable when these entrepreneurs go back to invest in China. Lacking legitimacy, the conflicts between subgroups and class struggles so far have precluded any possibility of collective bargaining between final and phase firms, and between workers and capital, a situation that has resulted in a more asymmetric power relation, particularly between final firms and stitching workshops.

Power asymmetry between final firms and stitching workshops

The power asymmetry between final firms and stitching workshops is first of all evident in their numbers. In Prato, there were between 700 and 800 Chinese final firms in 2011, about 1/5 of the total Chinese establishments (3,489) in the apparel sector (Camera di Commercio di Prato 2012). Since the number of other types of apparel firms is nearly negligible, the average ratio between final firms and stitching is around 1 to 5—that is, an average final firm would have 5 stitching workshops working for it. However, the most successful final firms can have more than 10 stitching workshops in the team (Author's Interviews). Since the technology required for stitching is quite limited, the workshops are highly substitutable in the *pronto moda*. Based on the fact that owners of the stitching workshops have to personally show up each time at the front door of the final firm to get order, it is not hard to imagine the power asymmetry. The power asymmetry is also evident in the ways in which a “production team” is organized. Unlike dyer-washers who can work for more than one final firm, stitching workshops are typically captivated in the team led by one final firm. Stitching workshops are usually not allowed to work outside the team even during spare season. The only exception is for those newly established final firms who have contingent orders and limited capacity of production. They might have to contact the

workshops to see if someone is willing to work for a specific order. Only new final firms rely on an ad-hoc team of stitching workshops, most of which are newly established workshops as well.

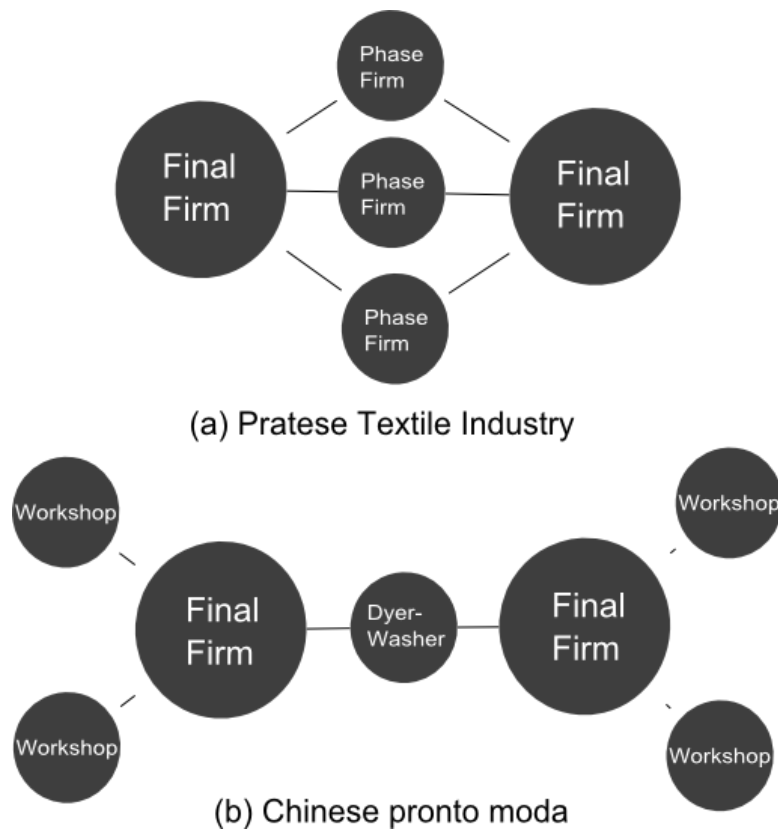


Fig. 6.1: Comparison between the (a) Pratese textile industry and (b) Chinese *pronto moda*

As literature of GVCs-GPNs shows, the captive governance in the buyer-driven chains is one of the most asymmetric relations between buyers and producers (Gereffi, Humphrey, and Sturgeon 2005, 87) (also see Chapter 2). The relationship between final firms and stitching workshops to a certain degree nicely resembles this power asymmetry. In this particular value chain, most of the value is captured by the final firms while the least profitable phase—stitching work—is subcontracted to workshops. Annual profit of big final firms can be as high as 1 million euro in 2011 (Author’s interviews), whereas many of the stitching workshops barely paid off their costs in the same year.

“Actually in 2010, the business was ok, although the profit was not big. But since 2011, and especially after the Greek crisis in the second half of 2011, business went down very fast. I think

even Italians had no idea of what was going to happen before that point. So basically after being a boss (*laoban*) for 2 years, I did not make much money. I know that sweatshop work is difficult and everyone wants to get out of it. But now even though I want to sell the workshop, no one would buy it. It cost me 20,000 euro when I bought it from other Chinese. Now I could not sell it for a single buck. So I am basically stuck here.”

Owner of a stitching firm, 1/17/2012, in Prato

Risk management

This asymmetry in the apparel value chain has also resulted in a particular spatial organization. While profits are captured by final firms, the risks of using undocumented labor and below-standard working condition are pushed downward to the stitching workshops. On the one hand, these final firms are not typically labor-intensive but have to be open to the public. Final firms maintain only a relatively small workforce which requires higher technical skills, and so labor abuse is much less necessary except in the busiest season. Workers in final firms either rent their own apartments or live in separate dorms provided by the final firms, and the working conditions in final firms are usually clean and spacious. Moreover, as the place where external buyers stop by and make orders, the physical space of final firm (at least part of it) is designed to be open to the public. All these made final firms the “public face” of *pronto moda*.

On the other hand, workshops specializing in low-skilled labor-intensive work can easily remind outsiders of the gloomy days of the 19th century capitalism. There are two factors making this phase of production particularly less favorable. First, many of the sewing works have to be done overnight during the peak season. Extra-long hours of working on sewing machines have become the epitome of the stitching workers’ life. Moreover, many workshops are located in the loosely partitioned warehouses, where workers work, eat and sleep in the same building. Even for those in the houses that were designed for Italian family factories back in the 1960s and 1970s, working condition can still be unpleasant since the building is normally overcrowded, lacking standard hygiene facilities, and has no A/C in the summer and no furnace in the winter. By allowing unbridled overtime work, nearly all of the stitching workshops not only challenge the common sense of contemporary Italian society, but also directly violate Italian labor law. Second, stitching workshops are where undocumented workers concentrate. Because they

require little language or technical skills, the stitching workshops are the ideal places for immigrants who just arrived in Italy. Ceccagno and Rastrelli (2008, 91) show that after the 2002 amnesty, the ratio of Chinese undocumented workers in Prato declined to 11% of the working population in *pronto moda*. My interviews confirm that after the 2012 amnesty, the percentage of undocumented workers was further reduced to less than 10%. Both the bad working condition and presence of undocumented workers force stitching workshops to obliterate themselves from public sight.

This hiddenness of the apparel manufacturing is actually a common phenomenon across the world. As Begg et al. (2005) show, garage factories are widespread in Bulgaria and the manufacturing in these factories is always “hidden” from the public. A similar situation can also be observed in immigrants’ apparel workshops in US cities (Waldinger 1984; Kwong 1999). However, in none of these places, this particular spatial organization of apparel production became the central problem in local society. What is distinct in *pronto moda* is not only the captive relation between final firms and stitching workshops, but also the particular ways in which an economic problem is spatially articulated with social and political problems.

6.2. Spatial heritage and Chinese reinvention

In fact, it is not the Chinese *pronto moda* that created the problems of productive spaces in Prato. Since the beginning of the ID in the 1950s, urban space has always been a central debate between the municipal government and local society. The genealogy of (failed) urban planning in Prato created a unique urban space oriented to a particular form of production of family-based SMEs. I argue that this urban space is both the context in which Chinese companies emerged and the main instruments that Chinese companies used to subcontract the risks of using irregular labor. It is within this built environment that the spatial organization of *pronto moda* is problematized by both Chinese and Italian agencies.

Failed proposals

There have been three proposals for town planning in Prato since the end of WWII. All of them failed as a result of struggles between the municipal government and textile producers. The consequence of little spatial regulation was an urban space in Prato that reflects the needs of textile producers. The struggle between spatial rationalities of capital and government resulted in a basically “unregulated” productive space. This part of discussion heavily relies on secondary materials in Becattini (2001), and Bressan and Cambini (2009; 2011).

The first idea of town planning, the Nello Baroni Plan in Prato emerged in 1954 right after the takeoff of the industrial district, and immediately provoked vast rejections from nearly all the textile producers. The main worry of the producers was that the rigid zoning regulations would impede the nascent industrialization and discourage the burgeoning entrepreneurship in the town. Strong opposition drove the government to propose the Leonardo Savioli Plan in 1955 which largely removed regulations and allowed more freedom for individual textile companies. The Savioli plan “aimed to restore to Prato ‘in a broad concept the human scale which, though still alive in the Middle Ages, is now completely lacking (...) in the chaotic post-war building boom’ (as Savioli’s report puts it) – and aims to make the most of the particular polycentric structure of the settlements in the quarter comprising the territory of the Commune” (Becattini 2001, 73) (originally in (Giovannini and Innocenti 1996, 286)). However, after four years of debates between the municipal and employer’s associations, the Savioli Plan was turned down in 1960 by “the pressure applied by the craftsmen and industrialists who regarded it as an excessive limitation of the potential development of the industrial areas” (Becattini 2001, 73) (originally in (Mori 1986, 826)).

A completely new proposal, the Plinio Marconi Plan, was commissioned in 1961 and finally approved in 1964. However, the actual implementation of the plan was postponed to 1972 as debates between textile producers and the municipal government went on. In the final plan, the municipal government agreed to a major compromise by allowing virtually no control of the textile industry. “In order to respond to the fictitious needs of ‘inflated’ forecasts, an expert remarked, the territory returned to being an uncontrolled blot spreading across the landscape” (Becattini 2001, 75) (originally in (Mariotti 1988)). It was estimated

that “by 1995 Prato would have 350,000 inhabitants and 100,000 workers in the textile industry (!)” (Becattini 2001, 75). As of 2011, the province of Prato had 249,775 inhabitants (ISTAT 2012). The employment of the textile industry peaked at 61,097 in 1981 but fell from then on (Dei Ottati 1996, 36). The Plinio Marconi Plan was, as a result, too optimistic. In fact, the regional plan of about the same time, the Florence Inter-Commune Plan drafted in 1965, soberly examined the textile industry in all neighboring provinces and deemed the prosperity “a purely temporary phenomenon” (Becattini 2001, 76). The regional government turned out to be correct with its prediction but was unable to do anything with it. The Plinio Marconi Plan ended up being a plan without real effect.

The continuous failure of town planning had a number of consequences in shaping the spaces of the city. First, the absence of building regulation allowed individual family-based companies to build their own factory-houses as they wanted. The consequence was a large number of factory-houses dispersed across the province. These houses combine the factory, normally the ground floor and backyard, with the living space on the second and third floors. They not only saved potential costs for renting separate factory floors but also allowed for the convenience of overtime work which was quite normal in the textile industry between the 1950s and 1970s (Becattini 2001, 143; Bressan and Cambini 2011). Second, most of the roads in the *Macrolotto* areas were built by individual companies with little collective coordination. These private roads were not well coordinated, and many of them were dead-ends. In fact, being a dead-end helped companies to keep away outsiders and maintained their production’s invisibility (Bressan and Cambini 2011, 212). Other problems included insufficient sewage system and accumulating garbage particularly in the 1960s and 1970s (Becattini 2001, 76). Therefore, the new part of the city of Prato (generally the areas outside the wall of the medieval city) was built piece and parcel by individual family-based companies and oriented to a more flexible mode of production.

Chinese reinvention



Fig. 6.2: Bird view of *Macrolotto* 0 and 1 (Google earth)

While the Pratese textile industry gradually shrank in the 1980s onward, the Chinese *pronto moda* took over their abandoned spaces and reinvented them to their own uses. Both final firms and stitching workshops found the most suitable spaces for their type of production, and the spatial division between final firms and stitching workshops reflects the power asymmetry as discussed in the previous section.

A majority of final firms concentrated in the southern part of the city commonly known as the *Macrolotto 1* where textile final firms used to concentrate (Bressan and Cambini 2011). Its proximity to the

Autostrada 11 makes it an ideal place for receiving orders and shipping out goods. Roads are wider in this area which allows trucks to drive in. These mills and warehouses were repartitioned by Chinese companies into two parts: a show room of finished products in the front and a factory with cutting machines and computers in the back. Visitors and potential buyers were normally welcome in the front part and were able to select their orders from the stands of models on display.

The spatial conditions of stitching workshops are more complicated than final firms. There are generally two types of space these workshops occupy, and all of the workers I interviewed unanimously preferred the first to the second. The luckier ones are able to rent the factory-houses which were perfectly designed for a family workshop in the *Macrolotto 0*. Sewing machines were placed in the ground floor and backyard, while bedrooms were transformed into workers' dorms. Dead-end roads protect these factory-houses from potential intruders when they work overnight. In addition to the design of the houses, the *Macrolotto 0* is also close to the city center where restaurants and other entertainment facilities are located. Also, since stitching workshops only deliver a few hundred pieces of garments every time, they normally handle the shipping by vans instead of trucks. The narrower roads in *Macrolotto 0* nicely fit their needs. The second group of stitching workshops is less lucky than the first, since they have to collectively share a warehouse or mill. Typically one of these former warehouses has to host three to four workshops depending on size. Internal space in the warehouse is artificially partitioned by paper boards into living and working areas. This second group of workshops can be located in either *Macrolotto 0* or *1*. As police reports show, working and living condition in some of these warehouses can be indeed scandalous (e.g., see a case of building abuse in (Notizie di Prato 2012)).¹⁷

The urban space of Prato turned out to be ideal for *pronto moda*. These family-based SMEs, now Chinese, nicely fit into the buildings abandoned by the closed textile SMEs and further exploit the space in more

¹⁷ Police reports are mainly collected from local newspaper *Notizie di Prato* (www.notiziediprato.it) between January and March 2012.

abusive ways. Although the importance of a planned urban space has been repeatedly downplayed by local textile companies, the emergence of the Chinese *pronto moda* changed their attitudes.



Fig. 6.3: outside a final firm in *Macrolotto 1* (taken by author on 11/2/2013).



Fig. 6.4: exhibit room of a final firm (taken by author on 11/1/2013).



Fig. 6.5: a former textile mill now hosting stitching workshops in *Macrolotto 0* (taken by author on 11/9/2013).



Fig. 6.6: factory-houses in *Macrolotto 0* (taken by author on 11/9/2013).



Fig. 6.7: ground floor of a factory-house (taken by author on 11/9/2013).



Fig. 6.8: dorm room on the attic of a factory-house (taken by author on 10/31/2013).

6.3. Problematization of the space

“‘There’s no plan’, said Xu Qiu Lin, a local entrepreneur and the only Chinese member of *Confindustria* in Prato, echoing a widespread sentiment. ‘There’s no plan; that’s the problem.’”

(Donadio 2010)

As Bressan and Cambini (2011, 211–2) show, never having been a planned city, the *città fabbrica* (factory city) of Prato has always been riddled with problems such as diffusion of resident and productive activities, utility and building abuse, widespread pollution, and degraded working condition. In other words, being without a city plan has been the default state in Prato since the 1950s. It is therefore important to ask why the city space of Prato suddenly became a central problem when the Chinese *pronto moda* occupied the same location? What makes the spatial organization of *pronto moda* such a salient debate in Prato? In what follows, I analyze the practices and discourses through which different ways of using and perceiving production and living spaces get re-articulated by both Chinese companies and Italian regulators.

Spatial irregularities of pronto moda

In Italy, every company upon registration needs to apply for a *certificato di agibilità e accessibilità* (certificate of viability and accessibility) and follow the local *edilizia obbligatoria* (building mandatory, referred to as the mandatory hereafter). Each municipal government has its specific building mandatory that regulates in detail the ways in which a particular building can be used. Companies that fail to comply the mandatory will be fined and closed (LR Toscana n. 1/2005). However, many Chinese apparel firms, in particular the stitching workshops find difficulties to conform. The material of this section is based on two interviews with a Chinese Italian lawyer on 2/24/2012 and 10/27/2012.

Stitching workshops that share a warehouse building become the easiest target of police investigations. According to the mandatory, any working or living place has to be carefully assessed and endorsed by the municipal government. No one should live in the workplace. Moreover, the kitchen and bathroom have to be separated from the workplace and equipped with specific facilities. For these workshops, however, to

follow the regulation is both economically unprofitable and practically unfeasible. As I showed earlier, stitching workshops are at the bottom of the production system and capture the least profit in the value chain. Very few workshops can afford renting an additional dorm for its workers or even for the owner's family. Mixing different types of space can save a significant amount of money, particularly for newly established workshops. Moreover, mixing up spaces is also seen as very convenient for the owners. Since workers demand hot and fresh Chinese food for every meal and since normally for smaller workshops the owner is the cook, having the kitchen in the same building is quite necessary. All of these violate the mandatory in Prato.

Even for those workshops in factory-houses, strictly following the law can be also difficult. First of all, the law determines different rates of electricity and water for different types of spaces: utilities used for productive activities are charged much more than those for everyday life. Therefore, to determine a utility check for a factory-house is to specify which part of the house belongs to production and which part to living. To evade additional utility costs, many workshops register the entire building as a residential house. Second, because of the extreme flexibility that *pronto moda* requires, some of the in-house rooms have to cater to multiple uses and transform from one use to another constantly. For example, an Italian factory-house sometimes has a room specific used for the company office. However, during the busiest season, this room might also be used as either factory or dorm. It is simply impractical to apply for the specific use every time it changes. Last but not least, the mandatory determines a maximum number of people living in a factory-house. Even though a workshop does not further partition the existing bedrooms, it might put many more workers into the house than allowed during the busiest season. The law requires 8 square meters of living space for each worker, which many workshops find difficult to comply.

Overcrowding is thus a common problem for stitching workshops.

In fact, irregular use of buildings has become one of the main reasons that some workers fail to get the residence permit. As a local lawyer indicates:

“To get a resident permit, one needs to register with an address. This address must follow all the requirements of the *edilizia obbligatoria* and can only be attached to a limited number of people. Hence it is practically impossible for these workers to get such an address. Very few of them live in a certified place. Even though they do, the address might have already been registered for other people. This is the most important reason why many workers pay local Italians to register with Italian’s home address. It is a serious violation of law.”

Lawyer in Prato, 1/15/2013, by phone call

Widespread irregular uses of space have triggered frequent police raids on the Chinese apparel companies.

The number of police raids has increased continuously since the right-wing municipal government was elected in 2009. *Guardia di Finanza* (Italian financial police), *Carabinieri* (police), INPS (Italian social security), and the Prato Public Health Agency (ASL) have all initiated particular investigations on the *pronto moda* (Bressan and Cambini 2009, 156).

“Unfair competition” and “livable factory”

Although many Italians think what Chinese companies have been doing mirrors the way in which they worked back in the 1960s and 1970s, discontent toward the Chinese *pronto moda* is evident from local Italian, in particular from the associations of employers and trade unions (Bressan and Cambini 2009). Reactions can be quite hostile as in the case of the municipal government and many of the textile artisan workshops, or they can be relatively moderate and constructive in the case of bigger industrialists. The contrast between two extremes reflects their different economic interests and the conflicts within the Italian society.

On the one hand, the irregularities are articulated into the discourse of unfair competition that sees Chinese apparel companies as a major economic threat to the Pratese ID. In particular, the spatial organization of *pronto moda* has been depicted as “closed” or “black”, and so has endangered the local economy that has been “open”. Based on this discourse, the spatial/physical exclusiveness of the stitching workshops nicely represents the “blackness” of the *pronto moda*.

“The problem is the “blackness”. By “blackness”, I mean working out of rules, I mean not respecting the laws, I mean using clandestine immigrants paying them just a little bit, and I mean using just cash flow instead of invoices and documents, just not to pay taxes here. We have the

data here showing that from Prato to China, they exported something around one and one and half million Euros. This should not be the problem if they pay a little bit taxes. Because we are very open, very liberal, we are for who wants to invest money here in Italy and produce richness. But in this case, Chinese community, the most part of the community produces richness just for China.”

Councilor of the municipal government, 4/11/2012, in Prato

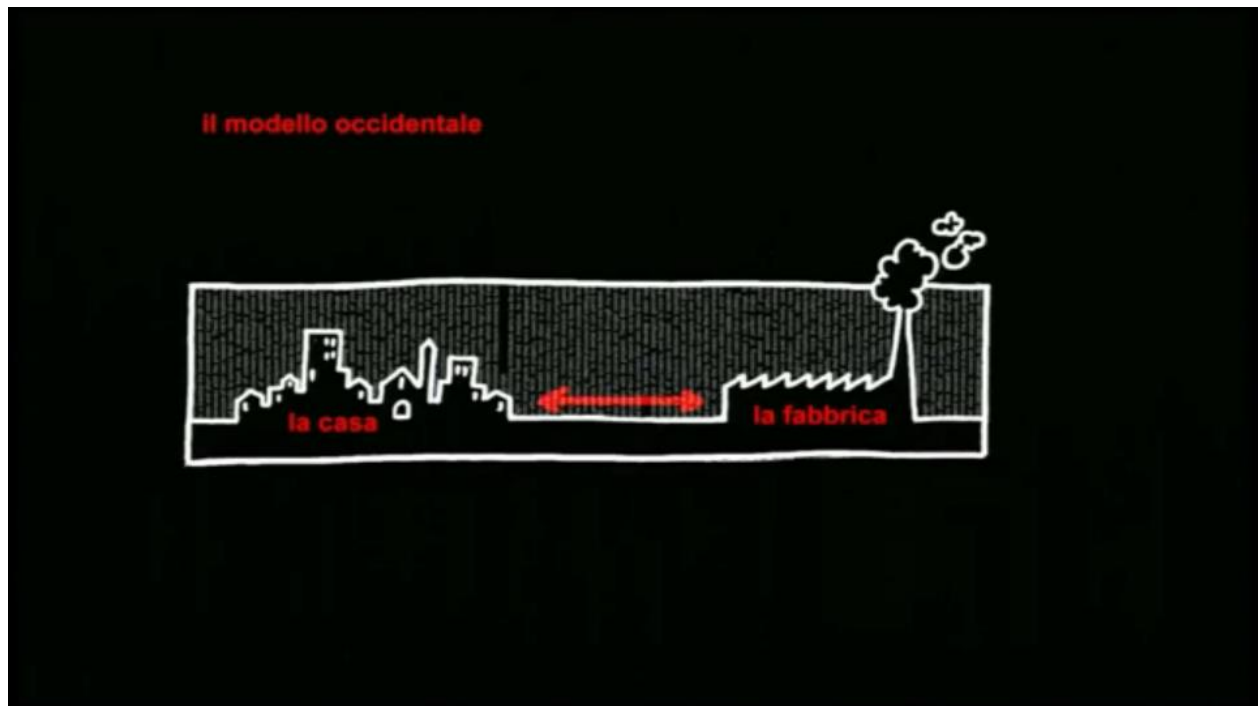
It is not hard to imagine why the municipal government puts pressure on *pronto moda*. Part of the reason is the widespread irregularities particularly in the stitching workshops. However, the other part of the reason may be attributed to the decline of the local textile industry (see Chapter 3). It is the smaller family-based producers, such as weavers and knitwear makers, that suffered the worst crisis (Dei Ottati 2009, 1820). When the more powerful companies upgraded and transformed into real estate holders, these smaller companies had no other options but to close down. They were the main losers of the game. Therefore, it is the artisan’s associations that strongly oppose the Chinese *pronto moda*, and they became the supporters of the right wing municipal government (Bressan and Cambini 2009, 134).

On the other hand, bigger companies (former final firms) take a much more moderate attitude toward the *pronto moda* than artisan workshops. PratoFutura is an independent association of particularly younger Italian entrepreneurs which has been doing research for the industrial district since 1983 (Chapter 3). Among other efforts it has made to cooperate with the Chinese companies and ameliorate the hostility between the two communities, PratoFutura proposed an experimental project called the *fabbrica abitata* (livable factory) to help correct the building abuse of Chinese stitching workshops without incurring too much costs for the owners. The whole idea is to create an architectural model based on which empty factories and warehouses can be transformed into a building integrating both living and productive functions.

“We definitely think the law must be respected, but we have to find out a right way of legalizing together. Because we think that cooperation provides big opportunities for the local economy. By saying this, we are not only pointing to the interests of Italians. In fact, we do think that by improving the current condition, it would be good for Chinese themselves to have a better life and better working condition.”

Member of the PratoFutura, 2/15/2012, in Prato

However, the motive of the project has to be articulated with the broader social sentiment toward immigration in Prato. In its introductory video (<http://vimeo.com/39757408>), the motive of the project is presented as “Can a symbol of degradation become a righteous project?” (“Un simbolo del degrado può diventare un progetto virtuoso?”) The legal way of using the factory space is depicted as “the western model”, whereas the fusion of living and productive spaces in the *pronto moda* is depicted as “the eastern model”.



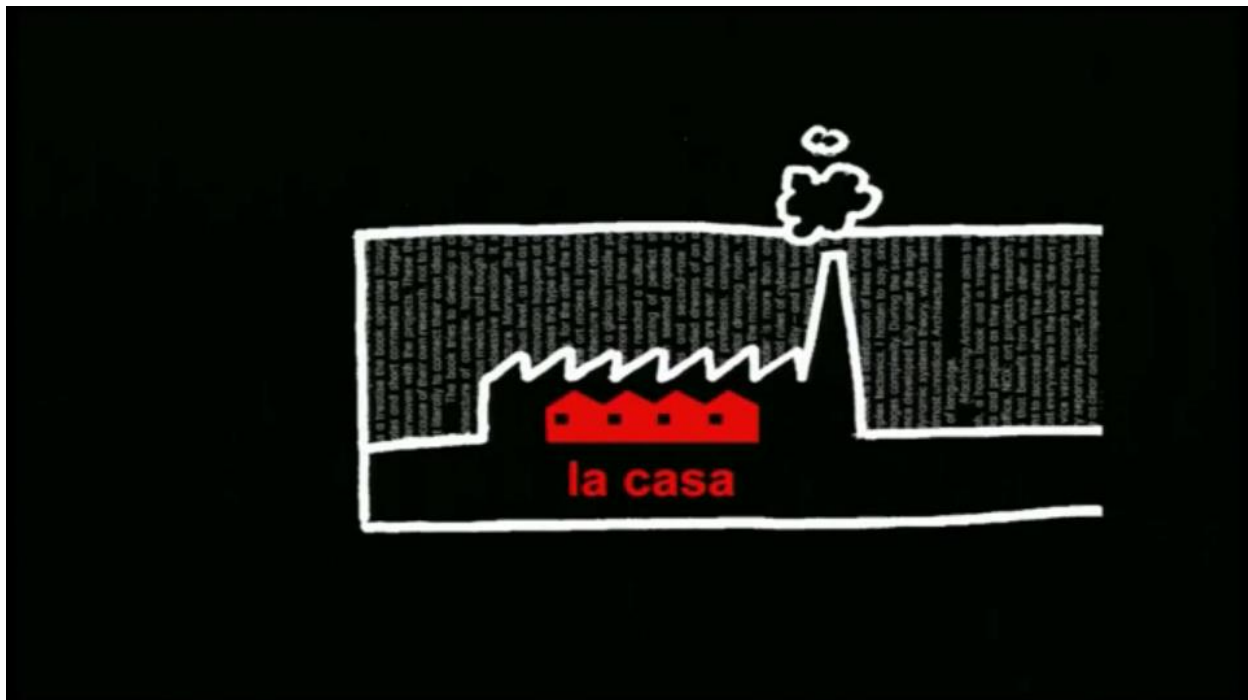


Fig. 6.9: Conception of the *fabbrica abitata* (<http://vimeo.com/39757408>)

The “western” way of organizing space is thus associated with images of well-planned cities, whereas the “eastern” way is associated with all sorts of the irregularities that Pratese people have been quite familiar

with through the local media. By so doing, a regime of truth about the correct/preferable way of spatial organization is constructed. The irregularities of the *pronto moda* become an essence of the eastern culture which can be pinned down to particular (underdeveloped) parts of the world. It needs to be modernized and appropriated in the city space of Prato, even though the city space itself in fact has been far from the “ideal” as shown by the images.



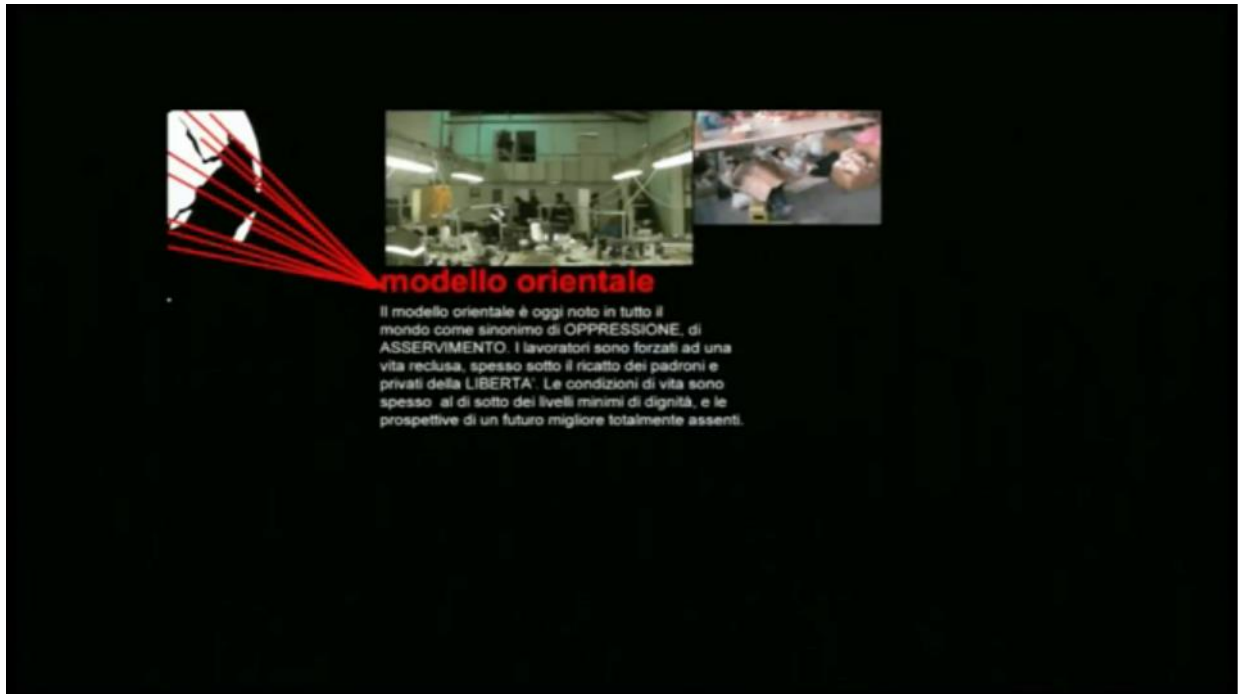


Fig. 6.10: Essentialization of western and eastern models of production (<http://vimeo.com/39757408>)

Who is benefiting?

My interviews with Italian authority and Chinese business owners in Prato generally agreed that the current organization of *pronto moda* is unsustainable and needs to be reformed. Indeed, with intensifying hostilities between Chinese and Italian communities, these irregularities ought to be corrected. But the central question is: who is going to pay the cost? So far, in both communities, everyone has remained silent on this question. In particular, within the *pronto moda*, because of the lack of an effective negotiation mechanism, it is nearly impossible to reach a consensus between final firms and stitching workshops. An owner of one of the leading final firms admits:

“There will be less and less stitching workshops of course. Most of the final firms are legal, whereas stitching workshops have all sorts of problems. I am indeed worried about these workshops, because they are the people who make our business successful. We have no solution to this problem yet.”

Owner of a final firm, 3/23/2012, in Prato

By pushing the irregular part of the production into the stitching workshops, it is the final firms who are benefiting from this particular spatial organization of the *pronto moda*. Their public, “open” image relies on the secret, “closed” production of the stitching workshops. But they might not be the only ones who are benefiting.

“Actually the people in power here usually play two roles: a public one and a private one. When they behave as public voices, they are against Chinese community and have racist voices. But when they act as private voices, they have very strong economic interests in the Chinese community and also in China. Actually many of buildings of the Chinese companies are owned by these people in power. Most of these people have these dual faces. So they know the difficulties of Prato people to stay with Chinese people. Many local Pratese are not accustomed to other cultures, and the Chinese they saw is only a particular portion of Chinese from Zhejiang and Fujian. They are manipulating the local public voices.”

Social activist, 2/13/2012, in Prato

Beginning in the late 1980s, in response to the prolonged crisis in the textile industry, some of the most powerful textile companies quit manufacturing and invested instead in real estate (Dei Ottati 1996, 45) (see Chapter 3). But this strategy could be profitable only if there were people who wanted to rent the buildings. Lacking effective town planning, Prato finally realized that it had built too many factories in the 1990s. As a result, it was the Chinese companies that saved the real estate market in Prato. Because of the emergence of *pronto moda*, the average housing rent in Prato follows prices in the tourist city of Florence, which are much higher than its neighboring industrial towns. Based on the Italian real estate website, the immobiliare.it, as of June, 2013, the highest rent in Florence is 10.2 euro per square meter, while it is 9.1 euro in Prato (immobiliare.it 2013). For example, in the city of Pistoia, the rent is 8.1 euro per square meter. Moreover, because of the discriminatory pricing practices of Italian landowners, the actual price for Chinese immigrants could be even higher.

“Rent for a final firm could reach 5 to 6 thousand euros, but the receipts that they give to Chinese usually show a much lower value, since they Italians also want to evade taxes.”

Lawyer, 2/24/2012, in Prato

“The rent for Chinese people is exceptionally high. Because of the Chinese, the housing price is soaring here. Lease for an apartment of 80 square meter costs between 800 and 900 euros.”

Because of the bubbles in the housing market, the real estate holders are able to maintain their profits.

Therefore, while smaller Italian manufacturers in the textile industry have been pushing forward to regulate the Chinese firms, many bigger manufacturers who are also the property owners generally take a more neutral view toward the *pronto moda*.

6.4. Dragon parade as spatial demarcation

Since the late 2000s, there have been dragon parades every year for celebrating the Chinese New Year in Prato. Seen as the ceremonial representation of the Chinese presence in Prato, the forms of dragon parade evolved with the fluctuating relationship between the municipal government and Chinese community.

Issues around the parade have been generally about which part of the city it can go through and to what extent the local institutions should get involved in. Thus, the dragon parade ritually defines the Chinese community into a part of seeable and a part of unseeable. The dragon parade is, thus, an excellent site through which we can understand the spatial demarcation of the racially mixed space of the Prato City.

The dragon parade is an important tradition in China and all over the Chinese Diasporas. Since the majority of Chinese Pratese people are from Wenzhou and Fujian, the dragon parade in Prato is a little different from those in other places. The dragons leading the parade are supposed to march from one factory or store to another. The dragon's visit is generally believed to bring good lucks for the whole year to the owner of the business. In return, factories and stores visited have to give the dragon money in red packets to show gratitude. During the heyday of 2010, the gratitude of each company went as high as 500 Euros. Metaphorically, the dragon parades in Prato have been organized by the local Buddhist Society, one of the four Chinese associations and the only one without specific hometown affiliation. The money was thus collected for Buddhist charity. This particular tradition of dragon parade is said to be rooted in the southeastern part of China, in southern Zhejiang and northern Fujian areas (Author's interview).

Therefore, in Prato, dragon parade does not only function as an exotic symbol to celebrate multiculturalism, but also plays a very practical, philanthropic role in the community.

Since the early 2000s, because the prosperity of the *pronto moda* and the decline of the local textile industry, anti-immigration and anti-China sentiments have been brewing in the Pratese community. Many of the sentiments focus on the lack of transparency in the Chinese community and the low degree of social integration of Chinese immigrants (Di Castro and Vicziany 2009, 180). Discontent accumulated to the point that in 2007 Andrea Frattani, the Municipal Councilor for Multicultural Affairs Section, banned the dragon parade that year. Being a member of the Italian Communist Party, Frattani claimed the ban was to encourage social integration on the part of the Chinese community (Di Castro and Vicziany 2009, 181). With no political voice in the municipal government, the Chinese associations had to compromise and they cancelled the public parade that year. As an alternative, the parade was moved into the Museo Pecci and symbolically performed for 30 minutes. The ban not only physically erased the ceremonial presence of the Chinese community in Prato, but also jeopardized its practical function within the Chinese community to spread philanthropy. It is because of this very concrete function in the community that whatsoever, the Chinese associations wanted the dragon back.

Intermediated successfully by the local artistic-activist group DryPhoto, the parade was brought back in the next year in 2008. However, this ban had at least two long-term consequences for the parade. First, it dramatically transformed the route of the parade in the following years. Through the ban and related political debates, how to manage the visibility of the Chinese community became a central issue for both the municipal government and the communities. For the municipal government, the Chinese presence has to be controlled to a “manageable” degree that is tolerable to its electorate. Therefore, the Buddhist Society agreed to limit the parade mostly outside the wall of the symbolic medieval city. The ending point of the parade from then on was put in Piazza San Domenico, about only 100 meters inside the city wall. “That’s it, and no more.” For the Chinese community, the ban has made the companies more careful about their (in)visibility. For example, in the 2012 parade, dragons were directed only to the more established firms and Chinese restaurants which are supposed to be “public face” of the Chinese community, whereas all the stitching workshops were carefully avoided on the way. For the Italian

community, the parade was intended to be the only chance every year to look into Chinese businesses. Many Italians followed the dragons into the firms and stores to see the inside that was normally “closed” to them. To cater to their curiosity, Chinese firms and stores normally arranged a table of various Chinese snacks and fruits for the visitors.

“We also want to make sure the parade happen because we think the dragon parade is the only place and time that the Chinese community becomes visible and transparent to Italians. You know, during the parade, people could walk into the shops, into the *pronto moda* and actually see the inside.”

Social activist in DryPhoto, 2/13/2012, in Prato

Second, since the initial motive for the ban was to urge the “social integration” of the Chinese community, the content of the parade in the following years was adjusted to show the willingness of the Chinese community to be integrated, at least for its leaders (i.e., owners of final firms). Multiple Italian elements have been gradually integrated into the parade, including the *Sbandieratori* (a group of players dressed in medieval costume and playing medieval flags, a typical Italian holiday tradition). Finally in 2012, both of the two dragons were played by Italians. With continuous struggles and compromises, the dragon parade has become the prism of different (spatial) rationalities in the Chinese and Italian communities in Prato, embodying the contingent articulation of economic, social and political forces in Prato surrounding the Chinese *pronto moda*.

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Chapter 7: Economic cooperation and the role of the local government

In order to survive globalization, IDs have to develop new competitive advantages by either reducing labor costs or improving their position in global value chains (Rabellotti, Carabelli, and Hirsch 2009; Chiarvesio, Di Maria, and Micelli 2010; De Marchi, Lee, and Gereffi 2013). Italian textile companies in Prato have been trying to upgrade their products or diversify into service sectors since the 1990s (Dei Ottati 2009; also see Chapter 3). However, both the local entrepreneurs and workers suffered during this transformation, as the number of textile firms declined and unemployment rate remained high. As a consequence, the local government has become involved in trying to control the negative impacts of the transformation and explore new opportunities for the Pratese ID.

The role of the local government has always been crucial in Italian IDs. On the one hand, as Becattini and many others indicated, because of the limited capital of the Italian small and medium-sized enterprises (SMEs), their transformation must be supported by an active local/regional government (Becattini et al. 2003; Becattini, Bellandi, and De Propriis 2010). On the other hand, the current model of local government in Prato has seemed to be unable to lead the industrial transformation, and the existing model of local negotiation based on business associations has failed to cope with radical changes (Bailey et al. 2010). Therefore, Prato has had to explore a new model of local/regional development in which the role of the local government has had to change. It is in this sense that the case of Prato is interesting and perhaps also unique. Similar to other IDs, the Pratese local government also has to reposition itself in the industrial transformation (Bailey et al. 2010). However, unlike many IDs which have been investing heavily abroad, Prato has a unique clustering of “foreign direct investment” in its homeland, i.e., the Chinese *pronto moda*.

The central questions of this chapter are: How can the Chinese *pronto moda* in Prato help the transformation of Prato, and what role should the local government take to improve the cooperation between Chinese and Italian firms in Prato? Although it may be natural to think that the Chinese *pronto moda* provides business opportunities for the Pratese ID, the Chinese apparel firms in Prato pose three distinct dilemmas for the local government and Italian community. First, it poses an economic dilemma for Italian firms which want to cooperate with Chinese firms but cannot find a good way to do so. I have shown in Chapter 5 that the Chinese *pronto moda* has been by and large independent from the local textile industry. Because the Italian textile industry has upgraded into higher-value markets, while the Chinese *pronto moda* is devoted to lower-value products, there has been very little synergistic cooperation between the Chinese apparel firms and Italian textile firms. Meanwhile, unlike some other IDs where immigrants solely serve as labor for Italian owners, Chinese workers in Prato have been exclusively reserved for Chinese capital. Thus the competitive advantages of the Chinese *pronto moda* are not easily shared with local Italian firms. On the other hand, because of widespread labor irregularities in the Chinese stitching workshops, it is very difficult to completely regularize them in a short period of time. However, for the local government, to leave the Chinese firms completely unregulated means to lose the support of the Italian firms. The Italian local government has therefore oscillated between the two extremes of over-regulation and under-regulation.

Second, the Chinese *pronto moda* also posed a political dilemma for the Italian local government. There has been no dominant lead firm in the Chinese *pronto moda*. Unlike the Italian SMEs which are represented by well-organized business associations (Chapter 3), the Chinese associations in Prato have no legitimate authority over the majority of the Chinese apparel firms. As I show later in this chapter, the absence of leadership in the Chinese community has made the negotiation between the local government and Chinese firms very difficult. In order to improve the negotiation, the Pratese local government has turned to diplomatic channels and hoped that the Chinese government could help organize the Chinese firms in Prato. However, in this chapter, I show that these efforts have been by and large failed.

Finally, there is a social dilemma with which the Pratese local government struggles. Since the majority of Chinese immigrants in Prato are not Italian citizens, and since most of them speak little Italian, the communication between the two communities has suffered from multiple misunderstandings (also see Chapter 6). The social/cultural gap between the two communities has made economic cooperation even more difficult. I cannot predict the future of the social cooperation since both the Italian and Chinese communities are rapidly changing after the 2008 crisis. Indeed, the Italian local government has begun to realize that the ultimate hope for a more integrated Pratese economy might rest on the second generation of Chinese immigrants.

With this conjunctural dilemma as its backdrop, this chapter focuses on the ongoing project of the CREAM (Centro di Ricerche e Alta Formazione, Center for Researches and Higher Education) which has been conducted by the region of Tuscany and the province of Prato. The CREAM has been aimed to create a joint research center in Prato with capital and personnel inputs from both Tuscany and Zhejiang, where the majority of Chinese immigrants in Prato came from. Although the international cooperation between Tuscany and Zhejiang is indeed necessary, the CREAM failed to recognize the importance of the “investment promotion community” (abbr. investment community hereafter) which includes not only firms and governments, but also banks, business associations, and other semi-public/semi-private organizations which have better knowledge of China and Chinese immigrants (Sellar and Lan 2013). I show that the Italian regional and provincial governments have by and large failed on the project because of the top-down process they chose for the project. Comparing the CREAM with the more successful *Fondazione Italia Cina* (Foundation Italy China) which has embedded itself in the investment community, I argue that the Pratese local government may need to adjust its role in the CREAM and in other cooperative projects.

This chapter is divided into five sections. Section 1 and 2 analyze the economic cooperation between the Chinese and Italian firms in Prato. While the institutional level of cooperation (that is, through the traditional business associations) does not work very well (section 1), a small number of Italian firms

have developed individual relationship with the Chinese firms (section 2). Section 3 analyzes the cooperation between Chinese and Italian local governments using the example of CREAF. The project of CREAF is intended to create a joint research center and incubator in Prato with supports from the Zhejiang province. Initiated in 2010, the progress (or the lack thereof) has been instructive for the local governments of both sides. Section 4 introduces the “investment promotion community” with both governments and non-government actors across the Sino-Italian national border. Using the example of the *Fondazione Italia Cina*, I argue that the active involvement of the investment community may solve many of the problems faced by the CREAF. The last section goes beyond the economic cooperation and investigates the current debate of economic/social integration in Prato. I show that the integration of the Chinese community in Prato has in fact been dependent upon a nuanced balance between over-regulation and under-regulation for the local government. Integration has therefore produced a deadlock which may not be easily solved in the near future.

7.1. The limitation of the business associations

The Chinese *pronto moda* in Prato has created both opportunities and problems for local Italian companies. On the one hand, the Italian companies have been longing for the transnational connections of the Chinese *pronto moda*, and they wish to collaborate with Chinese companies either for exploring the Chinese market or for outsourcing to China. Because most are SMEs and possess limited knowledge about China, they need Chinese partners. On the other hand, because of the economic, social, and cultural disparities between the Chinese and Italian firms, the Italian entrepreneurs have found it very difficult to collaborate with the Pratese-Chinese. In particular, the fact that the Chinese apparel firms refused to join the existing mechanism of business associations in Prato frustrated the Italian firms. As shown in Chapter 3, the business associations have been a nexus of local development since the takeoff of the Pratese economy in the 1950s. However, because the business associations were incompatible with the goals of the Chinese apparel firms, Italian firms needed to develop new mechanisms of cooperation.

Unlike some other Italian IDs, there has been no major process of delocalization of manufacturing in Prato, at least not on a large scale. Most of the textile manufacturing had been carried out in Prato until recently (Chapter 3). As Dei Ottati (2003; 2009) shows, the two major trends among Italian firms in Prato since the 1990s have been the upgrading of the products and diversifying into other sectors such as real estate. Unlike some IDs in Emilia-Romagna and in Veneto which have been investing heavily in Central and Eastern Europe (CEE) (see Sellar 2007), the Pratese ID has never had a “sister” industrial cluster in CEE. Partly because of company size and partly because of its inexperience with globalization, the Pratese ID has been less active than others in manufacturing outsourcing. For example, one of the Pratese textile companies recently transformed into manufacturing of LEDs (Light-Emitting Diode, a new lightening technology). Instead of outsourcing manufacturing to lower-cost places, most of its manufacturing was still carried out in Prato:

“For us, it is difficult to invest in China. We once sold something in China, when somebody wanted to produce something. But probably because they managed to copy our product, we lost the clients finally. At the moment, if we want to start a new factory, we probably want to build it in India.”

Owner of an Italian electronic firm, interviewed in Prato on 2/15/2012

“Those little companies do not have enough money and enough knowledge, and so are not able to go to China... These are textile and electronic companies.”

Owner of a sourcing firm, interviewed in Prato on 3/23/2012

Potentially, Chinese firms in Prato may help these Italian SMEs to explore the Chinese market or outsource manufacturing to China. As the *Unione Industriale Pratese* (UIP) insisted, their Italian members were interested in collaborating with the Chinese companies in Prato (interview on 3/16/2012). However, there are several barriers to such collaboration. Among them, the biggest complaint has been that the local Chinese firms did not want to join the traditional business associations, such as *Unione Industriale Pratese* (UIP) and *Confederazione nazionale artigianato pratese* (CNA Prato). At the time of writing, only two Chinese firms have joined the UIP. Of these two, one shifted from manufacturing to wholesale in 2010, while the other only joined the association in 2013. Because the requirement for joining CNA is much lower than the UIP, and because the CNA has a longer tradition of recruiting

smaller immigrant manufacturers, the number of Chinese members in CNA is much larger, recently reaching 70 (CNA Toscana 2013). As shown in Chapter 3, these local business associations have played an important role in the local industrial development, from collective bargaining between smaller and bigger manufacturers, to negotiations between firms and the local government. Therefore, refusing to join the Italian business associations, the Chinese apparel firms directly challenge the cooperative conventions in Prato.

Among the reasons the Chinese apparel firms did not join the business associations, were one economic reason and one legal reason (Author's interviews). First, although the Italian textile firms insisted that using locally produced fabrics was an opportunity for both Chinese and Italian firms, the Chinese apparel firms did not think so. Since the Chinese *pronto moda* produces for lower-value working-class consumer markets, their demand for the locally produced higher-value fabrics is very limited (Chapter 5). There have not been enough incentives for the Chinese apparel firms to join the business associations. Such a gap between the two parallel value chains is evident in the following remarks:

“It is very difficult. In the past, when the commissions of Zhejiang province came, as a gift, they would buy the goods that Italian government suggested. In Toscana, it was wine and textile. Wines were good and the Zhejiangese government could easily persuade companies to buy them up. But for textile, no one wanted to buy, because Italian textiles are way too expensive for them. On the one hand, China now produces most diverse and the biggest quantity of textiles in the world. On the other hand, even though the quality of Italian textile is high, this quality is not necessary for the Chinese *pronto moda*. Textiles made in China are good enough for both companies in China and these in Prato.”

Association of friendship between Chinese and Italians, on 2/22/2012

Second, because of the widespread irregularities among Chinese apparel firms in Prato (see Chapter 6), they normally cannot or do not want to comply with the regulations of the associations. Common irregularities among the Chinese *pronto moda* include disregarding the safety guidance, tax evasion, and undocumented labor (Ceccagno and Rastrelli 2008). One major complain from the UIP is that some of the Chinese firms closed down after enjoying the tax incentives of the first two years, but later reopened under a new name.

“They (the Chinese apparel firms) were too new, registered for only one year or half. How can they be our members? This is the major part. This is not our problem, because we cannot accept members with one or two years, and think of closing down now and opening another. There is no official requirement for the admission, but we need to know a bit more about the firms. We have to know who you are and how you work. We *Confindustria*, not only us the UIP but all the branches of the *Confindustria* have ethical standards. This is very important to guarantee the history of the company. You can have one year of history but you have to show you are doing legally well.”

UIP, interviewed on 3/16/2012

Some of these legal problems in fact derived from the different business conventions between Chinese and Italian firms. As mentioned in earlier chapters, the Chinese apparel firms typically require long working hours and higher flexibility from their workforce. It is very common for them to exceed the 8-hour limitation of the Italian labor law and violate the safety regulation that requires working place to be separated from the dorms. These irregularities make it impossible for them to pass the inspections required by the associations. Therefore, even though there can be a variety of benefits for being a member of UIP or CNA Prato, including an improved reputation and more bargaining power with the local government, the majority of the Chinese apparel firms have decided to stay outside.

It is unfair to attribute the failure of the traditional Italian associations to the rigidity of their institutional structure. In fact, many less formal associations have faced similar problems when dealing with the Chinese firms in Prato. For instance, the *Prato Futura*, a business association of younger entrepreneurs but also a research institute, has been trying to create a number of cooperative projects with the Chinese firms, including the *fabbrica abitata* (livable factory, see Chapter 6). Like more traditional associations, they have also faced reluctance from the Chinese firms.

“It was a difficult experience. On formal greetings, we were OK, but when we got to the real points, they were very reluctant to talk. We found ourselves on different planes, while we really wanted to discuss the real things, the Chinese were too formal. During the meantime between then and now, there were also a lot of meetings that we organized with young entrepreneurs. The last one was in June or July two to three years ago with ASSOCINA. During these meetings, we always found these younger Chinese entrepreneurs interesting, but still failed to talk about real things as they were too formal. Turns out that every time we needed to start over with basic issues, so every time was the first time.”

Prato Futura, interviewed on 2/15/2012

Prato Futura certainly realized the reasons why Chinese apparel firms have been less willing to join. The economic and legal gaps between the two sides blocked cooperation. Even though the *Prato Futura* proposed the idea of the *fabbrica abitata*, without positive feedback from the Chinese community, they still cannot make the program effective.

7.2. Firm-level cooperation

The ineffectiveness of the business associations does not mean that there is no cooperation between the Chinese and Italian companies at all. In fact, my research shows that despite the stagnation at the institutional level, the cooperation at firm level has never ceased to exist. For instance, to offer sourcing services to Italian SMEs, a number of sourcing companies recently emerged in Prato. Unlike the experience that local business associations have had with the Chinese companies, these sourcing companies have become important intermediates between the Chinese and Italian firms. For instance, one company “M” has been sourcing from China since 2005. As its owner indicated, these intermediate firms play an important role in bridging the business cultures between Italy and China.

“If we say ‘twenty days’, it is twenty days. But no, Chinese is not doing in this way. We said the same thing to our Chinese suppliers in Ningbo: twenty days. And then they had more than 24 hours for their day. I like Ningbo, which is a very beautiful place. We had this partner who ran a tiny company. We asked: ‘Stephen, when are you able to finish the contract?’ And he answered: ‘hmm, forty days.’ And for me, it means 120 days. It is this way. Timing is something that Chinese never respects. And there is another problem in China. When you claimed, the problem didn’t exist. For example, one time we wanted to import MP3s from China. And this Chinese entrepreneur shows us this and that, perfect. And I asked: ‘Hey buddy, have you owned all the certificates and licenses for producing this?’ ‘Yes, of course’ he answered. We paid in advance, and import say 1,000 pieces. MP3 has been registered, and so I asked the guy for the document which allowed us to use the ‘MP3’ name. They said: ‘yes, but it is 2 dollars more for each piece.’ ‘No, this is not right.’ ‘But you haven’t asked...’ And then I said: ‘OK, \$2,000, I will pay. But I will come to claim.’”

Owner of the Italian sourcing company, interviewed in Prato on 3/23/2012

Instead of having Chinese partners in Prato, the M had opened offices in Shanghai and Hong Kong, and directly sourced from Ningbo and the Pearl River Delta. As the three Italian firms I interviewed confirmed, many Italian sourcing firms simply jumped over the local Chinese firms to reach China. Although I still have no data to show the real number of the Pratese FDIs in China, such phenomenon

seem to be increasingly common. The different business conventions between Chinese and Italian firms are in fact bigger than one may think.

While Chinese firms respect the infinite liability of the company owner (i.e., debts of a company will be collected from the owner even after the company is closed), the Italian firms follow the limited liability model (i.e., debts of a company will be defaulted after bankruptcy). All Chinese apparel firms that I interviewed (13 in total) except one reported debt defaults of their previous Italian business partners.

Debt defaults seem to be common with the contracts between Chinese and Italian companies. Informants claimed that this became one of the main reasons why they preferred to partner with Chinese firms. Because of limited language skill and their own irregularities, they were reluctant to go through legal cases with Italian firms.

Besides the frequent defaults, informants also claimed that Chinese companies tended to make the payment faster than Italian ones. While in the apparel industry, Italian cutter-designers usually pay between three and six months after the shipment of the finished products, Chinese cutter-designers can pay in less than two months. Therefore, the integration of the apparel production within Chinese networks dramatically reduces the fixed capital requirement for opening a business in *pronto moda*.

In short, the cooperation between local Chinese and Italian firms in Prato has been limited for at least two reasons. First, because of the little economic incentive and huge legal obstacles, many Chinese firms in Prato did not want to join the Italian business associations such as UIP and CNA Prato. This has made the institutional (or semi-government) cooperation very difficult. Second, because of the different business conventions, the cooperation at the firm level is also limited. If Becattini (2001) is right, and all the previous successful transformation can be explained by historically contingent but successful negotiations between firms and local government, can the Pratese local government provide leadership this time? What has the local government done with the opportunities and problems of the Chinese *pronto moda*?

7.3. CREAM and its problems

Different from previous crises that Prato has successfully managed, the current crisis of the local textile industry requires a different model of leadership, in which the Pratese local government has failed to perform (Bailey et al. 2010). I argue that the Pratese ID is currently transitioning from an old mechanism of firm-government interaction (see Chapter 3) to a new one in which the business associations can no longer be the central actor. The two main problems of the CREAM have been the top-down process of its decision making process and its failure to recognize the importance of the “investment promotion community”. I discuss the first problem here and the second in the next section.

Comparing the recent development of Prato and the English ID of the West Midlands, Bailey et al. (2010) argued that the traditional bottom-up leadership in the Italian IDs (which they call the organic leadership) has not been able to overcome the radical changes and failed to take an alternative development path. Thus a new and cross-scalar leadership is needed. The previous section argued that the old interactive mechanism between the local government and business associations could not deal with the emerging Chinese *pronto moda*, and that the majority of Italian firms are not able to make use of the transnational connections that the Chinese *pronto moda* relies on. It is this inability of the existing “leadership” that blocks the potential cooperation between Italian and Chinese firms, and thus triggers a series of social and political tensions. Based on my research, there have been three major obstacles for the coming of a new organic leadership: the political conflict between the left and right, the institutional inertia on both Italian and Chinese sides, and the lack of effective leadership in the Chinese *pronto moda*.

Top-down process of the CREAM

Founded by both the Italian Ministry of Foreign Affairs and Ministry of Economic Development under the bigger program of MAE-Regioni-Cina, the CREAM has been a typical top-down decision-making process which is completely different from the traditional bottom-up process in the Italian IDs. Initiated in 2009, “the program was founded with the objective of providing technical support to the relationship

between Italian regions and Chinese provinces, aiming to create virtuous dynamics of collaboration that have measurable impact on the territory, with particular attention to the areas of the South.” (MAE-Regioni-Cina 2013)¹⁸ Practically, each of the Italian regions has to pick up one or more partner provinces in China, and through the diplomatic introduction of the Italian government, develop specific joint projects. Until 2011, the participant Italian regions included Emilia-Romagna, Campania, Marche, Molise, Puglia, Veneto, and Tuscany, while the Chinese partners were all located in the Yangtze River Delta including Shanghai, Jiangsu, and Zhejiang. Specific projects included renewable energy, tourism, and textile innovation.

Under the MAE-Regioni-Cina, the Region of Tuscany (Puglia also involved with a lesser extent) picked Zhejiang as her partner and decided to create a joint research center in Prato with firms and research institutes from both China and Italy (the following part is based on author’s interview with the organizers of CREAM in 2/2012 and 11/2013). The name CREAM stands for the *Centro di ricerche e alta formazione* (Center for Research and Higher Education). Physically, the center is an old two-story textile factory building with 13,000 square meters which has nearly been finished at the point of my writing. Although there have been a number of meetings between the two sides since 2010, the actual “research” for the research center was approved only recently. In 2012, the Region of Tuscany and the Province of Zhejiang signed an agreement to create the joint research institute called TEX TECH, which, as its name implies, will focus on textile innovation with capital (about 200,000 Euro) and personnel (about 20) from each party. Besides the TEX TECH, the CREAM currently receives very lukewarm welcome from both the local Italian and Chinese companies. At the time of writing, only one Italian engineering company has decided to move in after it is finished.

There are a number of reasons that stalled the progress of CREAM: (1) the political conflicts between the left-wing regional and provincial governments, and the right-wing municipal government (the *comune*),

¹⁸ “Il Programma nasce con l’obiettivo di fornire sostegno tecnico ai rapporti fra Regioni italiane e Province cinesi, mirando a creare dinamiche virtuose di collaborazione che abbiano ricadute misurabili sul territorio, con particolare attenzione alle aree del Mezzogiorno.”

(2) the opposition from the local Italian business associations, (3) the lack of effective leadership of the Chinese apparel industry in Prato, and (4) the different interests between Tuscany and Zhejiang.

Political conflicts

Italian partisan politics has always been engaged with struggles over the legislation of immigration. Zincone (2006) shows that changing Italian immigration policy since the 1990s has been more a consequence of the partisan conflicts than of the actual effects of the policy. This has an important consequence in Prato. After the 2009 election, the center-right coalition won the municipal government (the *comune*), while the regional and provincial governments were still held by center-left coalition (Fazzino 2010). The political conflict between the *comune* and the province-region has been one of the major obstacles of the CREAM. While the province-region has been the main organizer of the CREAM and has sent multiple commissions to China, the *comune* supported by the most powerful Italian industrialist families has been lukewarm on the project. In terms of the current stagnation of the CREAM, the province-region blamed the partisan parochialism, while the *comune* referred to the actual mistakes that the province-region made in the project.

“The different stances between the two are political not economical, because the provincial is center-left while the commune is center-right. The main disagreement is on the cost of CREAM. The problem we have is that we used to be late in terms of timing. They said that our topic was not so clear. There are only political differences, not economic differences. While disagreeing with us, they didn’t give any proposal.”

Province of Prato, interviewed on 3/15/2012

“It’s not easy, because at the political level, we don’t agree with both the means and the goal of the project. Entrepreneurs are afraid that this project will steal the Italian knowhow of our production and lose it to China; the knowhow is now the only thing left here. So they are suspicious of the project. So we are not involved in this project. The mayor is involved, but he doesn’t agree with the policy.”

Comune of Prato, interviewed on 4/11/2012

In particular, the center-right *comune* has made the regularization of the Chinese firms a prerequisite for any cooperation. As Zincone argues, as the Italian public opinion shifted from central-left to central-right in the past two decades, the political strategy of the central-left parties had to respond. One consequence

for the center-left has been the adoption of the identitarian and legalitarian discourse toward immigration (Zincone 2006, 359). While the region-province adopted a more moderate attitude toward regularization, the *comune* insisted it to be the prerequisite for any cooperation.

“We are investing first of all lots of resource in teaching Italian and a project of integration between families and students. This is a project funded by the province and the region. This is an agreement of all the schools here from the primary to the university. To the other side, the region of Tuscany will create a new project very soon, perhaps in 15 days. The goal is to help black Chinese entrepreneurs to legalize themselves.”

Province of Prato, interviewed on 3/15/2012

“The problem is the ‘blackness’. By ‘blackness’, I mean working out of rules, I mean not respecting the laws, I mean using clandestine immigrants paying them just a little bit, and I mean using just cash flow instead of invoices and documents, just not to pay taxes here. We have the data here showing that from Prato to China, they exported something around one and one and half million Euros. This should not be the problem if they pay a little bit taxes. Because we are very open, very liberal, we are for who wants to invest money here in Italy and produce richness. But in this case, Chinese community, the most part of the community produces richness just for China.”

Comune of Prato, interviewed on 4/11/2012

As we saw in Chapters 4 and 5, complete regularization is nearly impossible at the current moment. Since the majority of Chinese Pratese people were first generation, they were not able to learn Italian immediately. Meanwhile, a large part of the competitiveness of the Chinese *pronto moda* relies on the irregular production activities of the stitching workshops, and it is nearly impossible for these workshops to be completely regularized. As shown in Chapter 6, many stitching workshops violate the Italian labor law by working extra long hours and mixing the factory with dorms in one building. Similar to what Ceccagno (2007a) shows, these irregularities contribute to the flexibility of stitching workshops that are the foundation of the Chinese *pronto moda*. Without economically compensating the stitching workshops, neither the moderate approach of the region-province nor the radical approach of the *comune* is likely to have immediate outcome.

Opposition from the Italian business associations

Despite the potential importance to the Pratese ID, the CREAM has been boycotted by the local Italian business associations, in particular, the UIP. In fact, the attitude of the UIP and its Italian member firms

has been complicated or even self-contradictory toward the cooperation. On the one hand, the UIP strongly opposed the idea of the CREAM. The main worry has been that a joint research center will eventually teach the Chinese apparel manufacturers the tricks of fashion innovation which is the last advantage of the Italian firms. On the other hand, individual firms as members of the UIP continued to cooperate with their specific Chinese partners. In fact, some of the lead firms in the UIP circumvented the association and created their own long-term relationship with some of the more powerful Chinese entrepreneurs in Prato.

As aforementioned, the CREAM has been so far a top-down process initiated by the Italian national government and conducted mainly by the region of Tuscany and the province of Prato. The Italian firms and their business associations only participated in the project recently. The UIP, association of the Pratese industrialists in particular have voiced strong opposition to the CREAM for two reasons:

“We have the first doubt—that is, probably this project will set us in a bad condition by giving the Chinese our knowhow, which is very important to us. We don’t know if this is going to be changed. The second doubt is also fundamental. This project is currently still an empty box. This is only about the project itself, not about anything else, not about the Chinese people. It is now clear that the aim of this project is not for us, not for the industry. We are convinced that they are supporting knowledge innovation and technology improvement. But we doubt if the government is able to achieve such goal. We don’t like such project.”

Unione industriale pratese (UIP), interviewed on 3/16/2012

The opposition of the UIP to the CREAM was also confirmed by the provincial government. However, the provincial government carefully distinguished the business association from its individual members, and claimed that the CREAM had won popularity among the member firms:

“The other economic part, which is outside of the UIP, supports us. And it’s the UIP who is a little bit cold, but individual entrepreneurs agree with us.”

Province of Prato, interviewed on 3/15/2012

At the first glance, there seems to be a contradiction between the complaints of the UIP and the explanation of the province. However, both of the parties are right to a certain extent. While the UIP did

boycott the CREAM and the leadership of the provincial government in the economic cooperation with Chinese firms, individual Italian firms have been actively working with their local Chinese partners.

“One of the two Chinese members in the UIP is actually working with an Italian entrepreneur for his branch in China. He has a big place in Northern part of Zhejiang. They are building this big development for Made-in-Italy goods, such as showrooms. More interestingly, the chairman of the UIP after denounced our project recently went to China with his own Chinese partners.”

Organizer of CREAM, interviewed on 11/8/2013

In fact, I want to argue that the UIP’s opposition against the CREAM has been just part of its inability to continue to play a central role in the changing situation of the Pratese ID and to participate in the economic cooperation with local Chinese firms. In particular, the inertia of its institutional format is not compatible with the Chinese *pronto moda*. Because of the widespread irregularities among the Chinese *pronto moda*, it has been difficult for the UIP to admit Chinese members without changing its rules. Although the UIP and other business associations tolerated the irregular labor of Italian textile firms between the 1950s and 1970s (Becattini 2001), they seem to be less flexible with the Chinese apparel firms in the 2000s.

Lack of effective leadership of the Chinese community in Prato

The absence of a representative leadership in the Chinese community in Prato also created problems for cooperation between Chinese and Italian firms in Prato. Although there have been four Chinese associations in Prato, none of them has the legitimacy to represent the interest of the whole community (Chapter 6). Without an effective leadership, the Chinese community in Prato simply cannot fit into the existing mechanisms that are familiar to the Pratese local government and business associations.

“They didn’t ask for contact with the institution, that is, with us. When we tried to contact them, it was difficult to find the representative, and it was difficult to find the one to speak with.”

Comune of Prato, interviewed on 4/11/2012

“We have difficulties to identify which institutions represent the Chinese community, so we didn’t know which young Chinese entrepreneurs came to the meeting. And all these were not formal meetings; they were only dinners. Our current president brought in a few Chinese entrepreneurs

through two or three of Chinese associations here. We talked about everything at the dinner, but when we tried to talk about our way of doing business, the conversation stopped.”

UIP, interviewed on 3/16/2012

Therefore, in order to engage with the local Chinese community, the regional administration of Tuscany asked the Chinese Consulate at Florence for help. In 2012, supervised by the Chinese Consulate, the first “liaison team” of the Chinese community in Prato was formed. Comprising seven representatives including not only Chinese entrepreneurs but also Chinese professionals and professors, the liaison team was supposed to bridge the communicative gap between the Chinese community and Italian government in Prato.

“The Chinese Consulate plays the most important role in the communication between us and the Italian local government. The liaison team was organized by the consulate. Whenever needed, we normally asked the consulate to speak for us, because we cannot represent the whole of the community.”

One of the Chinese associations, interviewed on 3/23/2012

According to the Italian local government, the liaison team did not dramatically improve the communication. As one informant of the *comue* indicates, the liaison team was nothing but an ad hoc creation of the Chinese consulate (interviewed on 4/11/2012). Even though the team comprised members from a variety of sectors, it still did not have the legitimacy to represent the community as a whole. For instance, as of 2013, none of the members was a migrant worker or ran a stitching workshop. As a consequence, both the Italian local government and business associations continued to complain about the ineffectiveness of the team. The Italian request for regularization cannot be solved by the team because the real bearers of the irregularities (stitching workshops and workers) are not in the team.

“The main the problem is the representative of the people with whom we are in contact. Too many times, we thought we were speaking to the representatives, but they said: ‘no, we don’t know about this issue and so are not the right persons to speak with.’ Last month, we called up representatives to talk about Chinese enterprises. We have been assigned seven representatives, but it was tiring to have them in the meeting. In the meeting, they answered that they were not the right persons to speak about enterprises, because they are not involved in this kind of work. So we asked why, since we sent invitation to the president of the association and to the seven representatives. Now, we don’t know with whom we should talk about Chinese enterprises, because we are doing a project about enterprises.”

Comune of Prato, interviewed on 4/11/2012

Therefore, without an effective and representative leadership, there has been no voice of the local Chinese community in the CREAM or in any broader cooperation between the Italian and Chinese governments.

“For CREAM which is so far not really working, there is not much (involvement of the Chinese *pronto moda*). But last week, there was this Chinese company which showed interests to open an office in CREAM. But for the kinds of the Chinese companies you know in Prato, I don’t know. For the subcontractors, if some new demands generate from CREAM, they will be involved anyways. This will be kind of an indirect benefit or involvement.”

Organizer of the CREAM, interviewed on 11/8/2013

Different interests between Tuscany and Zhejiang

The cross-border nature of the CREAM also posed a completely new problem for the Pratese local government. Since the Chinese apparel firms in Prato are disorganized and reluctant to join the existing institutional network of business associations, the only way for the Pratese local government is to seek helps from the Chinese government. However, the region of Tuscany and the province of Prato had no prior experience with the Chinese government. Two years after the first commission to China, the Italian local government and organizers of the CREAM have realized that they could not presume the same interests from their Chinese counterpart (with Organizer of the CREAM, interviewed on 11/8/2013).

The CREAM has been primarily proposed by the Italian side as a research project, whereas the Chinese side preferred the idea of a joint business venture. The organizers of the CREAM include the Italian local governments and University of Florence, but neither Italian nor Chinese local firms were involved at the beginning. However, on the other side the cooperation, a Chinese private company has been in charge of the entire project and handled most of the commissions between the two countries. Such mismatched interests between the two sides have created a lot of tensions during the project. It has been clear that while the main purpose of the Italian side was to bring in Chinese investments and researchers for public

good, the Chinese side is merely interested in specific joint ventures with local Italian producers to make use of the Made-in-Italy label for Chinese market.

“To us this is a completely new kind of approach which is much more market oriented than we were. So our leaders were very skeptical about cooperating with this lady because they were afraid of the fact that she was much more oriented for making her own profits. Maybe this is good on the personal base between one Italian company and one Chinese company, but not good with this project of a joint research center. This is the situation that has blocked us for a couple of years. Now the leaders are still the same.”

Organizer of the CREAM, interviewed on 11/8/2013

Despite the complaints from Tuscany, the joint business venture has actually been a very common model for the Chinese local governments to create joint ventures with foreign capital. After the local governments set up the platform of cooperation through diplomatic channels, they normally leave the actual negotiation to individual firms, mostly state-owned but sometimes also private (Thun 2006). With little experience about China, the organizers of CREAM were confused in the meetings:

“On the technical base the conversation was absolutely easy. The researchers speak more or less same language. They know what kind of issues they have to cope with, such as fibers, machines and so on. And they were really interested in discussing with each other. But we really couldn't find a way to make a step forward with the company (which is in charge of the Chinese side). It's a very strange situation. For example, when we went to Rome to the Chinese embassy, they (the Chinese embassy) knew exactly what was going on but they said: 'You have to be patient. You have to wait and something will move.' But nothing really changed.”

Organizer of the CREAM, interviewed on 11/8/2013

All four problems pointed to the fact that the top-down process of the CREAM did not work with the transnational cooperation. Unlike previous crises that Prato has overcome, the current crisis of the ID requires a different solution that is no longer dependent on the local business associations. What is this new solution? How can the Pratese adjust themselves to the era of globalization? I argue that the emerging transnational investment community may be a potential solution for the Pratese ID.

7.4. Toward a cohesive, transnational investment community

As the 2008 crisis deepened, a debate emerged about the uniqueness of this crisis. Some scholars argued that the current crisis may mark the turning point of the global trade, in which emerging economies such

as China are now winning more shares from the European Union (EU) and the US (Cattaneo, Gereffi, and Staritz 2010). What does this second wave of “Global Shift” (Dicken, 2010) mean to Italian IDs in general, and to Prato in particular? Sellar and I (2013) have argued that the crisis represents a watershed moment in which pre-existing relationships between institutions, firms and territories undergoes deep transformations. In particular, a transnational, but cohesive “investment promotion community” (abbr. investment community hereafter) has emerged including government agencies at multiple scales, financial institutions, consultancies and business association. Actors in the investment community actively share information and personnel, and facilitate the investments between two countries in both directions (both for Chinese in Italy and for Italians in China).

What has been missing in the CREAM is precisely the recognition and active involvement of the investment community. Originally a top-down process from the Italian national government, it has been difficult for the CREAM to reach consensus with non-state actors. On the one hand, the Pratese local government has not been able to work with the local business associations who are suspicious of the very idea of the CREAM. On the other hand, the Pratese local government has little knowledge of China, and therefore, has not been able to develop concrete investment projects attractive to the Chinese agencies and the local government of Zhejiang. Moreover, the traditional model of economic development based on business associations could not help much in filling the gap.

Can there be a new model of local development for Prato? Can the investment community between China and Italy facilitate the transformation and globalization of Prato? Based on my research, it seems to be possible. In fact, there have been a number of transnational programs between the two countries beyond the MAE-Regioni-Cina. The most successful ones in fact never followed the top-down process as in the MAE-Regioni-Cina. Instead, they have been heavily relying on the investment community which effectively prevents the problems faced by the CREAM. The *Fondazione Italia Cina* (Italy-China Foundation) has been one of the best examples.

Founded in Milan in 2003, the Foundation is a private non-profit organization primarily for facilitating international investments between Italy and China (Fondazione Italia Cina 2013). Based on a group of national and local governments, banks, business associations, and Italian and Chinese firms, the Foundation embodies a typical platform for the investment community:

“On the board, we have institutions. We have central government, local governments in Italy (a selected number of them). Then we have big enterprises which are investing in China, among the big enterprises in Italy. There are FIAT and Pirelli, from both manufacturing and service sectors. We also have the three biggest Italian banks, and Confindustria and other associations of enterprises. So our board is highly representative of businesses in Italy which reference to the Chinese market. Our membership base is actually constituted by investors in China and a select number of Chinese multinationals which invest in Italy, and a number of businesses who have ongoing businesses with China but don't have FDIs in China, but generally evaluate the possibility of the Chinese market.”

Fondazione Italia Cina, interviewed in Milan on 11/12/2013

The Foundation is peculiar in two ways. First, while being a private organization, it has close relationship with the Italian national government. The government support has lent the organization a semi-public image and allows it to obtain respect from the Chinese local governments and state-owned enterprises. This semi-public image has been deemed very important for cooperating with the Chinese government:

“We know how much government is respected and valued in China, and how much important to facilitate or make possible a number of gears. The fact that an Italian company tells the Chinese government that they are part of our foundation which has government backing can be well, positively perceived by the Chinese government.”

Fondazione Italia Cina, interviewed in Milan on 11/12/2013

Second, and more importantly, the Foundation offers a shared platform for not only Italian firms in China, but also Chinese firms in Italy. In such a way, the Foundation has better knowledge of individual demands of both Italian and Chinese firms, and has been able to offer the opportunities for cooperation on a concrete basis. In particular, the access to both Chinese and Italian banks has helped them maintain an information channel for both Italian firms in China and Chinese firms in Italy.

“It happens to us quite often that Italian investment banks and Chinese investment banks which are located in Italy, for example Bank of China, Industrial and Commercial Bank of China, all in Milan, to provide them assistance in finding potential partners and potential targets for investment and etc.”

Fondazione Italia Cina, interviewed in Milan on 11/12/2013

With these two advantages, the Foundation developed a very effective and efficient framework to facilitate the cross-scalar cooperation between Italy and China. The best example is the joint project between Emilia-Romagna and Guangdong (author interview with the Foundation on 11/12/2013).

Similar to the MAE-Regioni-Cina, the Guangdong-Italy Traineeship has been initiated by the Italian national government, and managed by five Italian regions, Emilia-Romagna being the leading one. What differs from the MAE-Regioni-Cina is that the concrete projects of the program have to be proposed by individual firms in the region. With the concrete need of the firm, the Foundation goes to the diplomatic channels, and finds specific corresponding partners at each level of the project.

“The Italian Ministry of Foreign Affairs diplomatically approached the Bureau of Foreign Affairs of Guangdong Province. The Bureau of Guangdong identified an internal office of SMEs which can be directly referenced for this specific project. This office is exactly aligned with a department in the region of Emilia-Romagna, the department for internationalization of SMEs. And then this office of SMEs of Guangdong identified the Guangdong Association of Corporation and Exchange of Private Enterprises (GACEPE) for our foundation. So the layers are exactly the same. The delegations are exactly the same. Two governments, ministry of foreign affairs of Italy and ministry of foreign affairs of China, and two regional and provincial governments, and we and the GACEPE. GACEPE is not fully private, which is very typical in China, but in fact very similar to our association. We cooperated very successful on this project and we are now seeking to cooperate on more projects.”

Fondazione Italia Cina, interviewed in Milan on 11/12/2013

In this case, not only government actors of different levels, but firms and semi-public organization (i.e. the *Fondazione Italia Cina*) actively share a same information channel and work toward a concrete demand of a specific firm. By so doing, all of the four difficulties that the CREAf has been facing were controlled. Conversation is held between specific institutions and therefore partisan conflicts are avoided. Projects are requested by specific firms and therefore business associations are appeased and play a less important role. With the support from specialized institutions from China, the Italian firm can also identify the most suitable Chinese partner. At last, with corresponding institutions at each level of the two governments, shared interests are always confirmed.

This mechanism seems to nicely fix the problems of the CREAM. However, it is still not perfect. The biggest problem is that most of the Italian SMEs are not able to get involved in such a private Foundation, and as a private organization, the Foundation has no obligation to help the SMEs.

“Considering the industrial sector of Italy is represented by 95% of small and medium-sized enterprises, I can easily say that the SMEs however in our foundation represent around 1/3 of the companies. But this is a direct consequence I believe of people’s perception of our position in the business world. We are seen as a lobbying organization which represents interests mostly of the investors. The investors are usually medium and large companies. Also, the price of our membership is quite high compared to the chamber of commerce, considering that we are sort of holding under our foundation the Italy China Chamber of Commerce. For them, fee is 1,000 euro to be a member, or 2,000 euro to be a member of board. In our case, the minimum fee is 1,500 euro to be a member. To be a member of board, you pay 30,000 euro.”

Fondazione Italia Cina, interviewed in Milan on 11/12/2013

It is not the place for me to give policy advice here. What I am trying to do is to explore the potential of the investment promotion community in the globalization of the Pratese SMEs. Considering the current problems of the CREAM, the model of the *Fondazione Italia Cina* seems to be instructive. Although the Tuscan government has realized the importance of the Chinese local government in the local development project, it failed to develop a practical model to work with the investment community. This may be the most crucial reason why the CREAM has been stagnant so far.

7.5. Economic cooperation and integration

“But we cannot make integration if there’s no wish of the Chinese community to integrate themselves. There is part of Chinese community who wants to live here, especially the second generation who was born here, speaking Italian with Tuscan accent, and who want to grow up here studying in Italian universities. They are thinking of living in Italy for life long. But here is a very big part of Chinese people who don’t want to live here for the rest of their life. So they don’t want to integrate but to go ahead keeping Chinese citizenship and sending back money to China, just because they want to go back to China when they are old... Because to have integration, you have to distribute people all around the city and integration means to let our social tissue to absorb immigrants.”

Comune of Prato, interviewed on 4/11/2012

There has been an emerging literature and political debate in Italy around the “integration” of the immigrants. While a number of scholars believed that the Chinese community in Prato has formed a parallel ID (Dei Ottati 2009; Toccafondi 2009), many others have argued that the community has been

partially integrated into the tissues of the Pratese economy, if not the Pratese society (Ceccagno 2007b; Barberis 2009; Berti and Valzania 2010). Because of the physical presence of a large number of foreign faces and behaviors, the political debate about integration has been one of the most critical social issues in Prato. The local government is situated in the center of all criticisms. Beyond economic cooperation, a lot of resources have been put into the social integration of the Chinese community. Perhaps also because of the stagnation of the CREAM and other economic projects, the local government has been hoping that the social integration can eventually help economic cooperation.

In fact, the very idea of integration has seemed to me worth investigating. On the one hand, since the *pronto moda* is physically located in Prato, it must have myriad economic connections with the broader Pratese economy including infrastructure, real estate market, and machinery supplies. Therefore, by asking for integration, the local Italian firms really want a bigger share of the apparel value chain in the *pronto moda*. To completely wipe out the Chinese *pronto moda* is certainly not in the interests of local Italian business owners. On the other hand, for the local government, the demand for integration also comes from the complaints from the former textile workers who do not have any share in the apparel value chain whatsoever. In particular, the problems of tax evasion and under-standard working conditions have spurred hostilities from these unemployed workers. The latest fire of a stitching workshop in *Macrolotto 0* on December 1, 2013 killed seven Chinese workers in the attic of a used textile mill and triggered a new wave of political pressures on the local government (Stokes 2013).

The local government has been caught in the oscillation between under-regulation and over-regulation. Neither complete removal nor complete liberty of the *pronto moda* is feasible for the local government and Italian community. What the *fabbrica abitata*, the CREAM, and many other projects have been trying to do is to draw a middle line between the two extremes. The problem of integration is in fact not only about how to have Chinese immigrants comply with the Italian laws or to speak Italian language, but more importantly, it is about how to find a nuanced balance between the two cultures. As Barbu et al. (2013) recently argued, it is this delinquency between the two different conventions that make

many of the problems problematic. Even though irregularities of production have always been common in the history of the Pratese ID, the otherness of an enormous Chinatown made it unbearable.

Such contradiction may not even be solved by any successful economic cooperation between the Italian and Chinese firms, or between Italian and Chinese governments, since even though the local government finds a more suitable way to cooperate with the Chinese government and firms (e.g., through the investment promotion community), the disparity between the Chinese and Italian business conventions may still persist (also see Chapter 6). This is why both the provincial and municipal governments of Prato have recently invested more resources on the social part of integration.

“We have to create the occasions of integration, for example, cultural events and recreational events. We begin to believe that the only way to integrate the Chinese community is to put them inside of our ways of living, our recreational moments and cultural moments.”

Province of Prato, interviewed on 3/15/2012

“We organized many activities to promote the integration at the social level. First of all, we offer Italian classes and many activities at school to help Chinese students to speak Italian and do better at school. We have other guidelines and offices to help them understand the policies about family reunion, refuge, interracial marriage and etc. We tried to solve conflicts through our mediation in specific areas in the city and we have spent a lot of money in this.”

Comune of Prato, interviewed on 4/11/2012

The Italian local government has realized that real economic integration can only be possible by social integration—that is, by making the Chinese immigrants (at least be able to) think, speak, and behave in the Italian way. Then the problem seems to return to the original point of the cycle. Because the majority of the Chinese immigrants in Prato are the first generation, and very few of them obtain Italian citizenship, the only hope may indeed rest upon the second generation.

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Chapter 8: Conclusion

On December 1, 2013, fire burnt a stitching firm in Prato, killing seven Chinese workers who were sleeping in the attic of the building, a very similar setting as shown in Fig. 6.8. After the tragedy, the local branch of CGIL (one of the biggest Italian trade unions) stated: “This was a tragedy waiting to happen, a direct consequence of the serious living and working conditions people are forced into in extreme weakness and are unable to rebel against because they are at the margins of legality... The battle for working conditions is the first battle: this applies to all companies, of all nationalities, who operate in our country.” (Stokes 2013) This has become another echo for regularization of the Chinese apparel industry in Prato. However, without understanding the historical complexities behind the irregularities, none of the previous pushes had any real effect. If the CGIL fails to understand these complexities, its new effort is likely to be no exception. In particular, as shown in Chapters 3 and 4, the Chinese workers are in fact not completely passive in their own exploitation. In fact, very similar to the Italian textile firms which rejected the trade unions and a number of urban planning proposals between the 1950s and 1960s, both the workers and entrepreneurs have been actively participating in the industry and its widespread irregularities.

In this dissertation, I have shown that the emergence of the Chinese *pronto moda* was historically contingent on a series of institutional contexts and socioeconomic changes at different scales. In particular, the Italian immigration policies, Chinese economic reform, Wenzhouese migration tradition and social norms, and a unique history of Prato all contributed to its emergence. On the one hand, the Italian immigration policies were never designed for an immigrant group who had such strong entrepreneurial aspirations. On the other hand, the Wenzhouese immigrants never planned to create an industry on such a scale. In short, no single party actually predicted it before it happened. Meanwhile, the

Chinese *pronto moda* also emerged thanks to the persistent economic crisis of the Prato's textile industry since the 1980s. On the one hand, a declining textile industry provided available infrastructure for the Chinese apparel industry. On the other hand, because of institutional and social borders between Chinese immigrants and local society, the Chinese immigrant labor remained exclusively reserved for the Chinese employers. Thus, the emergence of the Chinese apparel industry in Prato indeed did not benefit the majority of Italian entrepreneurs and workers who lost their jobs during the industrial transformation.

In Chapters 4 and 5, I showed that flexible and cheap labor alone does not explain the rapid expansion of the Chinese *pronto moda*. The success of the Chinese *pronto moda* also relies on both production teams located in Prato and a horizontally integrated trade network of Chinese migrant traders across Europe. The organization of the *pronto moda* has been a unique response to the rise of fast fashion and regionalization of apparel value chains in Europe. On the one hand, the production teams led by final firms were relatively stable in terms of workforce and highly flexible in terms of working hours. They guarantee fast delivery and smart inventory control required by the fast fashion. On the other hand, migrant traders across Europe provide latest information about fashion and market demand, and help integrate the production networks from textile sourcing through apparel selling. In particular, the Chinese *pronto moda* targets a niche market of low end fast fashion, such as women's summer clothes which are fashion sensitive but technologically unsophisticated. Being closer to major consumer markets in Western and Southern Europe, the *pronto moda* is thus able to outcompete both major fashion brands and Made-in-China garments in this specific niche market.

However, the flexible production of the *pronto moda* has triggered many tensions between Chinese immigrants and local society in Prato. One of the most important tensions has been around the ways in which Chinese firms use their space. While the Chinese entrepreneurs and workers prefer to live and work in the same building, the Italian law strictly forbids such mixture. Adopting the methodology of conjunctural analysis, I frame it as a set of contradictions between capitalist logic of chasing profits,

Chinese social norms, and Italian regulatory regime. Attempts to regularize the Chinese firms have reached a deadlock and further contributed to the social tensions in Prato.

The deadlock between Chinese firms and Italian authority also reflects a bigger paradox in the development of the industrial district and its apparel production networks. The geographical extent of the Chinese *pronto moda* necessarily exceeds the traditional border of the industrial district, but the older mechanism of collective bargaining and business associations has not been able to capture the change. First, because of the institutional inertia, but also because of the internal conflicts between larger and smaller firms, the *Unione Industriale Pratese* (UIP) has been unable to integrate the local Chinese firms. Second, because of the partisan conflict and traditional top-down process, the local governments of Tuscany and Prato also failed to conduct effective cooperation between local Chinese and Italian firms. In Chapter 7, I argue that such a paradox might be solved by the involvement of the investment promotion community which is a group of private and semi-public agencies specializing in transnational business cooperation.

As I have stated earlier, this dissertation does not intend to generalize the case of Prato and offer any overall policy suggestion for the Italian IDs. Instead, it sees Prato as a unique case in which global forces including transnational migration and trade policies met with a localized industry. However, as the 2008 economic crisis deepens in Europe and the Chinese economy continues to grow, many scholars have begun to question the sustainability of the *pronto moda* (Ceccagno 2012), and Chinese migration to Italy in general (Cologna 2012). Although I do not have any definite answer to either, there are some questions I want to ask in the end.

First, as Cologna suggests, the growth of the Chinese economy may eventually drain the labor input for *pronto moda*. Zhejiang and Fujian are among the most developed provinces in China, the per capita GDP of both exceeding \$10,000 in 2013 (Xinhua Net 2014). Although the per capita income of Wenzhou was still significantly lower than Prato, 4,144 euro vs. 12,983 euro based on data in 2012 (NBSC 2013;

ISTAT 2012), the gap is nevertheless reducing quickly. Since irregular labor has been one of the major competitive advantage of the *pronto moda*, decreasing labor inflow might hurt its competitiveness.

Second, unlike the findings of Ceccagno, my research shows that the deepening crisis may also help the expansion of the *pronto moda* which targets a niche market less concerned about quality than price. With less income but still in need of fast fashion, more consumers might be interested in Made-in-Prato garments. However, what is really uncertain is the continuous expansion of fast fashion brands. The fact that even Zara is shifting its manufacturing from Europe to Asia might indicate another wave of capitalization in fashion industry. Major fashion brands might further push down the price and occupy this particular niche market that *pronto moda* targets to.

Third, it is still uncertain if the Pratese local government and Italian firms can figure out a better way to cooperate with local Chinese firms, and no one is sure if the CREAM will turn out to be a success in a few years. What is more likely to happen is that with the development of the investment promotion community between China and Italy, Chinese and Italian firms in Prato may find a project, in which both parties can benefit. This may require a complete transformation of the local business associations and the leadership of the local government. Meanwhile, the new capital flows directly from China may also transform the organization of *pronto moda* in Prato, and finally “regularize” the industry.

Finally, how the *pronto moda* and its trade network across Europe are to change the European fashion market remains a question. As some scholars have argued, the expansion of Chinese capital, commodity and population might usher a new version of globalization, which they called “the globalization with Chinese characteristics” (Henderson and Nadvi 2011; Henderson, Appelbaum, and Ho 2013). In particular, as discussed in Chapter 6, the expansion of a horizontally integrated trade network controlled by Chinese migrant traders might be transforming the traditional low-end markets in some of the Southern European countries. In particular, since these markets were always participated by other

immigrant groups, it still remains a question who will be benefited and who will be driven out of the value chains.

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