Chinese Investments in Italy:
Is the Wave Arriving?[1]

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ABSTRACT

This paper focuses on the effects of the Go Global policy in Italy. The main type of Chinese investments, their strategic motivations, as well as the role of ethnic networks are analyzed. The phenomenon is still not significant in quantitative terms, but trends are impressive. Italy can provide an access to western markets and strategic logistic services, as well as to a wide array of distinctive skills/intangible assets in manufacturing industries. At the moment, there is a prevalence of greenfield initiatives, but acquisitions are rising sharply. In geographical terms, the locations chosen by Chinese investors favor areas that offer a wealth of distinctive skills (typically, but not only, district areas), but are not limited to industries in which Chinese ethnic groups are involved.

Keywords: *Chinese Companies in Italy, Chinese OFDIs in Italy, Go Global Policy, Greenfield Initiatives, Chinese Ethnic Networks*

1. INTRODUCTION

One of the most interesting phenomena to have emerged in the international economic and financial scenario of late is the leading role played by various emerging economies as global investors (Unctad, 2006). New multinational enterprises (MNEs), primarily those tied to what is known as the "BRIC" area (Brazil, Russia, India and China), have embarked upon rapid globalization processes based on investment transactions not only of the South-South type, but also targeting industrialized economies, particularly Europe and the USA (Wilson & Purushothaman, 2003; Sauvant, 2005, 2006).

China is certainly the most striking example of this phenomenon, due in part to the strong role its government plays in the creation of a vast network to aid and support the country's enterprises. Aid consists mainly of information services, financial and fiscal incentives, insurance coverage, and consulting support (Shi, 2002). Several cases of acquisitions of well known Western companies (Wu, 2005; Anzkiewicz & Whalley, 2006) have drawn the attention of scholars and the media to the current and prospective effects of this policy, known as *Go Global*, especially considering the significant acceleration shown by Chinese initiatives in recent times and the rapid pace at which these enterprises are expanding on a global scale (Hong & Sun, 2004; Unctad, 2006, pp. 7-8).

The characteristics and effects of the *Go Global* phenomenon have yet to be studied in depth, chiefly due to the fragmentary nature and limited extent of available data. The recent

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scientific interest in this issue has produced several studies describing trends and drivers of Chinese investments (Taylor, 2002; Deng, 2003, 2004; Wong & Chang, 2003; Buckley et al., 2008b; Morck et al., 2008; Yeung & Liu, 2008; Alon & McIntyre, 2008), quantitative analyses of the reasons behind Chinese investments (Buckley et al., 2007, 2008b; Morck et al., 2008; Gao, 2008), and case studies of individual internationalization experiences (Liu & Li, 2002; Warner et al., 2004; Antkiewicz & Whalley, 2006; Bonaglia et al., 2007; Rui & Yip, 2008; Liu & Tian, 2008).

The goal of this paper is to explore the initial effects and primary characteristics of the *Go Global* phenomenon in Italy. The purpose is to spur reflection on how to best organize further study aimed at outlining and predicting the possible medium- and long-term effects of this phenomenon on the Italian economy. Passive internationalization, driven by Chinese investment flows, could give rise to new fields of study, new questions regarding the process of Italian economic and industrial development, and the reconfiguration of knowledge and local value allocation processes.

The paper is divided into two parts. The first part consists of a reconstruction of the theoretical framework on which the analysis is based. The second part is focused on the Italian situation, in an attempt to draw a map of the phenomenon and verify several initial hypotheses.

2. MNES FROM EMERGING COUNTRIES AND GO GLOBAL: AN OVERVIEW OF THE LITERATURE

In the broader context of internationalization studies, new literature has recently developed (Meyer, 1998; Bonaglia et al., 2007; Mathews, 2002, 2006; Ramamurti, 2008; Rabellotti & Sanfilippo, 2008; Sauvant, 2008), centered on the appearance in the global scenario of new multinationals, late entrants to the market (Bartlett & Ghoshal, 2000) from emerging economies. Following several limited cases of MNEs from developing nations in the early 1980's (Lecraw, 1977; Kumar & McLeod, 1981; Wells, 1983; Lall, 1983), in the early 1990's a growing number of enterprises from Chile, China, Egypt, Malaysia, Mexico, Russia, South Africa, Thailand, and Turkey (Aykut & Goldstein, 2006, p. 8) began to enter the world scene (Aykut & Goldstein, 2006, pp. 11-12; Unctad, 2006, pp. 18-36). These enterprises, driven by the search for competitive advantages, follow atypical patterns of development: they internationalize in order to grow and make ample use of alliances and acquisitions in order to acquire distinctive resources such as brands, technology, and knowledge (Gammeltoft, 2008). These resources are functional to the rapid creation of an international competitive advantage capable of expanding and diversifying their basic competencies.

In this context, the traditional interpretation based on Dunning's approach – the OLI theory (Dunning, 1977, 1979, 1980, 1988) does not seem capable of explaining the outreach towards international markets. According to several authors, the approach taken by MNEs from emerging economies is the opposite of the traditional one (Bonaglia et al., 2007, p. 3; Dunning et al., 2008). They internationalize in order to achieve competitive advantages rather than to affirm their current advantages on a global scale. Their success appears to be tied to their ability to exploit the opportunities afforded by global competition and their position as late entrants to the market (Ramamurti, 2008): by developing a geocentric mentality (Perlmutter, 1969) they are able to project their product on a global level before having achieved global scale themselves (Bartlett & Ghoshal, 2000). In addition, they specifically leverage strategic and organizational innovation in order to internationalize rapidly (Matthews, 2002, 2006).

By focusing attention on firm-specific elements, albeit with differences related to the differing contexts (Ramamurti, 2008)[2], the following triggers of international action by MNEs from emerging countries may be identified (Bertoni et al., 2008):

- push factors, related to the increasing costs of resources available on domestic markets, in addition to the need to follow the internationalization policies of clients, suppliers and competitors;
- pull factors, related to opportunities for growth and expansion abroad, the availability of natural resources or strategic assets, the investment attraction policies of the host countries, and government incentives offered by home countries;
- managerial factors such as the search for skills and knowledge needed for business growth through internationalization.

In the context of the new MNEs from emerging countries, China represents one of the cases most analyzed and discussed by scholars and experts (Zwig, 2002; Alon & McIntyre, 2008). Box 1 contains a summary of the characteristics of the *Go Global* policy and the results of the main studies conducted in this area. Those recent studies emphasize the peculiar nature of an internationalization process strongly promoted by the government, but also provide evidence of critical issues and weaknesses associated with this process.

Box 1 – The *Go Global* Policy

As early as the late 1970's, in parallel with the Open Door policy, which transformed exports and foreign investment into the drivers of Chinese growth (Yao, 2006; Long, 2005; Branstetter & Lardy, 2006), the government launched an additional phase of international integration, based on encouraging its enterprises to make transnational investments.

The *Go Global* policy, formally introduced in the 10th Five-Year Plan (2001-2005) and marked as strategic in the 11th Plan (2006-2010), led the government to make a gradual transition. From acting as a mere approver and selector of globalization initiatives, the government started serving as a vehicle for providing fiscal and financial aid, and, lastly, in recent years, becoming a concrete provider of support to enterprises in terms of operating services and assistance (Bellabona & Spigarelli, 2007).

In keeping with the government's goals, all sectors have been interested in the push towards internationalization (from the primary sector, in the form of natural resources and energy, to the secondary sector, particularly mechanics, the automotive industry, and electronics, and the tertiary sector, such as financial services, research and development, and ICT). Many enterprises, and not only large, publicly controlled companies, are globalizing (Bellabona & Spigarelli, 2007) through greenfield initiatives, and especially through acquisitions (Hess, 2006; Rui & Yip, 2008).

The very justifications for internalization are evolving, as desired by the authorities (Yeung & Liu, 2008). Chinese interests are increasingly moving beyond the initial search for sources of energy and raw materials (Lawrence, 2002). Recent empirical analyses (Zhang, 2005; Battat, 2006; Jiang, 2006) have shown that enterprises frequently internationalize in order to conquer new markets (Cross & Voss, 2008; Liu & Tian, 2008) due to the strong competition and saturation of their domestic markets (Taylor, 2002; Zhang, 2003; Deng, 2004; Buckley et al., 2008b; Morck et al., 2008). The new multinationals seek to reduce production costs and overcome commercial barriers. By acquiring Western companies, they secure advanced technologies and strategic competencies, including managerial skills (Cross, Voss, 2008), as well as internationally recognized brands, in order to avoid long market acceptance times (Morck et al., 2008; Rui & Yip, 2008).

Go Global is taking a strategic role among Chinese development policies, due in part to the high degree of fragmentation shown by the internal market. The international outreach of enterprises is seen as a tool to bridge the highly significant development gap shown in many national areas (Meyer, 2008).

Despite the significant impact that *Go Global* is having at the international level, there are also signs of weakness and fragility inherent in an "induced" internationalization process. Firstly, the organizational structure

of conglomerated enterprises is limiting the efficacy of their actions in the global context and their advantages of scale frequently prove a matter of mere appearance. For historical and governance-related reasons, subsidiaries tend to operate as quasi-independent entities, often pursuing goals that conflict with the strategies outlined by the government or on behalf of the government by holding companies (Nolan, 2001; Nolan & Zhang, 2002). There have been numerous cases of bankruptcy or severe difficulties encountered on international markets (Accenture, 2005).

Another critical issue, which has been the subject of extensive debate in both academic circles and among the Chinese management, is the effective ability of Chinese enterprises operating abroad to absorb technology, especially where not accompanied by an adequate training process for the managerial and professional class (Tan, 2005)[3].

Another problematic issue associated with the *Go Global* policy is that government support for the internationalization of Chinese enterprises is an integral part of an economic diplomacy program the strategic and economic objectives of which are frequently confused (Yeung & Liu, 2008). During the most recent phases of expansion, primarily focused on intangible assets, government intervention has been viewed with suspicion, slowing or preventing agreements, alliances and acquisitions, as had previously occurred elsewhere in Asia (Goldstein, 2008)[4]. The strong bonds between government and enterprises are having deleterious effects on both managerial culture, as mentioned above, and the perception of the risk of foreign investments (Yeung & Liu, 2008).

A recurring issue underlined in recent scientific contributions in this area is the need for a revision of the general theory of foreign investment. This theory must be adapted to account for the many specific factors that characterize the investment strategies of emerging economies, and of China in particular (Buckley et al., 2007; Li, 2007). Imperfections in capital markets, specific advantages of ownership and institutional factors are argued to have such a significant effect on investment expansion patterns that a new *ad hoc* key theory is required to interpret international investment flows.

In the case of China in particular, imperfections in capital markets mean that investing companies have access to capital at relatively advantageous non-market conditions. The imperfections in question pertain to the fact that public companies have access to subsidized loans aimed at supporting highly ambitious foreign acquisition policies and proposing a "light" assessment of the associated risk (Lardy, 1998; Scott, 2002; Warner et al., 2004; Morck et al., 2008). In addition, the existence of an undeveloped, inefficient banking system is argued to favor the contracting of loans at non-market conditions (Warner et al., 2004; Child & Rodrigues, 2005; Antkiewcz & Whalley, 2006). Furthermore, the presence of conglomerated enterprises in China is argued to result in a sort of internal capital market that is also capable of providing significant support for foreign investments (Liu, 2005). Lastly, family enterprises are argued to have facilitated access to financial resources by drawing on the liquidity possessed by the families that own them (Tsai, 2002; Child & Pleister, 2003; Erdener & Shapiro, 2005).

The advantages of ownership that condition foreign expansion processes consist of the qualities and aptitudes that Chinese enterprises have developed over time, and which allow them to compete more effectively in the international arena. Various factor include: flexibility, economic efficiency in the use of certain key resources – such as labor – (Morck et al., 2008; Rui & Yip, 2008), familiarity with operating in the situations typical of emerging and developing economies (Cuervo-Cazurra & Genc, 2008; Deng, 2003; Hong & Sun, 2006; Kalotay, 2008; Klein & Wocke, 2007; Pananond, 2007; Rui & Yip, 2008; Bertoni et al., 2008), and the ability to establish inter-company relations or relations with other players in local target markets. One example of this latter aspect is the presence of ethnic networks spread throughout Asia in particular, but also present in the rest of the world, created by the Chinese diaspora (Buckley

et al., 2007, 2008; Zhou, 2006; Zanier, 2006)[5]. These human and social relationship assets (Lecraw, 1977; Wells, 1983; Lau, 2003) could represent a key resource explaining the contours of Chinese foreign investment growth (Luo, 1997; Standifird & Marshall, 2000; Tong, 2003; Gao, 2008). A positive relationship between investment activity and the establishment of ethnic Chinese in the host countries has been demonstrated in a number of international contexts (Buckley et al., 2007). Cultural affinity is argued to decrease psychological distances, reduce transaction costs and create a positive network effect capable of attracting capital[6].

Lastly, several international factors contribute to explaining the trend in Chinese investment, as suggested by the emerging literature in this field – the institution-based view of strategy (North, 1990; Peng, 2002; Meyer & Nguyen, 2005; Wright et al., 2005). More specifically, these factors consist of the formal and informal rules of play dictated by the institutional context of reference. The presence of public support, aid and subsidies is also argued to allow Chinese enterprises to overcome many difficulties associated with access to foreign markets (Hong & Sun, 2006). At the same time, the degree of bureaucratization of authorization procedures is argued to condition the amount and direction of investment flows.

3. ITALY AND THE *GO GLOBAL* EFFECT

The foregoing paragraph examined the main theoretical positions among which to situate analyses of emerging economies' new role as global investors. By driving significant investment flows towards Western countries, enterprises from countries undergoing rapid development, and first and foremost from China, are giving rise to new models of internationalization, requiring a revision of consolidated theoretical approaches (Aulakh, 2007; Goldstein, 2007).

This part of the paper focuses on the impact that the Chinese government's policy of providing a strong stimulus for foreign investment is having on Italy.

This exploratory analysis, as mentioned above, aims to identify possible areas for further academic inquiry and points of departure for additional courses of study.

An analysis of the extension of *Go Global* in Italy could prove interesting, both in connection with the well known debate as to the future of Italian districts (Carabelli et al., 2006), as well as the phenomenon known as onsite delocalization, which consists of the establishment of foreign entrepreneurs in various district chains (Fubini, 2006).

The changes underway in local contexts (Corò et al., 2005), including from the standpoint of the transnational fragmentation or re-composition of knowledge (Rullani, 2006), may be conditioned by the effects of *Go Global*, albeit within certain limits. By acquiring brands, knowledge and technology, increasingly often through acquisitions of local companies, Chinese enterprises could lead to "alterations" or "anomalies" in current economic development patterns, especially in certain geographical areas and sectors.

Furthermore, reflections on *Go Global* in Italy appear highly interesting in the light of the Chinese government's recent decision to involve small and medium enterprises in the international expansion process to a significant degree. To this end, it is interesting to consider the possible consequences of internationalization initiatives that lead to a "contamination" of two industrial models which share various similarities. Much like Italy (Fortis, 2006), China also has a strong presence of small and medium enterprises specialized in traditional industries (manufacturing operations, typically in the fields of textiles, apparel, footwear, and mechanics) and organized in district areas (Amighini & Chiarlone, 2003).

Considering the literature and the results of previous studies on the *Go Global* phenomenon, several "raw" research hypotheses (key research points) may be identified and analyzed through preliminary exploratory inquiries into the Italian context.

Hp1- In its initial stages, the *Go Global* policy has driven large public enterprises to internationalize in search of natural resources. For this reason, countries devoid of raw materials and energy sources, such as Italy, still benefit to a limited extent from Chinese capital inflows.

Hp 2 - At the current "mature" stage of the *Go Global* policy, as in the case of MNEs from other emerging nations, Chinese enterprises are internationalizing in search of high-value assets (technology, knowledge, brands, and strategic locations) in order to achieve an active role in international competition. Countries with a wealth of such resources, such as Italy, become privileged targets.

Hp 3 - In their search for strategic assets that are difficult to replicate or internally realizable only in the long term, Chinese enterprises view acquisitions as their favored method of international expansion.

Hp 4 - Ethnic networks play a key role in identifying target countries for investment. The presence of Chinese communities may represent an advantage of ownership capable of facilitating the penetration of Western countries.

A variety of information sources are used in order to analyze these hypotheses and lay down an overview of the Chinese presence in Italy that is as up-to-date and complete as possible. Specifically, these are:

- Chinese direct investment flows into Italy, as surveyed by Banca d'Italia[7];
- a map of Italian companies with Chinese ownership, whether incorporated in Italy ex novo or controlled through the acquisition of Italian companies;
- the number and geographical location of individual business initiatives, as surveyed by Unioncamere (Association of Italian Chambers of Commerce), with respect to persons of Chinese ethnicity.

3.1 Chinese Investment Flows into Italy

The first source of information helpful to reflecting on the impact of *Go Global* in Italy is related, as discussed above, to the surveys conducted by Banca d'Italia concerning direct investment flows on the statistical basis of the balance of payments. Although, as amply emphasized by the literature (Mori & Rolli, 1998; Lipsey, 2001; Federico & Minerva, 2007), this figure is not significant if viewed in isolation, it may nonetheless provide several interesting points of departure for further reflection[8]. See Table 1.

At present, inflows of Chinese resources into Italy are certainly negligible in extent, especially when compared to total foreign investments (Rabellotti & Sanfilippo, 2008). Even compared to other Asian countries, China's role is decidedly limited: it is the origin of 2.9% of Asian resources brought into Italy.

However, the growth rate of inflows in recent years is striking. Between 2001 and 2007, investment flows increased by 303%, and although they have slowed after the 2006 boom (+136% compared to the previous year), expansion continues to show a significant uptrend. In other words, the phenomenon is highly dynamic and is developing rapidly.

Although the data are not directly comparable, Italy's performance is in line with the general increase in Chinese investment broad: Chinese investment flows throughout the world increased by 172% between 2001 and 2007 (Spigarelli, 2008; Wei, 2008), whereas Chinese investments destined for Europe, including Russia, increased by 319% between 2003 and 2006 (Tarmidi & Gammeltoft, 2008).

Focusing the analysis at the geographical level shows a considerable increase in inflows to Lazio and Lombardy in recent years, the continuing absorption of resources by Tuscany, and strong, constant expansion in Veneto. In 2007 Veneto absorbed 24% of Chinese inflows into Italy, catalyzing resources primarily in the provinces of Vicenza and Treviso.

One noteworthy phenomenon is the fact that new, and perhaps unexpected, regions began to receive resources in 2006. Inflows to Calabria, Marche, Molise, Puglia and Umbria began to be reported, as opposed to the typical textile manufacturing regions, such as Tuscany

Table 1. Chinese FDIs in Italy represented by region (per thousand €)

2001		**2004**	
Emilia Romagna	22	Lazio	1,215
Lazio	107	Tuscany	250
Lombardy	1,197	Trentino Alto Adige	70
Piedmont	225	Veneto	659
Tuscany	536	Not specified	612
Veneto	167		
Not specified	100		
Total PRC	2,354	Total PRC	2,806
Total from World	37,186,823	Total from World	106,482,743
2005		**2006**	
Friuli Venezia Giulia	50	Calabria	31
Lazio	654	Emilia Romagna	15
Lombardy	233	Lazio	1,587
Piedmont	41	Lombardy	599
Tuscany	110	Marche	25
Veneto	1,331	Molise	280
Not specified	3,764	Piedmont	906
		Tuscany	1,300
		Umbria	83
		Veneto	284
		Not specified	9,528
Total PRC	6,183	Total PRC	14,638
Total from World	135,116,479	Total from World	160,356,902

2007	
Emilia Romagna	235
Friuli Venezia Giulia	182
Lazio	3,816
Lombardy	668
Molise	309
Piedmont	593
Puglia	34
Tuscany	629
Veneto	2,318
Not specified	711
Total PRC	9,495
Total from World	202,976,480

Source: calculation based on data provided by Banca d'Italia

and Veneto, which are closely tied to *made-in-Italy* products and show a high presence of residents of Chinese ethnicity. It appears that Chinese investments are differentiating and spreading throughout Italy, pushing into new areas, though always where a strong "traditional" industrial base exists. Further discussion of these issues is provided in a subsequent section of this paper.

Turning to an analysis by sector (Table 2), it should be noted that the study is not fully significant if it is considered that the primary share of resources was absorbed by the "Family" class throughout the entire period analyzed (2001-2007)[9]. The percent weight of "Other non-classifiable branches" is also high.

A comparison with the 2001-2006 figures shows a decrease in investment flows in commercial services, probably due to significant past penetration that has tended to saturate the various markets. Nonetheless, the uptrend in the resources allocated to this segment resumed in 2007.

The differentiation of investment targets has increased over the years: new business segments are attracting investment. In particular, in 2006 an unusually high percentage of resources was allocated to the tertiary sector, specifically hotel, restaurant and bar services. In 2007, however, 13% of resources was allocated to the electrical materials and supplies segment, whereas 6.8% was allocated to maritime and air transportation services. These trends are perhaps further evidence that Chinese investments continue to evolve and mature, and not only in geographical terms.

3.2 Chinese-Owned Italian Enterprises

In order to achieve a more detailed understanding of the situation of Chinese investments in Italy, it would be helpful to move beyond the overview provided by Banca d'Italia's survey of investment flows to a review of Chinese-owned enterprises incorporated or acquired in Italy. As emphasized in the literature, the analysis of this information is even more fundamental to capturing a country's international expansion policy than that of investment flow figures (Cantwell & Bernard, 2008).

The resulting map, based on various sources[10], indicates that there are 28 companies owned or co-owned by Chinese entities in Italy at the end of 2007[11]. These companies consist primarily of units incorporated ex novo as greenfield initiatives and located in northern Italy (Table 3). Several recent cases, as highlighted by the media, show that the acquisition of enterprises, typically small or medium-sized enterprises, in a wide range of business segments, is becoming increasingly common.

In terms of business segments, it is interesting to note that Chinese enterprises are present in Italy both in mature sectors (mechanics, textiles, apparel) and high-technology sectors (electronics, automotive, communications). Leading *Go Global* players in Italy include large groups, some of which are public in origin, with a worldwide reputation for the speed and breadth of their internationalization initiatives. From Cosco and China Ocean Shipping Company in the logistics segment, to Haier in the home appliances industry, to Huawei in telecommunications and ICT, and Anhui Jianghuai Automobile Co. Ltd, ChangAn Automobile Group and Nanjing Motor Corporation in the automotive sector. Transactions are commonly financed by drawing on the extensive financial reserves possessed by Chinese enterprises. Nonetheless, there is no lack of support from the government and the Chinese banking system, in the form of the internationalization support measures provided under the *Go Global* policy (Bellabona & Spigarelli, 2006).

After delving into these cases in further detail and reviewing the primary activities undertaken by Chinese-controlled Italian enterprises, it may be stated that these enterprises commonly act as commercial branch offices and are assigned tasks such as market analysis, positioning and product studies, and group marketing. Twelve of the 28 cases surveyed match this description.

The market-seeking objective seems clear. However, positioning commercial companies

Table 2. Chinese FDIs in Italy represented by sector (thousand €)

2001		%	**2004**		%
Family	841	36	Family	1,724	61%
Services for trade and commerce	634	27	Minerals and iron/non iron metals	414	15%
Constructions and public works	595	25	Constructions and public works	250	9%
Other non-classifiable branches	123	5	Services for trade and commerce	130	5%
Industrial and agricultural machinery	90	4	Industrial and agricultural machinery	198	7%
Other services	61	3	Other services	90	3%
Minerals and iron/non iron metals	10	0			
Total PRC	2,354	100	Total PRC	2,806	100
2005			**2006**		
Other non-classifiable branches	2,628	43	Services related to hotels and other shops	8,880	61
Family	1,678	27	Family	1,684	12
Financial services	936	15	Other non-classifiable branches	1,100	8
Other services	442	7	Financial services	1,118	8
Minerals and iron/non iron metals	232	4	Other services	622	4
Textile, leather, shoes, clothing	143	2	Services for trade and commerce	397	3
Services for trade and commerce	104	2	Other industrial products	260	2
Industrial and agricultural machinery	20	0	Constructions and public works	98	1
			Electrical materials and supplies	219	1
			Means of transportation	100	1
			Minerals and iron/non iron metals	80	1
			Chemical products	80	1
Total PRC	6,183	100	Total PRC	14,638	100

2007		%
Family	3,318	35
Electrical materials and supplies	1,242	13
Other services	1,029	11
Other non-classifiable branches	906	10
Services for trade and commerce	700	7
Maritime and air transportation services	646	7
Financial services	486	5
Industrial and agricultural machinery	441	5
Other industrial products	218	2
Metal products (vehicles excluded)	138	1
Textile, leather, shoes, clothing	113	1
Services related to hotel and other shops	54	1

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Table 2. continued

Services for internal transports	117	1	
Means of transportation	36	0	
Minerals and iron/non iron metals	14	0	
Products of agriculture, fish and plants	37	0	
Total PRC	9,495	100	

Source: calculation based on data provided by Banca d'Italia

on the Italian market could also be interpreted as the first step in a broader internationalization strategy, which at the current stage aims to explore the Italian and European situation.

On occasion, such units are also assigned research and development activities, as is the case in the ICT and automotive industries in the province of Turin. In this case, the strategic asset-seeking objective of the investment becomes readily apparent, given the presence of consolidated, locally based knowledge in both industrial and academic capacities. Chang An Automotive Co. Ltd and Anhui Jianghuai Automobile Co. Ltd. preferred Turin to other possible locations around the world precisely in order to acquire, through a process of "contagion", planning and design knowledge and specializations capable of improving their products and making them attractive in the eyes of demanding Western consumers.

Other cases of the search for high value-added assets include the non-greenfield acquisitions aimed at obtaining brands. Particularly relevant in this regard is the case of Benelli QJ Srl, a motorcycle manufacturer acquired in a state of severe crisis by Qianjiang Group Co. Ltd (QJ Group), which also manufactures motorbikes and scooters (Bellabona & Spigarelli, 2006, p. 157). A brand with historical resonance in motorcycle racing, Benelli is intended to provide a new image for Chinese products to be distributed in the West, in addition to high-level design skills (Spigarelli et al., 2009).

Brand-related concerns also characterized the acquisition by Fediao Electrics of Elios S.p.A., which operates in the electric and electronic components, lamp socket, and interior and exterior lighting decoration segment (Ridella, 2007). It is interesting to note that in this case the brand is required not so much in order to establish the company in the eyes of a vast public of image-conscious consumers, but rather to emerge in a "technical" business-to-business segment.

The search for strategic assets by Chinese investors is also related to the acquisition of the advantages of localization and the access to specialized know-how and skills capable of interpreting the European market's needs and technical standards in highly competitive sectors. This is the case of Haier, which has become one of the world's leading players in the home appliance sector. In 2001 Haier acquired from Meneghetti Srl, based in Padua, 100% of the business unit specialized in the manufacture of built-in refrigerators. The decision to acquire an Italian facility is part of a broader strategy also related to the localization of Haier Europe in Varese. The latter, in addition to coordinating the marketing and sale of home appliances in Europe, manages all logistical activities on the Continent[12].

Another significant sector in which to acquire high-value intangible resources is logistics. In accordance with a trend shown at the global and European level, Italy also seems to be becoming a destination of increasing interest for Chinese entrepreneurs aiming to dominate the commercial maritime shipping business, which is expanding rapidly due to the intensification of trade between China and the rest of the world (Morelli, 2004, pp. 8-10). Italy is viewed as a gateway to the Mediterranean, the vast European market, and the Balkans, in

Table 3. Italian companies with Chinese ownership

Italian Company	*Sector/activity*	**Chinese owner**	**Year of establishment/ acquisition**
Transport and logistics			
Air China	Commercial offices	Air China	1986
China Shipping Agency Co. srl	Shipping and logistics	China Shipping Co.	1999
Co.Na.Te.Co.	Shipping and logistics	Cosco Group	2002
Cos Cos srl	Shipping and logistics	Cosco Group	1996
Penta Shipping Italia srl	Shipping and logistics	Cosco Group	1995
ICT			
Huawei Techologies Italia	Commercial and marketing services for the group (TLC, ICT)	Huawei Techologies	2004
Primary sector			
Baosteel Italia Distribution Center spa	Commercial and marketing services for the group (steel)	Baosteel group	2001
Temi Group	Commercial and marketing services for the group (copper products)	Tongling Nonferrous Metals Inc	n.d.
Manufacturing			
Anhui Jianghuai Automobile Co.	R&D for the group (automotive)	Anhui Jianghuai Automobile Co. Ltd	2004
Benelli QJ srl	Motorcycle	Quinjiang Group	2005
Cemate Machinery - Technology srl	Industrial machinery	Cemate Machinery	1988
Changan Automobile Group	Commercial and marketing services for the group (automotive)	Chang An Automotive Co. Ltd.	2005
Chunlan	Commercial and marketing services for the group (white goods)	Chuanlan Group Co.	n.a.
Elios spa	Electric and electronic components	Feidiao Electrics Co. Ltd	2006
Haier Appliances (Italy) spa	White goods production	Haier Group Corp.	2001
Haier Europe Trading	Commercial, marketing and R&D services for the group (white goods)	Haier Group Corp.	2000
Haitian Europe	Machinery and molds for plastic products	Ningbo Haitian Group Co. Ltd	n.a.
Hengdian Group Europe	Commercial and marketing services for the group (pharmaceutical, chemical, electronics)	Hengdiang Group	n.a.
HPM Europe	Wholesale of contructor	Hunan Sunward Intelligent Machinery	2007
Hisense Italy	Commercial services for the group (ICT, white goods)	Hinsense Group	2001

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Table 3. continued

Nanjing Motor Corporation	Commercial, marketing and R&D services for the group (automotive)	Nanjing Motor Corporation	1986
Peaktop Technologies srl	Plastic products	Peaktop Technologies	2000
Univent spa	Mechanical tools	Xi'an Electric Motor Works	n.a.
Wilson	Design and production of shoes	Wenzhou Hazan	2004
Trading			
China Long Co. srl	Wholesale trade	China National Arts And Crafts I&E	n.a.
China Silk	Commercial and marketing services	China Silk	n.a.
Temax Italia srl	Commercial and marketing services for the group (trading)	Genertec Group	1991
Financial services			
Bank of China	Banking	Bank of China	1998

Source: map based on data provided by Sviluppo Italia, CCPIT, specialist economic press

particular. The acquisition of port infrastructure and logistical networks is typically achieved through joint ventures with local partners who have long-term experience in the successful operation of Italy's primary hubs. In this case, Chinese players are large multinationals such as Cosco and China Ocean Shipping, as cited above, which boast dense international networks of firms and partnerships.

3.3 Ethnic Networks and Chinese Entrepreneurism

Another area of interest which requires further inquiry to understanding the *Go Global* phenomenon in Italy is the relationship between the enterprises that act as protagonists in the internationalization process and the broad network of Chinese micro-entrepreneurs with deep roots in district areas.

Although individual entrepreneurism is symptomatic of a type of internationalization that differs from that sought under the *Go Global* policy, its strong presence in Italy ought to be compared and linked to the phenomenon of the internationalization of Chinese companies examined in the foregoing paragraph. It is sufficient to consider that the historical presence of Chinese micro entrepreneurs in Italy could become a resource for large and medium enterprises to exploit, by forming relationships with business initiatives that have already been launched and established in district areas. As mentioned above, several recent studies (Buckley et al., 2007) demonstrate that the presence of an ethnic network, consisting of strong social relationships that also extend to business, creates a key ownership asset for investor enterprises.

One way of understanding the phenomenon in Italy is to analyze the data on the nationality of natural individual persons who act as entrepreneurs, as surveyed by Unioncamere[13].

An analysis of the ethnic composition and distribution by industry of non-EU entrepreneurs was conducted drawing on the most recent available data (2004-2007).

The results indicate, firstly, that entrepreneurial activity is highly dynamic: the presence of Chinese entrepreneurs increased by 45% between 2004 and 2007, compared to the 22% increase in total non-EU entrepreneurs (Table 4).

Table 4. Chinese entrepreneurs in Italy (number of individual entrepreneurs)

	2004		2005		2006		2007	
	Chinese entr.	Total non UE entr.	Chinese entr.	Total non UE entr.	Chinese entr.	Total non UE entr.	Chinese entr.	Total non UE entr.
Lombardy	6,222	70,140	6.222	70,140	7,790	84,864	8,355	83,911
Tuscany	6,164	28,837	6,164	28,837	7,705	36,288	8,475	35,588
Lazio	3,021	33,970	3,021	33,970	3,773	41,497	4,112	39,129
Emilia Romagna	2,996	28,666	2,996	28,666	3,798	37,260	4,255	37,761
Veneto	2,614	30,241	2,614	30,241	3,800	37,992	4,576	37,586
Campania	1,607	17,140	1,607	17,140	1,976	20,559	2,241	21,548
Piedmont	1,341	23,268	1,341	23,268	1,795	30,073	1,959	28,113
Sicily	1,056	14,420	1,056	14,420	1,595	16,991	1,759	17,682
Marche	656	8,898	656	8,898	1,011	11,272	1,163	11,339
Puglia	621	9,737	621	9,737	87	11,067	948	11,424
Liguria	618	10,241	618	10,241	764	12,392	810	12,869
Abruzzo	596	9,018	596	9,018	807	10,443	907	10,489
Sardinia	481	5,320	481	5,320	663	6,274	721	6,408
Calabria	378	7,590	378	7,590	597	8,794	630	8,939
Friuli V. Giulia	354	9,790	354	9,790	515	11,119	620	11,123
Trentino A. Adige	165	4,082	165	4,082	251	5,191	303	5,388
Umbria	144	4,517	144	4,517	230	5,704	292	5,509
Basilicata	45	1,513	45	1,513	92	1,655	98	1,672
Molise	33	1,387	33	1,387	50	1,543	51	1,520
Aosta Valley	6	525	6	525	16	629	15	612

Source: calculation based on data provided by Unioncamere

The numbers are particularly significant if compared with the corresponding percentage calculated on national data: active Italian enterprises grew at rates near 1%. In terms of geographical distribution, at the end of 2007, the regions in which Chinese entrepreneurs were prevalent were Lombardy and Tuscany (20%), Veneto (11%), Emilia Romagna and Lazio (10%). In these regions, the high incidence of Chinese entrepreneurs is also supported by the significant presence of Chinese citizens, who represent a significant percentage of the population compared to other ethnic groups and are particularly concentrated in the areas mentioned above (Istat, 2007).

Polarization in geographical areas that are home to specialized districts[14] does not prevent new Chinese business initiatives from expanding throughout the territory. The preferred locations for new establishments are unexplored regions, including those of southern Italy, that show the same tendency towards specialized districts[15]. ISTAT data on foreign citizens confirm significant growth of new Chinese residents in southern Italy in the three-year period 2005-2007 (Istat, 2007).

Another significant phenomenon that comes to light from an interpretation of the data is the concentration of Chinese entrepreneurs in specific business segments (ethnic specialization) and the tendency of this ethnic group to saturate business initiatives in the sector of "initial establishment" (industry ethnicization). Consider that in 2007, overall, Chinese business initiatives represented 81% of the non-EU total in the manufacture of articles of apparel and fur articles, 78% in the preparation and tanning of leather and the manufacture of travel goods, and 45% in the textiles industry. As already shown in previous studies (Borsari et al., 2006), Chinese entrepreneurs, and especially in the textiles and apparel segment, take a place in the district production chain by offering competitive advantages such as processing costs, the flexibility of production capacity, and the rapidity of execution of orders (Borsari et al., 2006, p. 5).

Another interesting trend is the gradually increasing positioning of Chinese entrepreneurs in retail distribution of personal and household articles (+73% of initiatives between 2004 and 2007) leveraging products imported directly from their home country. Production, ordered in the homeland, is adapted to European specifications, thereby maintaining highly competitive prices and avoiding the problems and bureaucratic issues typical of the Italian market (Borsari et al., 2006, p. 16).

4. CLOSING REMARKS

On the whole, Italy appears to be feeling the effects of the *Go Global* policy to a progressively increasing extent. The phenomenon is still not significant in quantitative terms. What is interesting, however, is the trend shown in recent years and the rapid pace at which the situation is evolving.

The reason behind the delay of the arrival of the wave of Chinese investments in Italy is most likely due to the gradual maturity and evolution of China's international penetration strategy.

As emphasized above, Chinese authorities have progressed from initial resource-seeking expansion aimed at the procurement of scarce raw materials, to direct stimulation of the entry into foreign markets, for market-seeking purposes in search of new commercial markets. Only in recent times the government has enacted specific measures and taken action aimed at stimulating investments in strategic assets. Italy, which offers few natural resources, yet provides a deep market outlet and a wide array of distinctive skills in manufacturing industries, has only become an interesting target for Chinese internationalization over the last few years. As a matter of fact, in addition to the 28 enterprises surveyed in this paper, the press and media have reported a number of cases in which negotiations are ongoing or nearing the closing stages. The uptrend in investments over time, as also reported in other studies, bears witness to the increasing interest shown in Italy[16]. In this regard, research hypotheses 1 and 2 may be confirmed.

The recent expansion of Chinese investments in Italy may also be linked to the gradual internationalization of medium-size enterprises. Such enterprises, to a much greater extent than public groups or large multinationals, tend to find fertile ground for alliances and acquisitions in Italy. Indeed, they have a greater focus on high value-added and intangible resources (image, brands, research, and innovation) in the traditional industries that are so well represented in Italy. Medium-sized Chinese enterprises, attracted by the quality and brands of many exemplars of the *made-in-Italy* tradition, could increasingly come to view the acquisition of the resources of Italian companies as a gateway to rapid "external" growth capable of offsetting their image as low-cost, lower-quality producers. In addition, the availability of financially "accessible" target companies of limited size in Italy could tend to facilitate penetration and entry into the European market.

The scope of this paper offers a general overview highlighting areas of interest that require further analysis. Firstly, the scarce presence of Chinese enterprises in Italy could

also be linked to the symmetrical weakness of the Italian presence in China in the form of enterprises, institutional representation, and university exchanges. An equally interesting issue is attempting to understand the extent to which managerial, cultural and bureaucratic difficulties are affecting the decision as to whether to invest in Italy, in a manner similar to the obstacles encountered by Italian companies in China.

The survey of production and commercial investments in Italy by Chinese enterprises shows that there is currently a prevalence of greenfield initiatives. However, acquisitions have risen sharply in recent months. Acquisitions seem to have become the dominant strategy, as opposed to the opening of new establishments or commercial units. It can consequently be stated that the third research hypothesis is substantially, but not fully, confirmed. In this case as well, further pursuit of the analysis would be of interest, in an attempt to understand fully which factors (institutional, situational, localization-related, and firm-specific) tend to stimulate, and which tend to hamper, M&A transactions. Scouting and the search for information on potential targets, as well as the availability of consulting and information support in the homeland or Italy, also represent subjects worthy of investigation.

In geographical terms, the locations chosen by Chinese investors tend to favor areas that offer a wealth of distinctive skills (typically, but not only, district areas), but are not limited to industries in which Chinese ethnic groups are involved. At present, the mechanics segment is that most affected by both acquisitions and greenfield initiatives. The logistics and IT industries are also common targets. Textiles, apparel and footwear, industries in which the Chinese ethnic group has historically been concentrated in Italy, have still not emerged as target segments for the internationalization processes of Chinese enterprises. Nonetheless, Banca d'Italia figures confirm that the rapid growth of Chinese investments in Italy also involves segments and regions that manufacture typical *made-in-Italy* products and are organized into specialized districts. These are areas in which the data on non-EU entrepreneurs show a strong Chinese ethnic presence.

On the whole, the phenomenon is probably still in the "embryonic" stage and therefore does not allow for an accurate evaluation of the fourth research hypothesis, which at present, given the limited data available, may not be confirmed. In addition, it should be emphasized that, as compared to other countries, in which Chinese MNEs may join other large Chinese companies created and developed in the West, Italy offers a wealth of small entrepreneurs. The data currently available do not allow it to be determined whether, and to what extent, enterprises created by Chinese immigrants serve as effective drivers to draw MNEs to Italy. This is yet another interesting issue open to further inquiry through specific analyses in the field[17].

In conclusion of this paper, it would be pertinent to shed light on its principle limitations. In particular, the observations refer to a set of data that is very limited in quantitative and temporal terms. *Go Global* is both recent, especially in regards to its impact on Italy, and therefore difficult to survey. On the one hand, the sources are fragmentary and heterogeneous, and on the other, a part of the phenomenon is not covered by the available official statistics and do not allow econometric and more sophisticated analysis. Consider, for example, the problems encountered in the attempt to survey companies acquired or incorporated by Chinese entities. In addition, even the data provided by Banca d'Italia are inadequate to an exhaustive overview of foreign investments due to their lack of timeliness and the methods by which they were collected.

In view of these considerations, what may be the positive aspect of this study is its attempt to shed light on a very recent phenomenon by building a framework of inquiry helpful to organizing additional courses of study. In addition, the topic of MNEs from emerging countries is meeting with increasing interest from the academic community, given the need to adjust consolidated internationalization theories and understand the effects of the actions of the new

global investors on Western nations. Continuing to investigate this phenomenon also seems an interesting course of action considering its significant policy implications. There is an urgent need to understand the current extent and primary drivers of the phenomenon, in order to assess the expedience of specific attraction policies, as implemented by the main Western countries, which view passive internationalization as an opportunity to turn mature segments around or achieve growth in strategic sectors. The action taken by the Italian central government and regions appears not only sluggish and lagging behind that taken by other European countries, but also often uncoordinated and heterogeneous. In addition, there are numerous issues for further study and hypotheses to be tested, beyond those already mentioned, in order to understand *Go Global*'s possible effects on Italy's distinctive skills, local aggregations, and the strategies of national companies. The foregoing is in relation to the potential effects on local knowledge (contamination, appropriation, fragmentation, reinforcement) and national and local economic development patterns.

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ENDNOTES

1 A preliminary version of this paper was published in the Italian Review "Economia e Politica Industriale" (n. 2/2009) as "Le multinazionali dei paesi emergenti: gli investimenti cinesi in Italia". See Spigarelli, 2009.

2 For further exploration of the Indian case, see Chittoor & Ray, 2007; Garg & Delios, 2007. On the Brazilian case, see Cuervo-Cazurra, 2007; on the Russian case, refer to Kalotay, 2008. For a broad bibliographical review of the primary scientific contributions concerning MNEs, broken down by emerging nation of origin, see Hernandez, 2008.

3 Furthermore, the recognition of the limits of the Open Door policy in the attempt to the transfer know-how through joint ventures with Western companies was one of the key reasons for implementing a strategy based on foreign acquisitions and expansion (Di Minin & Zhang, 2008; Zhao & Liu, 2008). For a discussion of issues associated with technological transfer and the ability of Chinese enterprises to capture value through the establishment of R&D centers and partnerships, see Sun, *et al.* 2007.

4 In connection with the Asian situation, the case of the government of Singapore and the company Temasek, particularly as regards problems associated with expansion in Thailand, is relevant (Goldstein & Pananond, 2008). As pertains to China, the failed acquisition of the U.S. Unocal by Chinese National Offshore Oil Corporation in 2005 is one of the most striking examples of how the presence of potential political and military public interests may impede international integration transactions (Kynge, 2006).

5 It is estimated that there are over 33 million people of Chinese ethnicity beyond the borders of the PRC (including Hong Kong, Macau, and Taiwan). This population is distributed throughout 151 countries: 80% lives in Asia and 15% in the Americas. The countries with the largest Chinese presence are Thailand (9.2 million), Indonesia (8 million), Malaysia (5.8 million), Singapore (2.7 million), the USA (2.9 million) and Canada (1 million). Cfr. Zanier, 2006, p. 90; Zhou, 2006, p. 162.

6 For empirical studies on the impact of transnational ties on FDIs see: Gao, 2003; Tong, 2005; Buch et al. 2006, Murat & Pistoresi, 2006; Flisi & Murat, 2009. For reviews on this topic see: Rauch, 2001; Wagner et al., 2002.

7 In this paper, data from Banca d'Italia were preferred to those released by Mofcom because only since 2006 the Chinese statistical systems has been adopting the internationally accepted methodology (OECD, 2006, p. 8). It changed from recording "all occurred in the activities of foreign direct investment enterprises, public, etc…" to recording "all foreign direct investment occurred in the territory of the activities of institutions and individuals" (Mofcom, 2008, p. 1). So since 2006 Mofcom has been keeping track not only of data on foreign direct investments performed by companies, but also by other private and public bodies and individuals. This fact can explain the differences in data released by the two institutions, especially before 2006. For problems related to measurements of China's OFDI see also OECD, 2008, p. 71. Banca d'Italia could provide a complete set of data for the whole period of analysis (2001-2007), built following the internationally accepted methodology and split by sectors and regions of investments. For data on Chinese OFDIs in Italy (flows and stocks) released by Mofcom, see Mofcom, 2009, p.62 and p. 67.

8 In addition to the issues of the completeness and timeliness of the data, of specific relevance to the Chinese case is the consideration that investments are often made by groups that hold companies abroad, sometimes in tax havens, through which the transactions are organized. In such circumstances, transactions are not considered as Chinese in origin and are

therefore not recognized in the Banca d'Italia survey.

9 In accordance with the national accounting definition, this item includes artisans, sole proprietorships, and consumers (De Felice, 2006, p. 11). The contents of this highly heterogeneous item do not allow a significant review of the effective destination of investments at the national level.

10 The sources referred to are: Sviluppo Italia, based on Reprint data; CCPIT database; and the specialist economic press. The fact that the information provided by the various sources does not overlap is a symptom of the non-exhaustive nature of this information.

11 Companies based in Hong Kong, Taiwan, Macao or tax havens have been excluded from the map. The analysis is limited to companies based in mainland China, considering that these companies are the privileged beneficiaries of the action taken by the government to support active internationalization. For this reason, for example, the analysis of the Italian case does not consider the acquisition of Sergio Tacchini by Hong Kong Hembley International Holdings, a leading apparel outsourcer and distributor (Vinciguerra, 2007). Likewise, the acquisition of Omas, a manufacturer of luxury pens, by the Xinyu Hengdeli Holdings group, based in the Cayman Islands, in 2007, has also been excluded (ICE, 2008).

12 The choice of Varese and Padua is related not only to the strategic location for Europe, but also to the general tradition in these areas of Italy of the manufacture of home appliances, the professional skills and abilities available, the network of sub-suppliers specialized in industrial components and technologies, and the proximity to the main Western competitors (Bellabona & Spigarelli, 2006c, pp. 159-161).

13 For further information and clarification concerning Unioncamere figures, as well as the data issued by the Register of Companies maintained by Chambers of Commerce and the REA Archive, see the detailed methodological note in Borsari et al. (2006), pp. 31-33. In the paper cited above, the conclusions drawn refer to data originating from the same source as that used in this paper.

14 Worthy of note is the limited presence of Chinese entrepreneurs in the Marche region (3% of total Chinese entrepreneurs in Italy in 2007), even though 61% of their business initiatives were concentrated in textiles, apparel and footwear in 2007.

15 Consider, for example, the case of the area of San Giuseppe Vesuviano (Napoli), in the textiles-apparel sector.

16 In a recent analysis, Rabellotti & Sanfilippo (2008), p. 17, demonstrate that of all Chinese enterprises that have invested in Italy, including those based in Hong Kong or in foreign tax havens, 19% first became established in Italy in the period from 1986 to 1999, 34% from 2000 to 2004, and 47% from 2005 to the present day.

17 To assess the role of ethnic network in influencing Chinese OFDIs in Italy, data on education level of Chinese immigrants should also be used in the future, as soon as available. In this way, the effect of different levels of skills of Chinese citizens - living in different Italian geographical areas - on investments performed by Chinese companies in the country could be verified.

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