

A transnational fast fashion industrial district: an analysis of the Chinese businesses in Prato

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After World War II, Prato (in Italy) became known for the extraordinary development of its textile industry. The development was extraordinary due to its size and because it was based on small firms, the study of which contributed to the rediscovery of the Marshallian industrial district. In recent decades Prato has become increasingly known for the rise of the largest agglomeration in Italy of Chinese immigrants' businesses specialised in fast fashion clothing. Despite the attention devoted to this phenomenon, how and why the Chinese in Prato were so successful remains somewhat of a mystery. This paper explores the case of the Chinese in Prato, considering first their influx into the district as subcontractors and then their transformation into final producers of *pronto moda*. The paper focuses on the causes of these immigrants' exceptional development and on the possible consequences of this evolution for the future of Prato in the new global economy.

Key words: Immigrant entrepreneurship, Transnational business networks, Industrial districts

JEL classifications: B52, F23, J15

1. Introduction

The number of firms set up by immigrants in the developed countries has increased greatly in recent years, partly as a consequence of the economic, social, technological and political-institutional changes that have come about in the past two or three decades. This phenomenon has extended to Italy within a relatively short space of time if one considers that by the end of 2011 no fewer than 440,000 foreigners owned or had a partnership in a firm in Italy. These firms represented almost 10% of the total number of firms registered at Italian chambers of Commerce (Unioncamere, 2012, p. 346). In Italy, as elsewhere, firms run by immigrants are not uniformly distributed either

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throughout the national territory or within the various business sectors. From the territorial point of view they are concentrated in the major urban areas, and also in the manufacturing areas, especially if the latter are characterised by agglomerations of small and medium-sized enterprises, as typically occurs in the case of industrial districts. While in the urban areas such as Rome and Milan firms run by foreigners are engaged above all in tertiary activities with a high intensity of unskilled labour, the situation is rather different in the industrial districts, where the firms run by immigrants generally act as subcontractors in the specialisation sector of the district in question.¹

Among the immigrant-run firms operating in the Italian industrial districts, those set up by Chinese immigrants are particularly widespread. In contrast to immigrants of other nationalities, many of the Chinese immigrants who arrived in Italy between the early 1990s and the beginning of the third millennium set up workshops in the light industrial sectors typical of the Italian districts.² The district of Prato is perhaps the best known of the Italian districts, partly because it was long the primary focus of an extended case study by Giacomo Becattini (and his colleagues), the scholar who was the driving force behind the rediscovery and development of the concept of the industrial district and who based his analysis on in-depth research concerning Prato (Becattini, 2001). But Prato is also well known on account of the importance of its textile industry in the Italian and international context.³ In more recent times, however, Prato has attracted the attention of observers and media reporters not so much due to its textile industry, but because of the multiplication of clothing firms set up by Chinese immigrants. Indeed in Prato the number of firms established by Chinese immigrants is not on the order of a few hundred at most, as is the case in other Italian fashion districts (Intesa Sanpaolo, 2010, pp. 111–16), but rather no less than 5,000. Thus Prato is the Italian province that has by far the greatest proportion of foreign firms (23%) out of the total of registered firms (Unioncamere, 2012, p. 357). Despite the increasing attention of public opinion, and to some extent also of scholars, towards this exceptional development of Chinese enterprises (Ceccagno, 2003; Johanson *et al.*, 2009), it still remains a poorly understood phenomenon and is sometimes even accused of being responsible for the crisis of the Prato textile district. Consequently, the main aim of this research was to gain insight into ‘the Chinese enigma’ (Becattini, 2001, p. 164) of Prato.

In addition to the knowledge I have personally acquired with regard to the Prato district over time (Dei Ottati, 1994C, 1996, 2003, 2009A), I also made use of a wide range of published research papers on the Chinese in Prato as well as some administrative documents I was able to consult. Furthermore, for information pertaining to the quantitative evolution of Chinese immigration into Prato I utilised above all the population data available at the municipal offices with regard to the population and the data of the Chamber of Commerce with regard

¹ On immigrant entrepreneurs in some Italian industrial districts, see Barberis (2008).

² In 2007, the firms run by Chinese immigrants in Italian districts numbered over 9,000 and constituted 31% of the total number of firms operating in the personal goods sectors (clothing, leatherwear and textiles) localised in Italian districts (Lombardi *et al.*, 2011, pp. 7–8).

³ Confirmation of the importance of the Prato textile industry comes from the 1996 data on exports of fabrics from Prato, which constituted 28% of Italian exports of fabrics and 4% of worldwide fabric exports (Istat, 2002, p. 115).

to Chinese-run firms. However, I was aware that the quantitative data would not, on their own, be sufficient; not so much because of unregistered enterprises and clandestine labour, but rather because the data provide no information on relations between the firms run by members of the local population of Prato and those run by Chinese immigrants. Nor do the data give any indication on social and economic relations among the immigrants themselves. Therefore an essential aspect of the research was based on 24 in-depth interviews carried out with key informants (nine of who were Chinese) over a period of time extending from October 2009 to July 2011.⁴

To analyse the body of data, I explored the rich literature on immigrants' entrepreneurial activity in order to identify a theoretical approach that would be appropriate for the case study in question.⁵ With regard to the first phase of Chinese immigration into Prato and the multiplication of subcontracting firms set up by these immigrants in the 1990s, I made use of the so-called interactive model (Waldinger *et al.*, 1990B). This model shows that the factors underlying immigrant entrepreneurship are of two types: on the one hand, the specific structure of the opportunities encountered by the immigrants upon their entry into the host country (demand-side factors); and, on the other, the socio-cultural characteristics of the immigrant community, which are crucial in influencing the resources that will enable the immigrants to establish their entrepreneurial undertakings (supply-side factors). Interaction between the overall set of demand factors and supply factors can provide insight into the rise of firms set up by immigrants. I also derived further insight from the helpful additional developments of the interactive model put forward recently in what has been termed the 'mixed embeddedness' approach (Kloosterman *et al.*, 1999; Kloosterman and Rath, 2001; Kloosterman, 2010).

With regard to the second phase of immigration, when, from the beginning of the twenty-first century onwards, a growing number of Chinese firms underwent a transition from the status as subcontractors to that of *pronto moda* final firms, none of the theoretical frameworks I found in the literature on immigrant entrepreneurs appeared to be capable, taken on its own, to provide a satisfactory account of the case under study. Thus, somewhat hesitantly but encouraged by the suggestions put

⁴ The interviews, recorded and transcribed, included interviews with six Chinese *pronto moda* entrepreneurs. The other interviews were with key informants who were employed in various institutions and economic organisations of Prato: four members of the municipal government (council officers and administrative staff in charge of various aspects of immigration), one official of the Police Office, two presidents of associations of entrepreneurs, one trade union member, one Chinese employee, two accountants, one business consultant, one bank manager, one cultural mediator, one researcher working at the Research Centre for Immigration, one leader of an association of second-generation Chinese, one representative from Caritas and one member of the Diocese of Prato. The overall body of quantitative and qualitative data gathered and processed was presented at several seminars in Prato and Florence and also at several international conferences. The conferences at which the results of the research were presented included the China in the World Conference organised by Monash University, held on 22–23 September 2011 in Prato; the International Conference Zhejiang and Veneto, organised by the Ca' Foscari University, held on 2 December 2011 in Venice; the international conference on Large Emerging Countries: Threats and Opportunities for European Firms, organised by the journal *Economia e Politica Industriale*, held at the University of Parma on 18–19 June 2012; and the Third Wenzhounese Diaspora Symposium, organised by Wenzhou University, held in Wenzhou (China) on 17–18 October 2012.

⁵ For a survey of the literature on immigrant entrepreneurship see Ambrosini (2011, pp. 107–36). On immigrant entrepreneurship see also the following collections of essays: Waldinger *et al.* (1990A), Portes (1995) and Dana (2007).

forward in Rath and Kloosterman (2000, pp. 669–70), who proposed that the framework adopted for the study of immigrant entrepreneurship could be broadened to include other analytical traditions, I turned to the industrial district.⁶ In effect, the transformation of some of these immigrants from subcontractors into independent *pronto moda* producers and the ensuing territorial and sectoral concentration of Chinese firms and immigrants that has taken shape in Prato, have brought about an integrated and dynamic organisation of production, very strongly reminiscent of the industrial district: ‘social forces co-operate with economic’ (Marshall, 1920, book IV, chapter 10 paragraph 9).

Several striking similarities between the productive system set in motion by the Chinese immigrants in Prato and the industrial district can indeed be singled out. For example, one finds that in a bounded area there is the active presence of both a community of people and a numerous population of specialised small firms that tend to merge with one another (Becattini, 1990 p. 38). Furthermore, similarly to the industrial district, there is a division of labour among firms that mainly all belong to the same sector and economic growth comes about through an increase in the number of firms; this means that growth comes about in the size of the system built up by these small firms rather than in the size of the individual firms themselves (Becattini, 1979, pp. 19–20). It is also interesting to note that the division of labour among the firms becomes integrated by virtue of the localised intensification and intertwining or ‘thickening’ of the economic and social relations among the individuals operating in these firms. Competition is one of the major features of such relations: entry barriers are low and these immigrants are motivated by a strong aspiration to become self-employed, with the result that for every specialised activity there are a number of enterprises competing with one another. Yet at the same time the relations also involve reciprocal cooperation because the subjects are conscious of belonging to the same social group, sharing its values, aspirations and modes of behaviour (Dei Ottati, 1994A, 1994B; Brusco, 1995, 1999). They are also aware of all forming part of the same productive system.⁷ This awareness is further reinforced by the economic growth springing from the multiplication of interdependent firms and by the institutional development that typically goes hand in hand with this type of organisation. It is a situation that tends, on the one hand, to favour the reproduction of entrepreneurial energy and competition while, on the other, it also enhances solidarity and integration. Finally, again as in the industrial district, these small firms, interlinked and integrated by the ‘thickening’ of their relations of competition but also cooperation, can enjoy the advantages—in the form of external economies—of large and varied production (economies of scale and scope) and low information, learning and transaction costs (Becattini, 1990; Brusco, 1995; Dei Ottati, 1991).

⁶ The concept of the industrial district, derived from the writings of Alfred Marshall (1920), was rediscovered by Giacomo Becattini (1979) and subsequently further developed by Becattini himself and by other Italian scholars in order to provide an explanatory account of the so-called Third Italy (Bagnasco, 1977). This term referred to a form of industrial development characterised by territorial and sectoral concentrations of specialised small and medium-sized firms. Among the contributions on the concept of the industrial district by Italian scholars that have been published in English, see Pyke *et al.* (1990), Becattini *et al.* (2003), Becattini (2004) and Brusco (1982, 1986, 1999).

⁷ On the characteristics of the integration of the division of labour and the aspiration among the local people of Prato to ‘be one’s own boss’ and on the role this played in the development of Prato in the 1954–73 period, see Becattini (2001, pp. 44–58).

To conclude this brief introductory overview of the subject matter of this paper, I would however like to point out that several distinctions can be drawn between the case of the Chinese in Prato and the experience of industrial districts that was a feature of industrial development in previous decades in the regions of the north-east and centre of Italy. It was this earlier type of industrialisation that constituted the empirical basis for the rediscovery of the concept of the industrial district, but in at least one crucial aspect it differed sharply from the type of industrial district shaped by the immigrant Chinese community in Prato. The Chinese model has a distinguishing feature that sets it apart from the previous experiences: by virtue of the density of social and economic relations with family members and friends who have remained in mainland China or have emigrated to other countries, and based also on the advantage of modern technology and globalisation, the local productive system of the Chinese business community in Prato has a transnational extension (Sassen, 1995).

The paper is organised as follows: in the next two sections, first I outline the arrival of the Chinese immigrants in the textile district of Prato and the multiplication of their subcontracting workshops during the final decade of the twentieth century, then I consider the development of the Chinese fast fashion productive system in the first decade of the new century. In Section 4 I analyse the causes of the economic success of the Chinese in Prato. On the basis of the analysis carried out in the paper, the challenges and opportunities for the future of Prato are discussed in the final section.

2. Chinese immigration into the textile industrial district of Prato in the last decade of the twentieth century

Towards the middle of the 1980s, following over 30 years of industrial development based on the production of carded wool textiles, the demand for these products dropped and the industrial district of Prato experienced a period of crisis from which it emerged, at the start of the 1990s, by operating a scaled-down productive system of fewer textile firms (especially subcontractors) and fewer workers⁸ and transforming its products from textiles of regenerated wool of a low-medium quality to textiles in wool and other fibres of a medium-high quality. Furthermore, its organisation was also partly changed through the use of components made outside the district and, not infrequently, abroad (Dei Ottati, 1996).

During the years of accelerated growth and alongside the typical Prato production of recycled carded wool textiles, especially during the 1970s, knitwear production developed. This sector, despite some shrinkage in the 1980s, still accounted for more than 1,000 firms at the end of that decade. With the recovery of the local industry during the early 1990s, these firms encountered more and more difficulty in finding local homeworkers and subcontractors for the sewing of knitwear items (Dei Ottati, 2009A). It was at this point that the first Chinese arrived in Prato. They had already been present in Tuscany, and in Campi Bisenzio (a town situated between Florence and Prato) in particular, since the early 1980s.

⁸ During the crisis about 5,000 firms were closed down and more than 17,000 jobs were lost in the local textile sector. For an analysis of the crisis in the Prato textile industrial district in the 1980s, see Dei Ottati (1996).

Immigrants from Zhejiang province and particularly from the countryside around the city of Wenzhou had settled there as self-employed workers in the local leather goods industry (Tassinari, 1994). Wenzhou is situated in a mainly mountainous area of China characterised by poor agriculture; consequently, to supplement the meagre harvest its inhabitants had traditionally practised household production of petty commodities and commerce even in distant places (Liu A., 1992). This explains why Wenzhou, as from the early 1980s, following the economic reform implemented by the Chinese state government in 1978, experienced both an explosion of household businesses engaged in the production of personal goods (textiles, clothing, leather and footwear) and also a renewed trend towards emigration in search of economic success (Wu, 2009).

Prato provided a favourable context for these immigrants inasmuch as those who had basic homeworking skills (such as how to use a sewing machine), a modest amount of money (to purchase a few second-hand sewing machines) and labour from family members or friends could immediately fulfil the aspiration of setting up their own business. Thus in no more than a decade the number of Chinese in Prato grew considerably, as witnessed by the Municipality of Prato resident register, which showed 169 Chinese residents in 1990, climbing to 4,806 in 2001.⁹ During the same period, the Chinese firms registered in the Province of Prato increased to 1,499 (Figure 1) (Colombi *et al.*, 2002). Initially, Chinese immigration into Prato met no obstacles. In the first place, it filled a gap in the supply of subcontracting work required by local knitwear firms and in the few clothing firms then present in Prato. In the second place, Chinese immigrants starting up a workshop could rent or buy up premises¹⁰ from local ex-artisans who had closed down during the previous crisis of the textile industry, or were closing their business due to a lack of younger generation entries, and who took the opportunity to supplement their income substantially. This situation, together with the positive experience of immigration into Prato from the centre and south of Italy during the years of major development (Giovani *et al.*, 1996) and a receptive policy adopted by local authorities,¹¹ resulted in an initial perception of the Chinese immigrants (in Prato) as a resource.

Thus throughout the 1990s, the incorporation of Chinese immigrants into the district of Prato proceeded smoothly and was largely similar to the course of events in other Italian industrial districts. The socio-cultural features specific to this group of

⁹ The massive rise of immigrants is to be attributed, at least partly, also to the 'indemnity' policy adopted by the Italian government, which attracted to Italy the clandestine population present in other European countries. In the year following the 1998 indemnity, the number of permits to stay issued to Chinese immigrants by the Police Headquarters of Prato reached 7,900, while the number of Chinese who registered as a result of the subsequent indemnity of 2002 was such that the Chinese consular authorities, without asking for authorisation from the municipal offices, opened an office in Prato on the premises of a Chinese association (Rastrelli, 2003, pp. 70–9).

¹⁰ These warehouses were concentrated mostly in an urban area close to the historical centre called 'factory town' because it was characterised by the co-existence of private dwellings and production premises.

¹¹ In particular, the town government authorities, understanding the relevance and the complexity of this new flow of immigration, set up, as from 1994, a Research Centre for Immigration at the Social Policy Office, directed by university scholars specialised in the Chinese language and culture, flanked by cultural mediators and consultants, with the aim of studying the phenomenon in addition to offering services to immigrants. On immigration policy in Prato in the 1990s see Campomori (2005). On the centre's research activity see Ceccagno (2003, 2004) and Ceccagno and Rastrelli (2008).

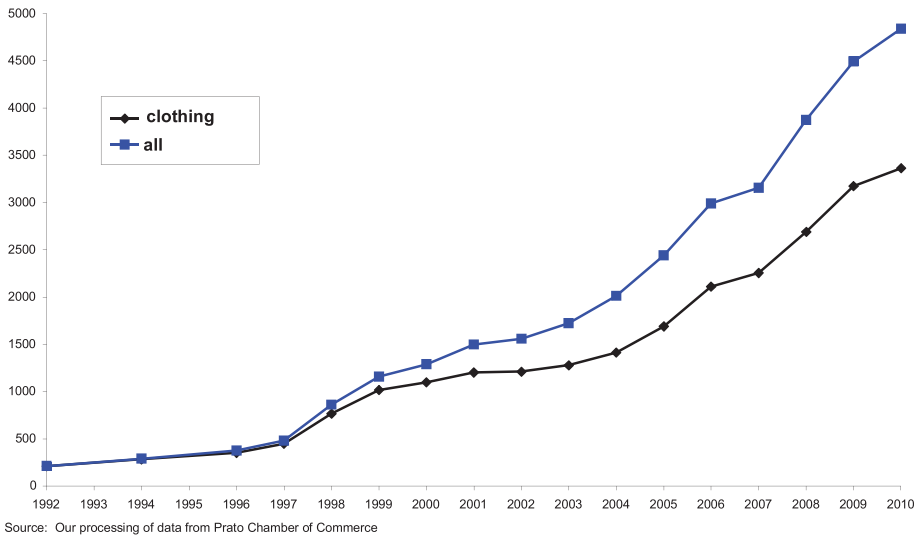


Fig. 1. Number of active firms run by Chinese immigrants in the Province of Prato in clothing and in all sectors: 1992–2010.

migrants¹² (aspiration of self-employment, importance of family ties and solidarity between fellow countrymen) were matched by opportunities that arose in the host economy. This encouraged the process of business formation and the related migration chains (Waldinger *et al.*, 1990B). Nonetheless there were some differences compared with the situation in other Italian industrial districts, foreshadowing later developments. A first difference involves the time and the size of the migratory phenomenon: Chinese immigration into Prato began at the end of the 1980s, a decade earlier than in other Italian districts¹³ and grew during the industrial recovery of the 1990s. Hence the agglomeration of Chinese firms that formed in the Prato area was notably larger than that formed in other districts (Intesa Sanpaolo, 2010, pp. 111–16). Another difference concerns the fact that in Prato the Chinese did not enter into the main local industry (textiles) but into a secondary sector (knitwear), which at that time was experiencing a shortage of homeworkers. In addition the Chinese favoured the introduction of a new mode of organising production called *pronto moda* or fast fashion, which did not exist (in Prato) before they arrived; this novelty fostered the growth of clothing, a sector that had been relatively overlooked by local entrepreneurs.

3. The rise of a Chinese fast fashion productive system in Prato in the first decade of the twenty-first century

Prior to the arrival of the Chinese immigrants, Prato knitwear firms and the few existing clothing firms worked according to the so-called ‘programmed’ schedule,

¹² In the 1990s the very large majority of Chinese immigrants into Prato came from Wenzhou in Zhejiang province and after their arrival they started to set up small family firms (Marsden, 2002). The entrepreneurial spirit of the people from Wenzhou is so widespread that the development of the area was named the ‘Wenzhou model’ (Liu A., 1992).

¹³ On the spread of Chinese immigrant entrepreneurs in Italian industrial districts see Lombardi *et al.* (2011). On Chinese immigrant businesses in the industrial district of Carpi see Bigarelli (2012).

i.e. the planning and design of new product collections began several months before their production and sale. From the second half of the 1980s onwards, the growing variability and differentiation of the demand for clothing (in knitwear and textiles), especially in women's wear, led retailers and wholesalers to require from producers increasingly smaller batches and quicker deliveries. This shift in consumer tastes and the reaction of retailers and distributors led to a progressive shortening of the time lag between design and sales, until the advent of the so-called *pronto moda* or fast fashion. *Pronto moda* is a method of organising production in which the times for design, prototyping, manufacturing and sales are so tight that they actually tend to overlap. The *pronto moda* productive system developed in Prato in the 1990s together with the arrival of the Chinese and the multiplication of their workshops, in which work was conducted round the clock, first in knitwear and then increasingly in clothing.¹⁴

Therefore by the end of the 1990s, Prato had the largest agglomeration of Chinese firms (87% of which in clothing) and the largest community of Chinese immigrants in any Italian industrial district (and the second largest in Italy after Milan), the majority of who came from Wenzhou. Some of these immigrants had been in Italy for over a decade and had lived in Prato for a number of years, where they had been working as subcontractors for *pronto moda* firms that were mainly local but also, in some cases, from other Italian regions. During these years they acquired experience and skills related to the various phases of clothing production and some of them also established relations that allowed them to start up direct contacts with retailers and distributors (Colombi, 2002, p. 32). These immigrant entrepreneurs, thanks to their migratory seniority, not only acquired a position of leadership among the Chinese community in Prato, but also established relations with sections of the Prato business community. The skills and relationships acquired by working as subcontractors in the district of Prato, combined with the resources (labour and capital) deriving from ties with family members and fellow countrymen, allowed some Prato Chinese entrepreneurs to make the business leap of transforming themselves from subcontractors to independent producers of *pronto moda*. This was an important advance in the development of Chinese business in Prato, because direct access to the market allowed considerably higher earnings than those obtainable as a subcontractor, in particular when, as in the case considered, the latter was at a disadvantage with respect to the Italian contractor. Moreover, the functional upgrading of some Chinese entrepreneurs increased the chances for other fellow countrymen to become self-employed, which is ultimately the goal of these migrants.¹⁵

Thus between the end of the 1990s and the start of the new century, the first Chinese 'final firms' were set up in Prato, specialised in the designing of models and

¹⁴ Although the data are not strictly speaking comparable, as they have different sources, according to the industrial census of 2001 the clothing firms in the Province of Prato numbered 1,593, while in the same year the Chinese clothing firms registered in Prato Chamber of Commerce numbered 1,201.

¹⁵ From a study by a researcher of the Prato Research Centre for Immigration, matching municipal data on resident Chinese families with Chamber of Commerce data on Chinese enterprises in Prato for the years 1996–97 showed that in 70% of Chinese families with five members or more, at least one member of the family owned a business (Marsden, 2002, p. 79). Moreover, in a recent inquiry on 75 Chinese entrepreneurs in Prato, when asked 'Why did you come to Prato?', 33 of the respondents stated 'Because of the possibility of becoming entrepreneur' (Marsden and Caserta, 2010, p. 13).

the marketing of *pronto moda* garments. Within a short time, following in the footsteps of the pioneers who transformed themselves successfully from subcontractors to independent producers (an imitation process typical of environments where there is a high circulation of knowledge) other Chinese immigrants, mature in the experience needed to bring about an analogous business leap forward, began to set up final firms and entrust actual production to co-ethnic subcontractors. Such a transformation by numerous Chinese entrepreneurs in Prato¹⁶ significantly changed the development opportunities both for the subjects who brought about this transformation and for the community of immigrants of which they formed a part. In the years following this transformation among the Chinese in Prato, there was a veritable explosion in business start-ups led by the boom in fast fashion: in a decade the number of Chinese enterprises in the Province of Prato rose from about 1,500 to almost 5,000 (Table 1). Clearly, the establishment of Chinese final firms favoured the setting up of subcontracting workshops run by family members and other fellow countrymen. However it was not only in clothing that the setting up of Chinese *pronto moda* final firms resulted in a multiplication of Chinese enterprises (final and subcontracting): the economic and demographic development heralded by that transformation paved the way for the emergence of firms in other sectors. On the one hand, the growing number of Chinese immigrants, attracted to Prato by the possibility of finding work and eventually becoming self-employed, generated a demand for consumer goods and services that opened up new business opportunities in the retail trade as well as in catering, personal services, transport and telecommunications. And on the other, the boom in Chinese *pronto moda* produced also a demand for auxiliary businesses both of a manufacturing kind (such as dyeing or printing clothing) and of a service kind (such as professional and commercial services), in particular wholesale trade and import/export of textiles and clothing (Table 1).¹⁷

Thus shortly following the start up of the first *pronto moda* final firms, Chinese wholesale and import/export businesses multiplied fast, as shown in Table 1. This further transformation of Chinese entrepreneurs was enhanced by their relationships with relatives and friends who had stayed in China, providing reliable sources for the purchase or manufacture of goods for which there was a demand in Italy and Europe. At the same time, however, their relationships with other co-national immigrants who had already become *pronto moda* producers, and with Italian and European entrepreneurs and wholesale merchants generally, facilitated the finding of buyers of imported goods. In this way their dual relations in both places of origin and immigration, favoured by new means of communication, allowed a number of these immigrants to become transnational entrepreneurs.¹⁸

The creation of Chinese *pronto moda* final firms brought about a change in the organisation of these immigrants' productive system¹⁹ in Prato. The division of labour between firms developed considerably, inasmuch as the Chinese final firms began to

¹⁶ According to an inquiry conducted by Ceccagno in 2000, the Chinese *pronto moda* final firms could be counted on the fingers of one hand, but already in 2001 they amounted to about 50 and in 2003 about 100 (Ceccagno, 2004, p. 41). According to a recent study, the number of Chinese *pronto moda* final firms in Prato in 2012 is about 800 (IRES, 2012, p. 48).

¹⁷ On the process of diversification of Chinese businesses in Prato see Marsden and Caserta (2010). As my interviews are not accessible, they can only be cited as a source of information. As you know, one necessary condition for obtaining interviews is that they are used in an anonymous way.

¹⁸ The present author's interviews of 3 November 2009 and 15 February 2010. See also Ceccagno (2009).

¹⁹ On the concept of productive system see Wilkinson (1983).

Table 1. *Number of active firms run by Chinese immigrants by sector in the Province of Prato: 2001, 2005 and 2010*

Sector	2001	2005	2010	Variation 2001–10 (%)
Textile	68	163	243	257.35
Clothing	1,201	1,688	3,364	180.10
Leather	26	45	92	253.85
Furniture	9	–	44	388.89
Other manufacturing	–	48	49	–
Total manufacturing	1,304	1,944	3,792	190.80
Construction	–	13	26	–
Food and drink	–	10	–	–
Wholesaling—import/export	50	197	406	712.00
Retailing	76	147	269	253.95
Other commerce	–	–	6	–
Restaurants—catering	15	22	141	840.00
Bars	9	11	–	–100.00
Transport/travel agents	–	6	8	–
Phone shops/money transfers	–	22	–	–
Real estate	8	33	76	850.00
Credit and insurance	–	–	10	–
IT and related activities	–	6	21	–
Professional/business services	–	6	29	–
Other services	–	–	36	–
Total services	158	460	1,002	534.17
Other	37	24	20	–45.95
Total	1,499	2,441	4,840	222.88

Source: Author's calculations using data from the Prato Chamber of Commerce.

subcontract production to workshops run by relatives or fellow countrymen. Moreover, they used co-ethnic firms also as wholesalers, importers, accountants, dyers, transporters or estate agents, as soon as Chinese businesses emerged in those sectors.²⁰ Every final firm would subcontract the production to several co-ethnic workshops. Often the contractors started to make use of other trusted subcontractors specialising in the various phases of the garment production process, from cutting to sewing and from finishing to ironing. All of these businesses were mainly found close to the ordering firm because the turnaround times for fast fashion are so tight that delivery takes place between 24 and 48 hours from the order being placed (Prato Police Office, internal document, 2009).

Such a production organisation based on the subdivision of labour between closely interconnected firms is generally characterised by a territorial agglomeration of enterprises. Consequently, for the Chinese immigrants their domicile and operations are concentrated in the area where they started to set up their sewing workshops in the early 1990s. Thus, the old Prato 'factory town' has become transformed into the new Chinatown of Prato²¹ where more than 70% of the buildings are occupied by Chinese immigrants (Prato Police Office, internal document, 2009). This massive Chinese

²⁰ The present author's interviews of 20 April 2009, 3 November 2009 and 10 November 2009. See also Marsden and Caserta (2010).

²¹ The Prato Chinatown is in the area of Via Pistoiese.

presence has changed the character of the area to such an extent as to render it foreign to long-term residents. Here shops trade in goods and services typical of these immigrants' traditions, and a lifestyle and work ethic true to their place of origin is replicated. However, the ex-'factory town' is not the only area in Prato in which the activities of Chinese immigrants are concentrated. Once the business leap from sub-contractors to *pronto moda* final firms has been accomplished, Chinese enterprises abandon the cramped and often dilapidated quarters in the area of Via Pistoiese to move to more modern and viable premises in custom-built industrial areas provided by the Municipality of Prato in previous decades for textile companies (the so-called 'macrolotti' [macroplots] 1 and 2 and the Quadrilateral of Iolo), which are more suited to commercial activities of final firms and wholesale importers.²²

The territorial concentration of family firms in which employers and employees come mainly from the same region, if not from the same village, and share the same culture, together with the division of labour among enterprises, reinforces the links among these immigrants and therefore their sense of belonging to the same social and economic system.²³ This is because the division of labour among firms has two effects. First, it increases the localised strengthening of economic and social ties necessary to coordinate the various activities carried out by different businesses but related to the same productive chain. Second, the continual rise of new specialised firms, which thus opens up opportunities to would-be entrepreneurs, enhances both the aspiration to self-employment and the solidarity among the members of this group.

In addition to the reinforcing and multiplication of relations among Chinese immigrants promoted by the production organisation described above, the economic and demographic growth of these immigrants has also engendered the building of social institutions. First, Chinese associations have developed, the most important of which is the one that recruits entrepreneurs from Wenzhou, but there are also others, such as the association of immigrants from Fujian or the general association of Italy–China Commerce, which gathers together entrepreneurs from Zhejiang. As they are associations of entrepreneurs, an important part of their activity concerns the promotion of business, although increasingly these associations also function as institutions connecting Overseas Chinese with political and economic authorities in their place of origin. Such associations furthermore engage in activities of general interest for the community, for example running schools for the children of Chinese immigrants and for the teaching of the Italian and Chinese languages. And as well as associations of business people, religious associations have also been established. Besides the community of Catholic Chinese set up following the first arrivals in Prato, the Buddhist association has been formed as well as a community of Chinese evangelical Christians. Briefly, the boom of *pronto moda* firms has not only generated quantitative growth in the Chinese community of Prato, it has also produced a qualitative change in its

²² The present author's interviews of 10 November 2009 and 15 February 2010. See also Ceccagno (2009).

²³ In the new century, migrants coming from Chinese provinces different from Zhejiang or in part Fujian who had originated the *pronto moda* system arrived in Prato. Coming from provinces in north-east China, particularly from Liaoning, these new immigrants have a different background, expectations and no personal ties in Prato, where they are employed as low-skilled workers in Chinese workshops with no chance of upward mobility (Ceccagno, 2008, pp. 81–2). However, of the 15,029 Chinese residents in the Municipality of Prato at the end of 2012, omitting 4,118 people born in Italy, of the remaining residents 90% were born in Zhejiang (Statistics Office, Municipality of Prato, 31 December 2012).

organisation, reinforcing economic and social interlinking and institutional density within the Chinese community and enhancing its relations with the place of origin.

In contrast to the initial stages of the early 1990s, by the start of the new century the Chinese immigrants in Prato made up a fairly large economic, social and demographic presence. Their number had increased considerably and their concentration in some parts of the city had so fundamentally transformed these areas that they became alien to the population who had always lived there. Furthermore, the explosion of entrepreneurship that followed the transformation of hundreds of Chinese immigrants from subcontractors to independent producers of *pronto moda*, and then to transnational entrepreneurs, determined a change in the organisation of production adopted by these immigrants: the economic and social relations within the Chinese community of Prato became 'thicker' and even more intertwined due to both the deepening of the division of labour among clothing firms and the diversification of activities that derived from an increase in the demand for goods and services by the immigrants themselves and their companies. Moreover, the economic success of the Chinese in Prato reinforced the bond they maintain with relatives and friends who had stayed in China and with those who had emigrated to other parts of Italy and Europe.

Despite the fact that the development of Chinese enterprises in Prato is not separate from the mainstream economy, in that the clothes they produce are mainly sold both to Italian and European wholesalers, chain stores and street vendors, the development has taken place in such a way as to reduce its relations with the original Prato textile productive system. This is due to the fact that the emergence of Chinese final firms resulted in a notable weakening of subcontracting relations with 'native' Prato final firms. Furthermore, since textiles produced in Prato, particularly after the restructuring of the 1980s, became increasingly specialised in the top end of the market (hence commanding a high price), while the *pronto moda* clothes produced by Chinese immigrants were mainly aimed at low-grade markets (having low pricing as a competitive factor), the quantity of fabrics made in Prato that were purchased by Chinese *pronto moda* producers was on the whole rather limited. This outcome was reinforced by the fact that the Chinese firms in Prato tended to become importers and wholesalers, thereby integrating the *pronto moda* productive system with textiles made in Asia and especially in China itself.²⁴

The economic and demographic growth of the Chinese of Prato outlined above accelerated in the new century, exactly when the local textile industry, the mainstay of the economy and the identity of Prato, suffered an unprecedented crisis.²⁵ Among the causes of this crisis, one may cite the sharp increase of textile imports at a very low price from China, after China's accession to the World Trade Organization (WTO) at the end of 2001 and the subsequent phasing out of the transitional quota system of the Agreement on Textiles and Clothing on 31 December 2004. These developments,

²⁴ As an indication, note that the value of imports of textile products from China to the Province of Prato during the first decade of the new century rose from 61 million euros in 2002 to 170 million euros in 2010, representing, respectively, 10% of textile imports to the province in 2002 and 34.5% in 2010 (data from the Prato Chamber of Commerce).

²⁵ The value of textile exports from the Province of Prato between 2001 and 2009 halved (decreasing from 2,412 to 1,026 million euros). As a consequence the Prato textile system downsized considerably: the number of textile establishments in the Province of Prato fell from 4,976 in 2001 to 2,926 in 2009, while at the same time the number of workers dropped from 32,218 to 18,431 (Istat data: Census 2001 and ASIA Statistical Archives of Enterprises, 2009).

together with the problems generated in a relatively small city such as Prato by the presence of tens of thousands of immigrants with such a different language and habits, a number of who had become successful businessmen not averse to displaying their wealth, brought about a change in the attitude of the local Prato population towards the Chinese immigrants. The turning point came at the start of the new century (2001–02), just when the first Chinese *pronto moda* final firms appeared. The local business community started to protest against the presence of such a large number of Chinese immigrants and their enterprises.²⁶ During the following years the perception of a Chinese ‘emergency’ escalated from the business community to the wider society and even to local politics. The inhabitants of Via Pistoiese, in particular, protested about community issues and strained relations due to the concentration of Chinese in the area. In addition, the reduced relations between the local Prato population and the Chinese reinforced prejudicial stereotypes, aided and abetted to some extent by the media.²⁷ Consequently, in 2009, as the textile crisis intensified and the Chinese immigrants and their businesses continued to grow, the social and economic discontent of the local Prato population increased to the point that in the administrative elections of that year the centre-left parties, who had governed the city without interruption since the end of World War II, lost to the centre-right, whose election campaign was largely centred on the themes of the immigration emergency and the need to oppose illegality and in particular the practices held to characterise the Chinese shadow economy.

In summary, the extraordinary development in the quantity and quality of Chinese immigrants in Prato, which took place at the same time as the worsening of the crisis in the local textile system, led to a turnaround in the representation of these immigrants on the part of the Prato people and institutions, so that the general conception of their presence changed ‘from resource to emergency’. Overall, whereas in the first years of their arrival the Chinese immigrants were mostly perceived as ‘producers’ whose presence should therefore be promoted as a positive contribution to the economy of the city, in the new century they were increasingly viewed as persons who, in their quest for economic success, did not hesitate to violate the host country norms or even as ‘delinquents’ who should be opposed.

4. Causes of the exceptional development of the Chinese community in Prato

After having outlined the economic and demographic development of the Chinese population in Prato and the change that this brought about in the attitude towards them by the host society, in this section we analyse the combination of motives that seems to lie at the basis of this exceptional growth. First, however, it is necessary to mention what are commonly held to be the main causes of the economic success of

²⁶ For a reconstruction of this change of perception in the public opinion of Prato towards Chinese immigrants see Rastrelli (2003, pp. 70–9).

²⁷ Local newspapers usually report only negative events involving Chinese immigrants, such as criminal behaviour or illegality. In particular, in recent years attention has focused on illegality in Chinese businesses such as the use of clandestine workers, tax evasion, the violation of regulations on employment relations, safety at work, pollution or the sending back to China of large amounts of money. For an analysis of media reports and Chinese immigration in Prato see Latham (2011). Sometimes the local press even blames Chinese immigrants for the decline of the textile industry in Prato, even if they are specialised in a different sector (see, e.g., Rizzo and Stello, 6 November 2010).

Chinese business people in Prato: the hiring of co-ethnic and illegal immigrants and the workings of the underground or shadow economy.

The checks carried out by the police on Prato's Chinese workshops have confirmed the use of irregular immigrants. However, irregular immigration is not a new phenomenon and above all it is not limited to Chinese immigrants or Prato only, but also applies to immigrants of different origins and destinations, both in Italy and elsewhere.²⁸ This notwithstanding, the economic development of Chinese migrants in Prato has no equivalent, either in Italy or Europe; therefore the use of co-ethnic people who are irregular immigrants does not fully explain the extraordinary economic growth of this community. The other factor often mooted as a cause of the success of the Chinese in Prato is the informal economy, i.e. the practice of conducting economic activity with disregard for the host country regulations concerning employment contracts, social security, fiscal regulations and local taxes. Hence the decision adopted in recent years by the Prato authorities to intensify checks, which have established that an informal economy does exist among Chinese firms in Prato; therefore they must gradually move 'above ground' and be regularised. On the other hand, the informal economy is likewise not a characteristic restricted to the Chinese businesses in Prato: rather, it is widespread throughout ethnic economies²⁹ and is also present among Chinese firms in other Italian industrial districts and even in the mainstream economy, especially in the less developed regions.³⁰ Consequently, it seems difficult to attribute the notable growth of the Chinese in Prato only and principally to informal practices and illegality. If irregular work practices and the informal economy do not suffice to explain the development of the Chinese enterprises in Prato—for otherwise a similar development should also have occurred in the other Italian districts with Chinese immigrant businesses³¹—then additional factors must be invoked, less evident but important to explain such a dynamism.

As we have seen, initially the Chinese were attracted to Prato by the possibility of setting themselves up as homeworkers sewing knitwear items. Their position as subcontractors to local knitwear firms, a sector that continued to diminish despite the use of Chinese workshops, would not have permitted the exceptional growth of these immigrants if the Chinese subcontractors assuring fast delivery times had not suited the development in Prato of *pronto moda*, namely the production of clothing items with a fashion content, quick delivery and limited pricing. The demand for fast fashion was in fact expanding, not only because of the low prices but also as a reflection of

²⁸ According to the estimates of the ISMU (Initiatives and Studies of Multiethnics) foundation of Milan in 2005 the irregular Chinese immigrants present in Italy were 11.4% of the total (corresponding to about 19,300 persons), but in the same year irregular immigrants coming from the Ukraine were 22.4% (corresponding to 40,300 persons) and those from Morocco were 14.2% (corresponding to almost 57,000 irregular immigrants) (Fasani, 2009, pp. 104–5). On irregular immigration in Italy, see the European Migration Network (2005, p. 56).

²⁹ For an example of informal economic activities practised by Islamic immigrants in the Netherlands, see Kloosterman *et al.* (1999).

³⁰ According to Istat (Italian Statistical Institute) estimates, in Italy in 2009 the number of irregular workers amounted to 2,600,000, corresponding to 10.5% of the overall number of employed persons. Furthermore, again according to Istat, the units of irregular work in Italy in 2008 constituted on average 11.9% of the total, but with strong variations among the various regions, ranging from a minimum percentage of 8.5% in Emilia Romagna to a maximum of 26.6% in Calabria (www.istat.it).

³¹ For example, in the Italian knitwear and clothing district of Carpi, Chinese immigrant entrepreneurs use the same informal practices as in Prato, but they have remained subcontractors of local final firms (see Bigarelli, 2012).

contemporary lifestyle trends. These trends generated a demand for consumer goods, and clothing in particular, which needed to be increasingly differentiated and variable, thus inducing wholesalers and retailers to order batches that were more and more streamlined and expedited at ever faster speeds. Therefore the multiplication of Chinese businesses in Prato during the 1990s was due to the spread of a new mode of production (*pronto moda* or fast fashion) and of a new—for Prato—sector (clothing), but both innovations were dependent on the presence of Chinese immigrant workshops. Then, in the new century, the development of these immigrants accelerated thanks to the transition, by an increasing number of Chinese entrepreneurs, from subcontracting to final firms, which enabled their direct access to the expanding market of *pronto moda*.³² In fact, the fast fashion clothes made by Chinese firms in Prato supply not only stallholders, wholesalers and, increasingly, chain stores in Italy, but have also expanded to sales outlets in European countries such as Spain, France, Germany and especially to Eastern Europe. Commercial contacts even further afield such as with the USA or Japan are on the horizon.³³

Moreover, Chinese immigrants' access to the fast fashion market came about not only as a result of the characteristics of their workshops and of the entrepreneurial spirit of individuals with more experience who had built up relations in the receiving environment, but also thanks to their location in the city of Prato itself (Toccafondi, 2005). This is because the district of Prato has a worldwide fashion reputation for its 'made in Italy' textile products. Such a reputation, together with proximity to Florence, ensures that Prato is a hub for buyers and operators in fashion, both Italian and foreign. Therefore the very fact of being located in Prato facilitated the success of the Chinese *pronto moda*, favouring first the acquisition of production know-how and then direct access to the related markets. The location in Prato also helped to allow easy access to the relevant innovation: in order to operate successfully in *pronto moda* it is vital to be able to identify favoured high-end styles and above all to have the capacity to produce them quickly as low-cost reproductions. This in turn implies that it is crucial to have skills for designing a collection and creating prototypes. In Prato, Chinese business people have had the possibility of easily acquiring such specialist skills—which are difficult to learn in a short time but indispensable for starting up final firms in *pronto moda*—by using Italian stylists and prototype makers whose expertise is acknowledged worldwide. They often also employ Italians as sales agents to overcome their insufficient command of the Italian language (Marsden and Caserta, 2010, pp. 21, 25–6).³⁴

Briefly, access to the *pronto moda* market and to designer skills certainly constitute important factors. Yet on their own they still do not appear to be fully sufficient to explain the exceptional development of the Chinese business community in Prato without also taking into consideration certain features of the Chinese immigrants' production organisation and their transnational relationships. As previously noted, the arrival of the Chinese in Prato coincided with the advent of the *pronto moda* type of production. This circumstance, opening up opportunities for working as subcontractors in the Prato productive system, gave rise within just a few years to a notable agglomeration of Chinese firms mainly operating in the clothing industry (Figure 1).

³² On the importance of operating in an expanding market for upward mobility of immigrant entrepreneurs see Kloosterman (2010, pp. 35–6).

³³ The present author's interviews dated 17 November 2009 and 17 February 2010.

³⁴ Also the present author's interviews dated 30 October 2009 and 17 November 2009.

It is at this point that the leap forward from subcontractors to final firms by some Chinese with more experience and connections (both with the host economy and the immigrant community) took place. As already pointed out, this transformation accelerated the process of creating new enterprises, both those specialising in the various phases of clothing production and those in design and sales. Moreover, the expansion of *pronto moda* promoted the start up of businesses that satisfy the demand for goods and services of a population of immigrants and businesses undergoing rapid growth.

With the advent of Chinese final firms, the division of labour among the immigrants' enterprises intensified. Regular immigrant workers who had acquired sufficient skills and experience started up their own subcontracting workshops, with the aid of the money accumulated by working as employees in co-ethnic firms and informal credit from family members and friends (Marsden and Caserta, 2010, p. 17). The latter were also generally employed as workers in the new firms, which added to the already large number of existing businesses. As a result, the agglomeration of firms grew considerably, both in number and in the variety of activities carried out. Furthermore, every final firm can thus turn to several subcontractors (generally a number amounting to between five and 10) and every subcontractor can work with several final firms. Often the subcontracting firms belong to some member of the same family as the contractor³⁵ or to people from the same place of origin. Contractors and subcontractors, buyers and sellers as well as employers and employees are generally united by a sense of belonging to the same social group, and membership of the same social group involves reciprocal solidarity, reinforced by the migratory experience, especially if the reception context is hostile.³⁶

The production structure deriving from the process of multiplication of firms and division of labour among such firms gives rise to progressive 'thickening' and extending of economic relations among enterprises and persons. Furthermore, the fact that economic relations take place mainly among family members and people from the same town ensures that economic relations interact systematically and inextricably with social relations, and since such social relations generally hold among members of the same group, they imply a reciprocal solidarity. In this way the 'thickening' of the economic relations resulting from the division of labour among immigrants, intertwined

³⁵ In the research on Chinese entrepreneurs conducted by the Prato Chamber of Commerce one reads: 'extension of family networks corresponds often with an extension of the business activities taken forward with various companies by various members of the family. About two thirds of those interviewed ... stated that there are other business people in their family, who run one or more companies and, at times, ... even the same business people have direct interest in more than one company' (Marsden and Caserta, 2010, p. 17). From another inquiry into Chinese firms in Prato there emerges the fact that 'about two thirds of the entrepreneurs interviewed have other family members who are business people in the same sector (clothing), and a significant quota presenting a considerably extended network of family members operating in Prato' (Zanni, 2007, p. 162).

³⁶ Examining the relationship between entrepreneurs and workers in the Chinese enterprises of Prato, Ceccagno writes: 'With the passing of time it becomes evident how the Chinese productive niche is also the result of a *vision shared among entrepreneurs and workers*, a vision which implies exploitation and self-exploitation, but which also includes implicit and negotiated agreements and is *perceived as favourable for both*. In fact both entrepreneurs and workers perceive this organisation of labour as being the best and fastest path towards economic success. The workers are willing to work long hours not only because they often can't act differently or because the market requires it, but also because they aspire to become entrepreneurs themselves. Therefore they perceive the exploitation and self-exploitation as the quickest way available to them to achieve their own goal (even if in reality not everybody can become self-employed) ... *Therefore a partial and untrue reading of the phenomenon is risked if only the paternalistic relationship is perceived as well as that of exploitation and dependence between the employers and the workers, without noting the mutual interest pact that binds them (for a period of time that they perceive limited to just some years)*' (Ceccagno, 2008, pp. 87–8, emphasis added).

with social relations, forms a web, invisible but resilient, which merges all the economic activities conducted by the participants into an integrated and dynamic system.

That it is an integrated system is demonstrated by the fact that this localised 'thickening' of the economic and social relations facilitates the circulation of information and reduces to a minimum the transaction costs within and between the immigrants' firms. Their economic relations are mainly conducted with members of the same community in which implicit norms of behaviour are formed and enforced (Portes and Sensenbrenner, 1993, pp. 1332–7).³⁷ Thus the specific economic structure based on the agglomeration of many specialised firms belonging to the same commodity chain and embedded in the same community allows a special form of integration of the division of labour within and especially among firms: a form of integration in which economic efficiency is achieved by virtue of relationships of reciprocity and interdependence rather than the relations of authority and dependence that characterise vertically integrated hierarchical organisations. Accordingly, this type of integration makes it possible to overcome the limitations of small firms because the boundaries of small firms are blurred by the intertwining and 'thickening' of economic and social relations that unite them. In this manner, information, finished and half-finished products, work and money move with great fluidity among firms and persons. The production scale upon which economic efficiency depends becomes that of the whole system, instead of that of the single firm. Since the scale of the system is large, its businesses, although small, are integrated with one another and thus are able to compete in the general market with those that are bigger.³⁸

A further distinctive feature of this system is its dynamism, characterised by the continual setting up of new family businesses, which join or replace those already existing.³⁹ The setting up of new firms is partly the consequence of the aspiration of those involved to achieve upward mobility through self-employment. However, the creation of new businesses also depends on opportunities that open up in the system in which the individuals operate, and since the production structure is characterised by the division of labour among firms, the barriers to entry are relatively low. Furthermore, not only does the intertwining of economic and social relationships favour learning by on-the-job training in companies run by relatives or fellow countrymen,⁴⁰ but the localised 'thickening' of relationships also makes it easier for individuals to be alerted to opportunities arising in the system and to obtain the material and emotional support needed by a would-be entrepreneur to start a business.⁴¹

All of this results in a system of firms that grows horizontally, so to speak, and can adapt to external changes in order to be competitive, especially to variations of demand, precisely through renewal of the firms that compose the system and through the continuous redefinition of the intertwining of economic and social relationships

³⁷ On the implicit rules of competition and cooperation that form the basis of the functioning of industrial districts see Brusco (1999) and Dei Ottati (1991).

³⁸ On the division of labour and its integration in industrial districts see Becattini (2004, pp. 18–33) and Dei Ottati (1994A).

³⁹ On the high rate of births and deaths of Chinese firms in Prato see Marsden and Caserta (2010, p. 2).

⁴⁰ In the already cited inquiry conducted with regard to Chinese entrepreneurs in Prato, it appears that their most widespread choice is to begin by 'working inside companies run by relatives or people from the same town while accumulating resources needed to start up their own business. It is generally through this experience that technical and professional skills needed to run a company are acquired, according to most of those interviewed' (Marsden and Caserta, 2010, p. 12).

⁴¹ On the similar upward mobility path typical of industrial districts see Brusco (1995, pp. 60–1).

that link them. Even so, such advantages should not be seen as referring to any agglomeration of firms run by individuals belonging to the same social group or to any array of immigrants' companies dispersed in an alien environment. Rather, such advantages arise only in circumstances where a numerous group of people with a distinctive identity gives rise to a territorial concentration of firms, mainly specialised in the different activities of the same sector and integrated through a dense web of market and community relations of the type specified above.

According to the previous analysis, therefore, the extraordinary development of the Chinese in Prato is explained not only by the access to the expanding market of *pronto moda* and to the required design skills. That development depends also on the formation of a productive system whose competitiveness relies more on relations that bind together its businesses than on businesses themselves. Such relations, as in industrial districts, are characterised by a close intertwining of competition and cooperation (Brusco, 1995).⁴²

As already noted, these migrants foster economic and social relations with relatives and co-ethnic immigrants in the host country, but they also maintain regular relations with relatives and friends who have emigrated elsewhere and above all with those who have remained in their place of origin (Marsden and Caserta, 2010, pp. 16–17). These relations are not limited to sending modest amounts of money to improve the conditions for family members in the homeland or to the exchange of personal information: they have important consequences in terms of business. It was pointed out earlier that after the formation of the first Chinese *pronto moda* final firms in Prato, the number of importers and wholesalers increased considerably (Table 1), thereby transforming some of these immigrants into transnational entrepreneurs. Even though this further transformation may affect no more than a few hundred immigrants, it may have a significant impact. For example, immigrants who become importers of products made in China, or those who invest in businesses located in their place of origin by virtue of the relations they have in both the exit and reception contexts, can connect the potential of demand in the place of immigration with that of supply in the place of origin or, on occasion, vice versa.

These developments usually increase the income and prestige of such entrepreneurs, but their transnational activities also have more general effects. The frequent, and in many cases regular, contacts with the place of origin effectively connect the place of origin of these entrepreneurs with the system to which they belong in the place of immigration.⁴³ Such a connection also significantly increases prospects for development in the immigrants' place of origin: immigrants in a host country who have become importers in the context of immigration tend to prefer firms in their place of origin as providers, thereby favouring export-led growth in China.⁴⁴ At the same time, this growth increases the willingness of transnational immigrant entrepreneurs working in a host country to invest part of their own earnings in new businesses in their place of origin.

Moreover, the connections between the immigrants' place of origin and the productive system of which they form a part in the place of immigration are not limited to the import/export trade and money transfer, but are more far-reaching. The 'thickening'

⁴² On the importance of social relations to explain the dynamism of Chinese immigrant businesses in Australia see Lever-Tracy and Ip (2005).

⁴³ On the idea of transterritorial and international local labour markets see Sassen (1995, pp. 111–13).

⁴⁴ For evidence of export-led growth in the city of Wenzhou see Wu (2009).

of economic and social relations, nourished by the businesses of transnational entrepreneurs, extends the circulation of information, goods, labour and capital from the system in the host country to the economy and society in the place of origin.⁴⁵ This transnational extension of the networks of economic and social relations that these migrants maintain with their home country, in addition to relations with family members and people from their home town who have emigrated to other parts of Italy, Europe and the rest of the world, increases the potential for new business. At the same time the extension of the circle of relations with subjects operating in different places and activities also increases the possibility of mobilising resources needed to seize the new opportunities.

Further, the effects of being part of a broader network of transregional and transnational relations have been strengthened by recent changes in the international context, related in various ways to globalisation. First, aided by the progress of information and communication technologies and of transportation, there has been an important change in the organisation of production of many commodities, among which fashion goods are a case in point. In this new way of organising production referred to as the 'global value chain',⁴⁶ the different activities necessary for the production and sale of each commodity are separated and carried out not simply by different firms, but also by firms located in different countries in order to take advantage of the differences in resource endowment between the various countries.

A further significant change for the case analysed in this paper is the accelerated economic growth of China.⁴⁷ The rise of China as a worldwide economic power, in particular since the start of the new millennium, has considerably increased opportunities for the Chinese who have emigrated abroad to become transnational entrepreneurs. In this regard, an example is that of Prato-based Chinese importers of textiles actually made in China but then imported into Prato for use in Chinese immigrants' workshops and for sale to other firms in Italy and elsewhere.⁴⁸ Another example is that of Prato Chinese *pronto moda* producers who invest in enterprises located in China, generally in their place of origin.

The transnational economic relations of Chinese emigrants—known in China as 'Overseas Chinese'—are encouraged by the Chinese public authorities who, following the so-called open-door politics, have shown a growing interest in involving the Overseas Chinese in the economic development of China. The Chinese authorities, in particular at a local level and in areas with high emigration, have manifested their interest in the Overseas Chinese by supporting migrant associations (Liu H., 1998). For example, in Wenzhou, the place of origin of the majority of Chinese entrepreneurs of Prato, the local government has founded the Association of Overseas Wenzhounese,

⁴⁵ The amount of the annual remittances from the Province of Prato to China can provide an idea of the size of the Chinese system in Prato and the importance of its relations with mainland China. This amount, not by chance, increased considerably during the early twenty-first century, reaching a maximum of 464.3 million euros in 2009 but then decreasing to 173.7 million in 2010 and to 226.8 million in 2011 (Banca d'Italia Statistics, Remittances Abroad by Immigrants into Italy).

⁴⁶ On the international fragmentation of commodity chains and the spread of the so-called 'global value chain', see Gereffi *et al.* (2005). With reference to the apparel global value chain see Gereffi and Memedovic (2003).

⁴⁷ Between 2003 and 2008, Chinese gross domestic production grew at an average annual rate of 11% and, according to forecasts from the International Monetary Fund, within a few years it is likely to exceed that of the USA. On the contemporary Chinese economy see Musu (2011).

⁴⁸ On the spread of import/export firms run by Chinese immigrants in various European countries see Li (2011).

which actively promotes investments and donations for building infrastructures (such as bridges, roads, schools, etc.) and financing other public works and social services (such as education) in China.⁴⁹ Support for international meetings of entrepreneurial associations (mostly based on place of origin) that migrants have established abroad is often displayed by the political authorities in the migrants' place of origin, with the aim of attracting investments from citizens who have emigrated. Consequently, the economic and social connections between the place of immigration and the place of origin are nurtured and strengthened not just through the relations established by transnational entrepreneurs, but also by the activities of associations such as those mentioned above. The frequent international meetings organised by the associations of entrepreneurs who come from the same place but have emigrated to many different parts of the world also have another function: such meetings allow participants to meet fellow-citizen business persons operating in different economic, social and institutional environments, thereby establishing a network of transnational economic and social relations that, above all in the current globalised economy, multiplies the possibilities of detecting and seizing emerging opportunities (Lever-Tracy, 2008).

Briefly, the exceptional economic growth of the Chinese community in Prato is essentially due to a combination of factors: access to an expanding market and relevant innovation within it, by virtue both of their community resources and the location in Prato, and the establishment of a socio-economic organisation where, as in industrial districts, 'social forces co-operate with economic' (Marshall 1920, book IV, chapter 10, paragraph 9). Furthermore, in the case of the Chinese business community in Prato, the productive system transcends local boundaries, on account of the significant transnational connections.

5. Challenges and opportunities for the future

During the 1990s the influx of Chinese immigrants into Prato was extensive. Their establishment in the district as subcontractors to the knitwear final firms was favoured by the shortage in the local supply of outworkers, which in turn was due to the difficulties in attracting members of the local younger generation into the traditional businesses. During this first period, the Chinese immigrants became incorporated as subcontractors in a subsector (knitwear) of the Prato productive system in a subordinated position that temporarily benefited a minority of the local businesses (knitwear final firms). At that time the majority of Prato enterprises was still producing and selling at a profit fabrics and yarns, although the number of local weavers and spinners was decreasing and the use of imported components was increasing (Dei Ottati, 2009A).

The skills and connections the immigrants acquired while working in the Prato district, combined with family and co-ethnic links and their entry into the growing market of *pronto moda* not occupied by local entrepreneurs, allowed a cohort of these immigrants to move up from being subcontractors to being final producers during the first decade of the new century. This transformation, together with the rise in the number

⁴⁹ Eight percent of the Chinese entrepreneurs interviewed in the inquiry organised by the Prato Chamber of Commerce declared to have contributed to the financing of public works in China (Marsden and Caserta, 2010, p. 17). On the contribution of Overseas Chinese donations to Wenzhou development see Zhang and Smyth (2009).

of immigrants and businesses they set up, led to a qualitative change in the economic organisation of the Prato Chinese community: a productive system and a specialisation (*pronto moda*) that were relatively independent of the Prato textile system came into being within a short space of time. We saw above that these developments resulted in a reversal of the host society's perception of the Chinese immigrants, towards whom the local population became increasingly hostile. An important role in this change of attitude was certainly also played by the fact that the rise of Chinese *pronto moda* came about at the same time as the severest crisis to have affected the Prato textile district since the end of World War II, as testified by the fact that the value of exports and the number of textile workers decreased by as much as one half during the first decade of the present century.⁵⁰

Numerous causes can be identified, many of them inter-related, underlying the crisis of the Prato textile district. They can be ascribed, above all, to the difficulty experienced in adapting to the context of international competition, a context that had changed radically in barely a decade. First, as already mentioned, China's accession to the WTO (2001), together with the liberalisation of the textile trade, led to an extraordinary increase in Chinese textile exports towards Europe.⁵¹ The great quantity of low-cost textiles flooding the European market in the context of a far from dynamic demand resulted in a marked decrease in Italian exports of textiles, a sector still important in the industrial structure of Italy.⁵² Since Prato is one of Italy's major textile districts and the overwhelming portion of its production has always been destined to the export trade, above all towards the European Union countries and Germany in particular, it is clear that the above-described changes in the regulations concerning international trade had severely negative effects on the Prato textile industry.⁵³ Moreover, these effects were accentuated by the introduction of the single currency (1999) and by the appreciation of the euro over the dollar, which contributed to reducing the competitiveness of Italian (and Prato) products and also increased the competitiveness of products imported from countries whose currency, like that of China, was pegged to the dollar (Tronconi, 2005, p. 15).

Second, the above-mentioned changes came about at a time when a more general shift was taking place in the various activities that make up the textile and clothing value chain. That is, whereas up to the 1990s the production of textiles had a central role in the organisation of the textile and clothing value chain, what happened subsequently—on account also of the increasing fragmentation and variability of demand—was that the activities further downstream in the value chain came to play a more and more important role. This was particularly the case for apparel design and marketing, as such activities were especially sensitive to consumer preferences. Chain stores and the large-scale retail trade and making-up industries were thus induced to invest in

⁵⁰ For some data concerning the Prato textile district crisis in the new millennium, see n. 25.

⁵¹ Chinese exports of textile and clothing products towards the European Union countries rose by 46.5% in value between January 2004 and January 2005 (Tronconi, 2005, p. 16).

⁵² In 2001, Italy accounted for 8.2% of worldwide textile exports, ranking as the third largest textile exporter after China and the USA. For an analysis of the Italian textile and clothing industries in recent decades see Dunford (2006). On the persistent importance of the textile and clothing industries in the economic history of Italy see Tronconi (2012).

⁵³ Textile exports from the Province of Prato towards Germany decreased by 54.7% between 2001 and 2009, falling from 475 million euros in 2001 to 173 million euros in 2009 (Istat, Foreign Trade Statistics).

design, branding and marketing and to entrust manufacture, initially of apparel and then also of textiles, to firms localised in countries with a low cost of labour.

Taken together, these changes in the commercial regulations and the international organisation of the textile and clothing value chain subjected the textile producers of developed countries—as in Prato, in the present case—to fierce competitive pressure, driving them towards increasingly specialised and higher-quality types of production. They consequently began to occupy niche markets that showed increasingly variable demand and also required shorter and shorter delivery times (Tronconi, 2005; Dunford, 2006).

Faced with these upheavals in the competitive context, the predominant reaction on the part of Prato producers was that of gradual abandonment of the field of textiles.⁵⁴ Their abandonment of this sphere of activity was to some extent favoured by the possibility of renting out the production premises that were thus becoming available to the Chinese immigrants or selling them at an advantageous price. The spread of this response to the crisis undermined the local population's trust in the textile district and consequently weakened the effectiveness of the institutions, both informal and formal, whose effective functioning is necessary in order to integrate the division of labour and to reproduce entrepreneurial energy and innovation within the district (Dei Ottati, 2009B). One can therefore begin to understand why the multiplication of Chinese *pronto moda* firms, which came about at precisely the time when the crisis of the textile system was worsening year by year, had the effect of generating hostility towards these immigrants, so that the two populations of firms and persons living in the same area became increasingly aloof from each other.

The analysis of the rise of the Chinese *pronto moda* system in Prato and the mention of the crisis affecting the local textile district is not in itself sufficient to make a clear-cut forecast of the future of Prato. This is because although the heritage of the past does point to a range of possibilities for the future, expectations of future development for Prato firms and people depend crucially on the power of imagination and capacity of action of the individuals and collective subjects for who Prato is home. But some general considerations can nevertheless be put forward.

First, if 'native' Prato entrepreneurs do not make new investments and undertake innovation, and if the distance separating Chinese firms and local Prato firms is not reduced by a process of progressive integration, then a possible revival of the 'native' industrial development of Prato seems increasingly unlikely. This negative prospect is only partly attributable to economic considerations, as demographic aspects also play a role: the firms run by Chinese immigrants constitute 47% of the total of manufacturing firms active in the Province of Prato (data of the Prato Chamber of Commerce, 2011) and 26% of young people below the age of 30 and resident in the Municipality of Prato do not have Italian nationality (data of the Municipality of Prato, 2011). A further potentially adverse factor for the overall development of Prato concerns the observation that although the firms run by Chinese immigrants form part of a broad-based system of transnational relations, it seems unlikely that they can continue to thrive in the long term without upgrading the product range they supply, not only because the local authorities have become less tolerant of informal practices, but also

⁵⁴ In addition to the continuous reduction in the number of textile firms, investments in those that had remained on the market likewise decreased (Camera di Commercio di Prato and Unione Industriale Pratese, 2010, p. 12).

because the inflow of immigrants from China is dwindling and no longer seems capable of replenishing the shadow economy of subcontracting laboratories.⁵⁵ Last, but not least, the evidence of history teaches that immigrant minorities who do not integrate into their host context eventually end up as losers (Bonacich, 1973, p. 593).

Despite this, careful reflection on the changes that have taken place both in the local and the international context suggests that a future renewed development is still possible for Prato, on condition that its inhabitants, whatever their origin, are aware of the challenges facing them and take appropriate action. In effect, over the last two decades, conditions have matured that would be favourable to a new incorporation of Chinese immigrants and their businesses into the local economy, not in a subordinate position as was the case in the 1990s nor relatively separate as at the beginning of the new millennium, but based instead on interdependence and complementarity between local Prato firms and those run by the Chinese immigrants. Such an objective now seems possible and even advantageous for both the populations (of enterprises and people) involved.

More specifically, with regard to future prospects for the Chinese section of the Prato community immigrants, first the transformation of a significant number among them from subcontractors into owners of final firms and more generally the trend towards tertiary activities and international trade (Table 1) imply that the economic success of these immigrants will be increasingly dependent on their transnational relations, on their commercial acumen and also on their ability to upgrade the quality of their products. Second, many of these immigrants have been based in Prato for years, where they live with their families and have fulfilled their ambition of economic upward mobility. Their children were born in Prato and attend local schools and they have grown up with an educational background, lifestyle and career expectations that are different not only from those that characterised their immigrant parents but also from those of young people of their age living in China. These children of Chinese immigrants constitute a non-negligible part of the young population living in Prato:⁵⁶ to all extents and purposes they are 'natives' of Prato, although it seems hard to imagine that in the present situation they can truly feel they are 'locals'.

As far as the genuinely 'native' textile district of Prato is concerned, over the last decade its productive system has been severely weakened in terms of number of firms and interfirm relations. It therefore needs a thorough renewal of the entrepreneurial spirit and greater cohesion if it is to experience a revival of developmental impetus. The above-outlined changes in the importance of the different activities making up the textile and clothing value chain, which has brought about a shift from producer-driven to buyer-driven value chains, suggest that in order for the Prato enterprises to become profitable again, investments in downstream activities of the value chain should be made. In particular, investments need to be made in fashion product design and in distribution, since these are the activities in which the greater part of value

⁵⁵ Prato entrepreneurs (both Chinese and of local origin) whom we recently interviewed argued that the 2011–12 recession in Italy and in Europe persuaded numerous Chinese immigrants to move elsewhere or to return to China, where growth is still strong. However, the number of Chinese residents in the Municipality of Prato continued to rise on account of the 2010 and 2011 regularisations.

⁵⁶ On 31 December 2012, in the Municipality of Prato the residents of Chinese nationality below the age of 18 numbered 4,439 and represented 14% of total residents in this age band (Statistics Office, Municipality of Prato).

is concentrated (Dunford, 2006, p. 40).⁵⁷ As a further observation, it is undeniable that there is a need to contain production costs; equally undeniable is a shortage of a 'native' workforce—in Prato as in other advanced societies—willing to work in manufacturing. Consequently, a partial internationalisation of production is required, but this should be accomplished without impairing quality or continuous product innovation, which constitute indispensable characteristics to avoid being crushed by price competition.

These reflections indicate that an intensification of economic relations between the local Prato business people and the Chinese immigrant community would be advantageous for both groups. In effect, an increase in relations with Prato producers would help Chinese entrepreneurs to upgrade their products and this would induce the Chinese to buy Prato textiles, thereby reducing the divide between the two productive systems. In addition, greater relations with the Chinese entrepreneurs of Prato would help the textile producers to integrate downstream with the apparel industry (an objective often heralded but so far only scantily implemented). At the same time, it should not be overlooked that relations established by local Prato entrepreneurs with their Chinese counterparts who are in possession of the language and cultural background and social relations necessary to do business in China could be of use in order to internationalise part of the manufacturing and distribution processes. This would enable small and medium-sized Prato firms to seize the opportunities arising from globalisation, an objective that is otherwise difficult to achieve in the case of firms lacking either adequate financial capital or appropriate social capital. In addition, building a bridge between the new Prato system and the manufacturing and market areas of the emergent regions of Asia would be advantageous not only for the people of Prato themselves but also for the Chinese immigrants. The latter, by extending their relations beyond their own ethnic networks, would multiply the growth opportunities for their own businesses as well as for those of the regions with which they set up connections.⁵⁸

At present (May 2013) it is not possible to predict which of the two above-suggested perspectives will prevail in the future, because there are still only relatively few positive signs.⁵⁹ Yet an integration of the type outlined above does not appear unfeasible because, as shown in this article, the people of Prato and the Chinese immigrants actually have more in common than would appear at first sight. However, this integration and regeneration of the development of Prato cannot be expected to occur simply on the basis of the operation of market forces. Rather, it should be consciously pursued by the populations involved, who, also by virtue of the driving action of their institutions, are becoming more and more aware of the need to move towards a new and broader socio-economic system that is capable of integrating the differences within itself and, at the same time, extending its relations beyond mere geographic proximity.

⁵⁷ In the Italian knitwear apparel district of Carpi, for example, the total turnover of the area decreased throughout the 1990s but then returned to growth with the advent of the new century, following the decision by several new entrepreneurs to invest in design, advertising and direct distribution through chain stores. See Barberis *et al.* (2012, p. 73).

⁵⁸ On the bridging role played by immigrant entrepreneurs in establishing relations between Silicon Valley and the emergent regions of Asia see Saxenian (1999) and Saxenian and Sabel (2009).

⁵⁹ One positive sign is, for example, the appointment of a Chinese entrepreneur as the vice-president of one of the largest artisans' associations of Prato; in 2012 a total of 50 Chinese firms were on the register of this association.

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