



Department of Economics and Finance

Chair of Introduction to Business Economics

Prato's textile district: from its origins to a
parallel Chinese reality

SUPERVISOR

Prof. Federica Ceci

CANDIDATE

Diletta Cardini

Matr. 214881

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Introduction

Prato is, at international level, one of the most important and greatest textile district.

The city can be defined as a small microcosm in which community and agglomeration of firms are strongly interlinked and connected. Therefore, Prato is characterized and defined by all the typical features of an industrial district. In fact, it has been taken as example to study the Marshall district; in particular, a distinctive feature of the textile district is the high degree of fragmentation of the production chain among several small and medium enterprises. Thus, It has been this existing balance between competition and cooperation that allowed the district to flourish and to grow.

This new form of organization between the network of firms developed at the beginning of the 1950, when we assist to the shutdown of several vertically integrated firms, which couldn't exploit any longer opportunities to export low cost products to developing countries. This led to the expansion of small and medium enterprises and to a new way of organizing the production chain, which included several firms and subcontractors.

As argued by Marshall, and later on by Becattini, the industrial atmosphere is the core pillar of an industrial district: this can be obtained only if personal and professional relations are simultaneously both competitive and cooperative. In fact, the coexistence of a common production processes, shared values and personal relations determines and enhances the district's productivity and innovation.

As direct consequence, personal relationships among entrepreneurs influence inter firms dynamics within the district. In particular, this kind of relations allows entrepreneurs with small capital to innovate both in terms of product and production process. This is way we find that these firms, which operate in a network, are more innovative than isolated firm.

The enhancement of innovation is not only related to this existing the industrial atmosphere but it finds an explanation in the very core definition of innovation. Being the innovation process a risky and complex path, in this framework of uncertainty, cohesion and relations among entrepreneurs facilitate them to undertake this challenging journey.

Finally, we can conclude that personal relationships, and in particular social trust, are pivotal for the proper functioning of the district and for the creation of "industrial atmosphere".

The concept of trust, which is critical for both inter-firm and intra-firm relations, is strongly related to the notion of social cohesion.

Specifically, the latter refers to the involvement and the cooperation of economic actors, who should believe that their goals are compatible within those of the organization in which they work.

In fact, only in this case, the employee is encouraged with the proper incentives to achieve the firm's goals and the employer is willing to reward this effort; the employee will be more engaged and overall productivity will increase.

In conclusion, this balance between competition and collaboration, the existence of personal and professional relations based on bilateral trust and confidence are the means through which small and medium enterprises within the district interact and approach to open innovation.

By considering Prato specific case, according to data published by Confindustria Toscana Nord, it is among the 5 biggest Italian districts in terms of employees and the greatest textile Italian district. Furthermore, it is significant its participation to national export, since its exports amounts to 2,483 millions.

Therefore, after WWII, Prato was becoming one of the most industrialized areas of Italy: it was competitive on international markets; well organized and endowed of skilled workers, who grew up in the district and knew every single step of the textile production process.

It is exactly the creation of this vital and dynamic district and the high demand of work force that attracted flows of immigrants. Initially, the high demand of employees was satisfied by Italians coming from southern regions of Italy. However, at the end of the 90's, these flows decreased, leading to a sharp growth in the amount of people coming from several developing countries, the great majority from China.

This phenomenon influenced deeply Prato's social structure, thereby impacting the configuration of the district as well.

Therefore, at the beginning of 2000, the district was facing several challenges and it was undergoing a significant metamorphosis.

Moreover, it has been pointed out a paradox in the way in which Chinese immigration occurred; in fact, it reached its acme during the years in which the textile district was confronting a strong crisis. Thus, it is not surprising that almost all Chinese workers were employed by Chinese subcontractor firms. These laboratories were initially working for Italian textile firms, which outsourced some phases of the production chain, in particular the labour intensive ones.

In this framework, Chinese firms were cooperating with Italian ones, which had most of the bargaining power. This phenomenon has been defined as "delocalization in loco" and it allowed Italian firms to reduce production costs and be more productive.

However, at the beginning of 2000, we observe a reversal in the role played by Chinese firms within the district. In fact, many Chinese subcontractors, who have already worked for several years for Italian producers and acquired the knowledge and the capabilities of the production process, decided to jump into the entrepreneurial activity and became producers of final clothing pieces.

The development of Chinese firms from subcontractors to producers of end products led to the expansion of the fast fashion sector, which previously was only marginal within the textile district. Indeed, it is peculiar that the evolution of Chinese laboratories led to the creation of a new sector rather than to an integration within the historical textile district.

The Chinese district has been defined as a parallel district, which developed in a complete independent manner with respect to the existing one.

Chinese firms, in fact, implemented a production process that was inspired to and mimicked the one typical of the district, but without interacting with Italian firms and the local economy.

The distinctive feature of Prato's district was the fragmentation of the production process among several small firms. Therefore, this has been replicated by the Chinese district as well.

For instance, Chinese firms in Macrolotto 1 simply realize the product's models and cut the tissues to make them ready to be sent to Macrolotto 0, where the tissues are assembled, sewed and the final clothes produced.

The districts are said to be parallel because, from the beginning of this phenomenon, the interactions between the two have been sporadic and purely commercial.

We are in a situation of neither conflict nor collaboration, the mean through which the two communities and the two districts achieved this kind of equilibrium is money.

Since Italian and Chinese firms are not integrated and there is a lack of personal relationships among entrepreneurs, many experts wonder whether we will ever talk of a unique integrated economy.

For now, the industrial atmosphere, required for both districts to benefit from the presence of each other and to flourish, has not been created yet.

In order to give a realistic prospective of how this phenomenon has been experienced by local entrepreneurs and what are their hopes and opinions for the future, I interviewed two entrepreneurs, who are the owners and managers of small firms that operate in the district from several years, since both their firms have been founded by their fathers.

Thus, these entrepreneurs have witnessed to the metamorphosis of the district and are well involved in the community which is around it.

During the interview, they both underlined how we must distinguish two phases, and thus two distinctive reactions of local entrepreneurs, in the development of the parallel district.

In fact, at the beginning of this phenomenon, Chinese firms were seen as a resource for local economy: they worked as subcontractors for Italian firms, by allowing them to accelerate the timing of production and to reduce marginal cost. Chinese subcontractors were an efficient low cost alternative to Italian ones.

However, as soon as Chinese subcontractors became producers of final products and specialized in the wrapping and sewing industry, their role within the district changed.

It is in this context that a severe competition between local and Chinese firms has born.

According to the interviewees, Italian firms and Chinese ones compete within the same market but on two very different levels. Since many Chinese firms do not comply with Italian laws, they are able to rip off greater profit by cutting down production cost through exploitation of employees and other illicit acts. Thus, Italian firms can no longer be the low cost alternative on the market, the local firms that survived were those that improved the quality of their products and undertook an innovation process.

Moreover, as it emerged through the interview, it is recently becoming very significant the number of Italian firms that are acquired by Chinese entrepreneurs.

Considering the status quo, the interviewees agree on Fabio Bracci's vision, according to which there is nor an open conflict nor collaboration between the districts. The mean of balance is money: the local entrepreneurs who consider the parallel district as a resource are only those who exited the market by shutting down their firms. In fact, they entered into the industrial real estate market: they are now able to rent their industrial buildings to Chinese firms at prices that largely exceed their fair market values.

Finally, the interview verted on the future prospective for the districts. According to the opinions of the interviews, we will be able to talk about an integrated economy only when the competition between Italian and Chinese firms will be brought on the same level. Thus, the required balance between competition and cooperation will be achieve only when Chines firms will conform their standards to those of local firms: in terms of industrial organization, product's quality and compliance with Italian laws. This challenging process must be enhanced mainly by local institutions, by the community and local entrepreneurs.

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Chapter 1: an overview of the concept of industrial district and its development in Italy

1.1 The theoretical concept of industrial district: from Marshall to Becattini

The concept of industrial district is well known in modern industrial economies and it has been extensively studied under different aspects.

In fact, It has been first conceptualized by Alfred Marshall: an ‘industrial district’ is an area in which firms are concentrated.

However, according to Marshall in Principles of Economics, an industrial district cannot be simply defined as a localised industry; it is, instead, a localised industry characterized by a particular atmosphere that allows firms to innovate through cooperation and competition.

Specifically, a localised industry is “an industry concentrated in certain localities” (Marshall, 1920, p.268); yet, in order to become an industrial district, this primitive localisation must last enough to develop into a more structured localisation with some peculiar features.

In particular, Marshall noticed how this agglomeration of firms would create an “industrial atmosphere” (Industry and Trade, 1919) and how common knowledge and information would spread throughout this atmosphere. It is exactly this type of atmosphere in which firms operate that allows them to share information and, consequently, to innovate.

According to Marshall (1920), this “industrial atmosphere” brings several peculiar advantages to the firms in the district.

First of all, it allows to preserve and to bequeath hereditary skills. As Marshall said: “*the mysteries of trade become no mysteries; but are as it were in the air, and children learn many of them unconsciously*” (1920, p. 271). Thus, core capabilities and skills are dynamically conveyed from one generation to the other and they become a distinctive qualification of that area.

Another determinant aspect is the development of subsidiary trades: when there is a localised industry, it’s likely that subsidiary firms “*grow up in the neighbourhood, supplying it with implements and materials, organizing its traffic, and in many ways conducing to the economy of its material*” (1920, p. 271). This clearly facilitates the functioning of the district, since enterprises can collaborate; each firm specializes in one part of the production process and outsourcing can be

easily implemented. Thus, firms in the district function as a whole machine; each one specializes in a particular step of the production process.

Furthermore, the industrial atmosphere leads to the use of highly specialised machinery: this advantage is due to a high specialisation of a district *“in which there is a large aggregate of production of the same kind, even though no individual capital employed in the trade be very large.”* (1920, p.271).

Therefore, even if individual firms don't have large amounts of capital to invest, we observe a high level of specialization and innovation because of their agglomeration.

Among the industrial district's advantages, Marshall pointed out the creation of a local market for special skills. In fact, employers don't have any issue in finding employees with the appropriate abilities since an industrial district offers a *“constant market for skill”* (1920, p.271). This feature is evidently correlated with the preservation of hereditary competences. Moreover, we must consider that a large and concentrated industry may attract a pool of workers, reducing employee search and hiring cost for each firm in the district.

The industrial atmosphere stimulates *“more vitality than might have seemed probable in view of the incessant change of techniques”* (1919, p. 287). By encouraging cooperation and innovation, it enhances industrial leadership: people find themselves willing to participate in the industry that has been a determinant aspect of their culture and community.

Finally, we assist to a continuous introduction of novelties and innovations into the production process. In fact, innovation comes from cooperation and from the diffusion of ideas through the district. *“If one man starts a new idea, it is taken up by others and combined with suggestions of their own, and thus it becomes the source of further new ideas”* (1920, p. 271).

It is exactly this peculiar form of cooperation that distinguishes the industrial district from a mere form of localised industry.

Marshall found out that a specific balance of competition and cooperation characterizes industrial districts.

In fact, each firm specializes in a phase of the production process that is functional to the others; thus, the district is not only competitive because of the existence of many small firms but it is also cooperative.

As Marshall himself wrote in *Industry and Trade*: *“The broadest and in some respects most efficient forms of cooperation are seen in a great industrial district where numerous specialized branches of industry have been welded almost automatically into an organic whole”* (Marshall, 1919).

We can conclude that cooperation exists among specialized firms as it exists among vital organs in an organism: each firm carries out its own function in the production process, collaborating and competing one another.

According to Marshall there are two types of cooperation: it may be “*conscious and intentional*” or “*unconscious and automatic*”. The second type is the most efficient form of cooperation in industrial district. However, also intentional cooperation can lead firms to overcome issues that characterize an industry. For instance, small firms in industrial districts are able to compete with large vertically integrated firms because of external economies; however they are disadvantaged in other activities, such as in marketing accomplishments. (1919, p. 115).

On the other hand, this issue can be overcome if these firms cooperate; this is explained by Marshall by taking the Lancashire district as example. Indeed, in *Industry and Trade*, Marshall explains how English small and medium size firms tried to go beyond their limits in marketing issues through intentional cooperation.

In the mid-1920s, when large successful firms began to develop and capital investments shifted toward large firms, Marshall’s contribution about industrial districts weakened.

In Italy, the concept of industrial district was dealt with by Giacomo Becattini, who published the article “*Dal settore industriale al distretto industriale: alcune considerazioni sull’unità d’indagine dell’economia industriale*” in 1979.

Since Becattini took interest in Marshall theories, all the economists who studied the notion of industrial districts identified Marshall as father of the concept. For instance, Paul Krugman in *Geography and Trade* (1991) and Michel Porter in *Advantage of Nations* (1990), where he depicts Italian localised industry and the tile district of Sassuolo.

From Becattini’s article (1979) “*emerges the notion of industrial district as a socio-economic system, where local development forces and territory become crucial.*” (Schilirò, 2017)

Indeed, Becattini transforms the industrial district notion into a general model used to better understand different forms of industrial organization present especially in Italy, but also in other contemporary economic systems.

He describes a localised industry of small and medium enterprises specialised in one production chain, where production communities are of primary importance.

Giacomo Becattini (Becattini, 1979, 1989, 2007) depicts districts as “*socio-territorial entities*”: the industrial district is no longer a simple aggregation of professional activities of the same type as it was for Marshall, it is an organism of both a group of enterprises and of people.

The presence of a community implies the existence of a *modus operandi*, of shared values and personal relations that affect the structure of the district, its production and its innovations.

“According to Becattini, the close relationship established between communities and business in the district is the key factor that drives innovation, knowledge and quality.” (Schilirò, 2017).

This vision is related to the existence of a balance between cooperation and competition: professional and personal relationships are competitive but “*non-destructive*” as to create an atmosphere characterized by the appropriate stimulus for innovation and renewal.

Following Becattini’s conceptualization of industrial district, several scholars carried out studies on the topic: one of the most influential is Michael Porter, who develops the idea of *business cluster*.

Porter (Porter, 1998) defines the cluster as a localised system of production and he identifies Italian district as a peculiar case of it. This industrial cluster is characterized by several firms linked by vertical and horizontal relationships.

According to Porter, a business cluster is a geographic concentration of inter-related companies, suppliers and service providers specialized in a certain field.

However, as stated by Sforzi (Sforzi, 2015), Porter modifies Becattini’s concept of district by reducing it to a “*mere geographic concentration of industries*”: he doesn’t capture the fundamental source of proper functioning of the district, which is instead “*the interconnections between the production system and the community of people insisting on the same territory.*” (Schilirò, 2017).

1.2 How personal and professional relationships coexist within SME network and how these relations influence inter-firms dynamics

Personal and professional relationships coexist within a network of small and medium enterprises and they certainly affect economic decisions taken by firms. Thus, both economic decisions and inter-firms dynamics are influenced by the different types of personal relations existing among entrepreneurs.

It is exactly this kind of relations that allows entrepreneurs with small capital to innovate and to create highly specialized production processes.

Indeed, firms in a network are more innovative than isolated firms: aggregation provides them with higher flexibility, greater ability to respond to changes in the external environment, more fluid information flows and several relations among entrepreneurs. (Ceci & Iubatti, 2012).

Therefore, in this context we find an application of Becattini's notion: the proper functioning of firms in an industrial district is mainly determined by the social relations that exist among members of its community.

Powell and Smith-Doerr defined a network as "*a set of nodes linked by a set of relations, such as friendship, kinship, political, ect*". (Powell & Smith-Doerr, 1994).

However, one of the first conceptualization of network is provided by Marshall, who described the industrial district as an example of network.

As we have previously discussed, the district is a socio-cultural identity, at the basis of which there are the distinctive relationships, both professional and personal, among its members.

It is clear how personal relations play a fundamental role in the structure of the network itself and in the diffusion of innovation within the business district.

Hence, the diffusion of innovation is greater in a network because of the presence of a set of relationships established by professionals, called "*business networks*" that enable localized learning and knowledge sharing among firms. (Ceci & Iubatti, 2012).

According to the literature, the structure of the network can lead to the development of different kinds of relationship.

However, in order to have knowledge sharing within the network, trust is a common factor required in all these relations.

In the article "*Ties, Trust and Trade*", Lorenzen theorizes how trust develops in industrial districts and explains why a business cluster should be endowed of it.

He defines trust as a "*cognitive coordination mechanism*" and he identifies two different types of trust: dyadic trust and social trust. The first is characterized by mutual interests in the network of firms and is particularly important in a cluster of small firms.

However, the latter kind of trust, which is social trust, is the one that has particular economic value in a cluster since it enables the diffusion of information and of innovation.

Social trust is originated by local information spreading and by social learning processes. It is based on personal relationship that “*foster knowledge exchanges that are essential for the development of networks*” (Ceci & Iubatti, 2012).

Finally, we can conclude that personal relationships, especially social trust, are pivotal for the development of the industrial atmosphere in a district; they not only affect economic decisions and inter-firms dynamics but also enhance the diffusion of innovation within a network of small and medium firms.

In conclusion, we can add that the innovative process is a complex and risky path; this is way one of the main features of an entrepreneur is having an open mind-set and being able to bear risks.

In this context of uncertainty, personal relationships and trust among the members of a network play a critical role: trust, common values and objectives facilitate the commitment of entrepreneurs into this challenging path of innovation.

1.3 Social cohesion as pillar of the district

Social cohesion is one of the main pillars of industrial district's vitality and development.

We must first define what we mean by social cohesion.

In this context, in fact, social cohesion is not simply the lack of social conflicts: indeed, it is the involvement and collaboration of economic actors within the district, who should feel that their goals are in line with those of the organization for which they work and should believe that collaboration is the vehicle through which they can achieve them.

Social cohesion involves trust, which is fundamental both in inter-firm relations and in intra-firm relations.

The first, as previously explained, is what allows cooperation to happen in a competitive environment.

The latter implies that employees are willing to go the extra mile in order to achieve the firm's goals and that employers are willing to recognize and reward this great effort.

In this scenario, collaboration exists among workers within firms and across different firms; this is how district firms implement open innovation: by enhancing the diffusion of existing knowledge, they create new knowledge and innovation.

Furthermore, social cohesion involves confidence as well.

In particular, through confidence, entrepreneurs can build a network and can capture business opportunities; on the other hand, confidence guarantees to employees the possibility of establishing their own business in the future.

Finally, social cohesion is a determinant aspect of industrial district since it permits district firms to act differently from both large firms and from a set of small and isolated firms; we can conclude that it is pivotal for determining the competitive advantage of firms in the districts. (Ramazzotti, 2008)

1.4 Italian industrial districts and their metamorphosis

Small and medium enterprises represent a leading force of Italian economy. SMEs are characterized by their peculiar organizational form, which finds its theorization in the concept of industrial district.

The presence of industrial district in Italy is astonishing: in fact in 2011, ISTAT identified 140 districts (General Industrial and Services Census of 2011). In particular, the manufacturing sector is characterized by a district structure: the manufacturing districts represent more than 33% of the entire manufacturing industry.

ISTAT report shows how industrial districts are not evenly distributed across Italy: specifically, Lombardia, Veneto and Emilia Romagna accounted for almost half of the districts; while Tuscany and Marche recorded almost 24% of them. Finally, South regions and Islands host only 15% of the total. (Schilirò, 2017).

<i>Areas</i>	<i>Number of districts</i>
North-Est	45
North-West	37
Center	38
South	17
Islands	4
Total	141

Figure 1.1 Geographical Distribution of Italian Industrial Districts (2011)
Source: ISTAT report 2011

Moreover, ISTAT census of 2011 disclosed how the majority of districts are specialized in the traditional sectors of “Made in Italy”, such as mechanical, textile, clothing, furniture, leather and food industries. Hence, the districts of “Made in Italy” consist of 130 districts, which account for around 92% of the total.

Italian industrial districts have always been successful in international markets and this is due to the high degree of flexibility, competitiveness and constant product innovation of Italian companies. Their achievements in foreign markets appear evident as we consider that industrial districts’ exports represent 60% of total Italian exports.

A core capability that determines the success of Italian district companies in foreign markets is product innovation, which is enhanced by industrial atmosphere and by cooperation among firms that allow to create and to transfer knowledge and innovation.

In fact, according to a survey published by Osservatorio Nazionale Distretti Italiani (2016), Italian industrial districts and their products show a long lasting competitiveness in foreign markets. This strength is due not only to high quality of production, which favours quality rather than quantity, but also to the employment of open innovation strategies. (Schilirò, 2017).

In the article “A Better way to Innovate”, Henry Chesbrough explains that firms implementing open innovation strategies are “*accessing and exploiting outside knowledge while liberating their own internal expertise for other’s use*”. This is exactly what happens in industrial districts, in which we observe flows of information and knowledge spreading among entrepreneurs. (Chesbrough, 2003).

The last decade has been characterized by several factors, such as the industrial growth of emerging countries, which changed the international competitive context.

These changes have affected the structure and the presence of industrial districts in Italian economy; in fact, only some firms have been able to react with a dynamic and innovative behaviour.

Together with changes in the international economic environment, we assist to changes in the production model as well. For instance, many firms have employed a “*delocalisation process*”, which consists of transferring production activities to emerging countries where there is plentiful labour at limited costs.

However, transferring production to other countries led to a “*de-verticalization process*” that strongly modified both firms’ identity and the district model. Since industrial districts are based on the interaction between a community of people and a geographical agglomeration of firms, the latter is pivotal for the very existence of the district.

Considering how district firms have reacted to changes in international economy, most of them changed neither production nor strategy but maintained a conservative behaviour.

Only districts whose firms have reacted dynamically to these external changes have been able to keep their competitive advantage. In particular, we notice that firms with an high degree of flexibility are those specialized in traditional sectors of Made in Italy, as textiles or clothing and so on. (Platania, 2014)

In particular, in order to maintain their competitive advantage, district firms must be able to react to two different types of change: those coming from outside the district, as growth emerging countries or technological shocks that affect the competitiveness of their products; changes coming from

inside, such as transformation in market expectations or in personal and professional relationships. (Ramazzotti, 2008)

Finally, we can conclude that only firms ready to continuously change business model and to invest in product innovation can survive in this international market.

Certainly, Italian industrial districts have endured the consequences of both 2008 global crisis and of the competitiveness exercised by emerging countries.

Therefore, not all the companies have been able to react dynamically to the changes in the market and have been forced to exit it.

That is the reason why in recent years we observe a decrease in the number of Italian district firms and, instead, an increase in the average size of firms so that medium firms become leaders of the industries.

Chapter 2: From the origin of the textile district of Prato to its new structure

2.1 Prato textile industrial district and its development

Prato is one of the greatest industrial districts of Italy and it plays a main role in the textile industry: its production consists of fabrics for clothes, tissues for furniture and for industrial uses.

It is one of the main leader of Italian districts in terms of output produced, in terms of agents and people working within it and, finally, in terms of export of production.

According to the figures published by Unione Industriale Pratese, the textile and clothing district's total turnover is around 4,192 millions of euro and total export is around 2,483 millions.

Data published by Confindustria Toscana Nord confirm that Prato is among the 5 biggest Italian industrial districts in terms of employees and the greatest textile and clothing Italian district.

The specialization of Prato into textile industry goes back to XII and XIII centuries, when the fabric's production was managed and organized by the corporation "Dell'arte della lana".

However, the industrial take off has occurred around the beginning of 1900 along with the establishment and development of the dynamics for mechanical production.

Until the second world war, there were two types of production circuits: one characterized by large vertically integrated firms that produced standardized tissues, such as plaids and military blankets, and exported these products to poor developing markets as Indian and African markets; the other characterized by small and medium enterprises.

After WWII, at the beginning of 1950, we assist at the shutdown of these vertically integrated firms because there were no longer opportunities to export low cost products to African and Indian markets.

Thus, small and medium enterprises expand and we assist to a specific segmentation of the production processes, each firm performing a step of the production chain; it is during this period that the structure of industrial district is developed.

In this context, the main peculiar characters of the district emerge: the subcontractor firm, which performs the activity of tool-manufacturing, and the firm that produces and commercializes the final product.

This new structure of industrial district is actually based on the fragmentation of the production chain. This organizational structure together with product innovation was the right answer to the needs of the market.

Prato industrial district became a model of this peculiar form of organization and it was taken as example to study the Marshall industrial district. Indeed, a peculiar feature of Prato textile district was the high level of fragmentation and specialization of each production step among several small and medium enterprises; the mix of cooperation and coordination among firms led to an efficient organizational form that allowed for product innovation and for high degree of flexibility to respond to market's changes.

The urban development of Prato followed the pace of the district, leading to the creation of a "city-firm". Specifically, we assist to a particular urban conformation characterized by the proximity between houses and firms. In some cases, artisans and subcontractors were creating spaces inside their homes in which they could work. In other cases, we assist to the construction of firms nearby or within residential areas.

Thus, there is a strong form of integration and inter-relation between private and working life. This is a typical distinctive feature of the industrial district: a strong bond between the community and the agglomeration of firms.

At the end of 90s, Prato was one of the most industrialized areas of Italy. It was competitive and well organized, the industrial atmosphere and the know-how of people growing in this environment allowed entrepreneurs to access to highly skilled workers and to innovate. Moreover, the presence of several subcontractor firms and their personal relationships with entrepreneurs allowed for cost reduction in the production chain. (Unione Industriale Pratese, 2015)

Since Prato has been so productive after WWII, its growth generated a high demand of workers that couldn't be satisfied only by local people. For this reason, it has become an attractive destination for flows of immigrants. Initially, this high demand for employees has led to the movement of several Italian people from south regions.

However, at the end of 90s, the flows of people coming from South of Italy decreased a lot, opening the doors to flows of immigrants coming from developing countries in order to answer the demand of working force. These flows of people were coming from several non-European countries, even if the predominant majority were Chinese.

Thus, we could say that immigrants were a fundamental resource for the well functioning of the industrial district, as it happened in other many cases in Italy.

Moreover, these flows of immigrants shaped and influenced the social structure, which in the long term changed the structure of the district and the features of the community within it.

The globalization of new cultures, religions, rituals and habits within Prato has brought new elements that were very different from the society's homogeneity and traditions.

Although the integration of all immigrants followed the classical path predicted by sociology, only Chinese immigration has occurred and developed in a peculiar way both in quantitative and qualitative terms. In fact, paradoxically, Chinese immigration has increased during the years in which the textile district was facing a strong crisis (after 2001\2).

Finally, at the beginning of 2000 the district was starting to change under many aspects.

2.2 The new challenges of the district and the origin of a parallel Chinese district

Analysing the phenomenon of Chinese immigration, we find that the vast majority of immigrants find themselves working in Chinese firms in which both the employer and the employees are of their nationalities. Most of the time, employees not only work within the firm but live there too. Thus, the working environment is a microcosm in which employees and employer spend most of their time.

Many Chinese who come to Prato have great ambitions to become rich entrepreneurs. Usually, they work for many years as low-waged employees in Chinese firms and, once they saved enough money to repay the debts of their travel, they rent some warehouses to start their own business.

Fiona Ehlers, in her article “*Made in Italy at Chinese prices*”, details how Chinese workers are now taking up the spaces occupied by Italian workers during the XX century; who worked their fingers to the bones to obtain worker’s rights and to make Prato one of the most efficient and well-known textile district in Europe. She describes that visiting a Chinese firm at Sunday night, she found out how they silently work at night, supervised by a foreman and putting “Made in Italy” labels on their products.

She narrates the story of a Chinese men, who arrived in Prato when he was only 17 years old as “clandestino”, thus as an illegal and undocumented immigrant. He worked for 2 years as uninsured employee, working 18 hours a day and being paid 500 euros per month. Now he owns a business.

Many Chinese can tell a similar story. This is how the so-called parallel industrial district started to develop at the beginning of 2000. (Ehlers, 2006)

The exponential growth of Chinese firms, particularly in the clothing sector of “*fast fashion*”, has started from the 2000s and it occurred while the historic textile district was undergoing a strong crisis. Thus, while Italian firms were continuously making annual losses, Chinese firms were growing at phenomenal rate. Therefore, we observe two opposite trends inside the very same industrial district; this caused Italian employers and workers to see Chinese firms as a threat rather than as a resource for cooperation.

Analysing the origins of this phenomenon, we notice that, at the end of the 90s, the increase in the number of both Chinese firms and commercial relationships between Chinese and Italian entrepreneurs has led to the definition of “*delocalisation in loco*”.

Indeed, many Italian textile firms outsourced several phases of the production cycle by making agreements with Chinese firms within the district, so that they could reduce production costs without having to turn to international markets.

Thus, delocalization in loco allowed many textile firms to reduce marginal costs thanks to the collaborations with Chinese subcontractor firms; who represented a low cost alternative to Italian ones.

In particular, Italian firms tended to outsource those activities that are defined as labour intensive, such as sewing and wrapping: these imply low technology, a lot of manpower, low costs and low quality levels.

Since, in this framework, Chinese firms were operating as subcontractor firms for Italian firms with high bargaining power, this phenomenon was interpreted as a delocalisation in loco that allowed Italian firms to reduce costs, be more productive and more competitive in international markets.

However, at the beginning of 2000 we assist to a shift in the Chinese world within Prato industrial district: in fact, many Chinese, who have already been working as subcontractor firms for several years, decided to evolve and to develop their firms from subcontractors to producers of final products. Those Chinese, who previously acquired the knowledge of the clothing industry and of the functioning of the district, jumped into the entrepreneurial activity and became producers and sellers of final clothing pieces. As we can see from the following graph, realized by “Camera di Commercio di Prato”, this transformation was initially carried out only by few Chinese firms, but it became soon a common trend and this led to a significant growth of Chinese firms within the district. This transformation is really significant for determining the district’s dynamics: now Chinese firms are no longer subcontractors working for Italian firms but they are ready to face the market by themselves, with their own final products. (IRPET, 2013)

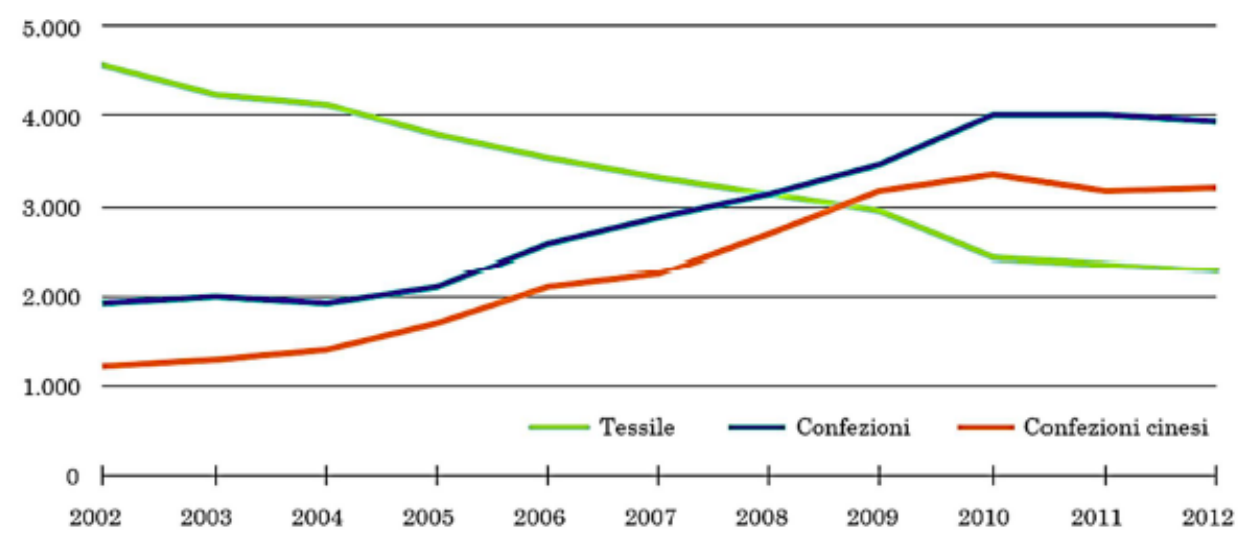


Figure 2.2 Number of textile and wrapping firms within Prato Area (2002-12)
Source: Camera di Commercio Prato

The development of Chinese entrepreneurial activities within the district allowed for the creation of a new sector within the industry, which is the “fast fashion” sector and, particularly, they specialized in packaging activities. It is peculiar that they didn’t set their firms within the historical textile sector of the district.

Studying the literature regarding this phenomenon, we find several references to the concept of “*parallel district*”.

This expression has been coined because Chinese firms developed a production process inspired and similar to the district’s typical one; however they grew in a parallel, rather than collateral, way with respect to the district’s firms, thus without interacting with the local economy. For instance, in several cases the tissues used for the production of clothes by Chinese firms are not bought from textile firms within the district, but imported from China or other developing countries that offer lower prices. Another important aspect is the level of illegality within this new parallel district: because of the short timings of the production process in the “fast fashion” sector, it is quite easy to evade taxes in a production process that lasts only a few days and do not leave any track. In fact, all the steps occur off the books, from the purchase of the tissues to the sale of end products.

Moreover, since most of the workers are undocumented employees, these firms not only evade corporate taxes but also those on wages.

Finally, the perception of Italian employers about Chinese firms is worsened by the huge amount of euros that, each month, are transferred to China as remittances. In fact, these transfers are seen as an amount of wealth subtracted from the district that generated it.

For all these reasons, it is interesting to investigate the relationships that exist between Chinese and Italian enterprises within the district, in order to understand whether the “industrial atmosphere” and cooperation described by Marshall can still be present among the two parallel districts.

Chapter 3: The Chinese parallel district and its interaction with the local economy

3.1 How Chinese firms are integrated in the local economy and the links between the two parallel districts

Stefano Becucci, professor of Political and Social Sciences department of University of Florence, conducted a study on the relationships that exist among Chinese entrepreneurs and Italian ones.

In order to do that, he made a field research by investigating 40 Chinese laboratories; he interviewed 21 witnesses in between January 2012 and September 2013.

Therefore, he elaborated the results of this research and he wrote an article, “*Ethnography of fast fashion. Chinese firms in the industrial district of Prato*”, in which he describes the production processes within these Chinese laboratories and their commercial relationships. (Becucci, 2014).

He depicts the industrial area of Macrolotto 1, which is characterized by an agglomeration of Chinese laboratories and firms that respects the typical features previously detailed.

However, the ownership of the industrial area Macrolotto 1 is almost entirely of Italian entrepreneurs, who rent their warehouses to Chinese.

He describes how the production process of clothing pieces is not entirely carried out within those laboratories in Macrolotto 1. In fact, here, the models are decided, the tissues are cut and gotten ready for being assembled. Then, once the tissues are ready, these are sent to other Chinese laboratories, which are located in another area, the so-called Macrolotto 0.

The latter consists of laboratories within flats and houses, in which the tissues are assembled and the final products, with “made in Italy” labels, are produced. Thus, Chinese firms have replicated the *modus operandi* of Italian firms in the district, which split the production chain among several small enterprises.

Moreover, Becucci made an analysis of the prices charged by Chinese laboratories.

According to his research, they sell a typical skirt at a price of 3 euros, a synthetic jacket at 14 euros and so on. These competitive prices are only possible because of the use of low-quality raw materials. In fact, the tissues are imported from developing countries; especially from China.

For instance, a wrapper from Mantova tells how a Chinese producer provides him with tissues for 2,60 euro per meter, while Italian ones sell one meter for at least 4 euros.

Moreover, Chinese firms usually employ Chinese workers, who are most of the time paid according to the number of pieces produced, thus through piece rates.

Last, but not least, the level of illegality leads to a significant reduction in costs of production.

In the previous sections, the Chinese parallel district has been analysed in detail.

Therefore, it is now interesting to investigate how these firms are integrated within the local economy and what sorts of relations exist among the two parallel districts.

Since the development of the parallel district, the interactions between Italian and Chinese firms have been sporadic, rather than frequent; that is indeed way the establishment of these firms have occurred in a parallel manner.

However, it is interesting to notice that in 2012 Wang Liping became the vice president of CNA Prato, which is a national confederation of both craftsmanship and small and medium enterprises.

This institution is of significant importance within the local reality, thus within the district.

It was the first time that a Chinese entrepreneur held a directive position in an institutional association. The aim of his position was of functioning as a bridge between Italian and Chinese communities. As a matter of fact, the Chinese community could be a fundamental resource for Prato's economy, however, this may happen only if Italian laws are respected and if an interaction is created among Italian and Chinese firms.

Finally, because of the high number of Chinese firms, the interaction has become essential.

This is way the institutions showed their interests in guiding this transformation and in participating in the steps toward it. Indeed, it is required the contribution of each entrepreneur in order to be able to define a unique district, which must be able to locate itself within the global context.

It is in this framework that the "CNA world project" has been thought: it is the first group of Chinese firms within the association and it represents the first step toward the integration, the commercial interchange and the legal surface of these firms; all factors that could benefit to the economy of the district.

In 2015, two years after its foundation, CNA World China already counted 260 members, showing somehow the will to transform the reality of two parallel districts into a unique integrated economy. Nevertheless, still today, we can observe only a mere form of integration.

Furthermore, the most significant progresses achieved by the institutions concern only the legality of the working conditions in which Chinese set up their laboratories. However, any sort of cooperation between the districts still seems only a distant perspective.

There are controversial opinions on whether the establishment of the parallel district has been beneficial or harmful to the economy of the district.

According to Ceccagno, the impact has been positive because it led to the expansion of a sector, the fast fashion, that was only of marginal importance in the district. In particular, he points out that Chinese firms provided job opportunities not only to Chinese but to Italian as well; for instance, there are more than 400 autonomous Italian salesmen that work for Chinese firms.

Thus, he sustains that the development of Chinese firms increased the vitality of the district, encouraging Italian firms to become more competitive in the textile industry. (Ceccagno, 2008).

On the other hand, according to Silvia Pieraccini, this phenomenon can be defined as detrimental, rather than beneficial, to Prato's economy. Her symmetric view is based on the idea that Chinese firms have tipped over the image of Prato district, in particular in terms of icon as producer of high quality products. Moreover, she sustain that the wealth and growth of Chinese firms is mainly due to the high level of illegality and fiscal evasion. Finally, she takes into account the negative impact of the high number of transfers that each year are sent back to China, which are perceived as resources subtracted from the district. (Pieraccini, 2010)

Lastly, the analysis of Fabio Bracci starts from considerations on the relationships between Italian and Chinese communities, who are neither interacting nor having an open conflict. He concludes the two districts have found an equilibrium: they entertain some mere economic relationship, without really interacting with each other. Thus, money is the mean through which a stabilization has been achieved. (Bracci, 2009)

In a nutshell, whatever is the approach we take in studying this phenomenon, certainly, we don't observe the creation of the industrial atmosphere and the cooperation required in order to take advantage of the district's opportunities.

In particular, the concept of district is strongly based on the interconnection that must exist between the community and the agglomeration of firms. This is a core element that seems to be absent in the new reality of the district.

3.2 Interviews to investigate this phenomenon from a direct and actual perspective

As previously stated, the phenomenon of the development of a Chinese parallel district has been studied in depth. It is therefore interesting to have a clear direct perspective on it.

For this reason, this section is dedicated to summarize and analyse the takeaways of an interview which I carried out.

In particular, I had the opportunity to gather the opinions and the feedbacks of two local entrepreneurs who have personally witnessed this metamorphosis of the district.

In order to give a complete overview of the case, I interviewed two figures who are significant for the local economy and that can be considered as appropriate representatives of the typical local entrepreneur of small medium enterprise in the district.

In fact, Francesco Viti is the owner of a firm that operates on the district since 1968, in particular within the textile production chain as subcontractor. His industrial laundry counts 11 employees and makes a turnover around 1.800.000 euros; it is a historic firm within the district, which has been founded by his father and is well placed within the local economy. Therefore, Francesco Viti has been able to express his clear understanding of the evolution of the district and the related uncertainties.

Similarly, Stefano Betti, the other interviewee, is the owner of a family business which has been established 35 years ago. His firm operates as subcontractor in the thread (yarn) industry, it has 25 employees and a turnover around 2.000.000 euros.

Their firms are some of the few local firms still present in the Macrolotto area, surrounded by Chinese firms. Indeed, as previously argued, this is the area in which the agglomeration of Chinese firms has been established.

First of all, the main topic of the discussion regarded their opinions on the impact that the development of the Chinese parallel district had on the local economy and, in particular, how this has been perceived by local entrepreneurs.

According to the interviewees, we must make a distinction between two different moments in the development of the Chinese district and the related reactions.

In fact, initially, the establishment of Chinese laboratories has been well accepted and embraced by Prato entrepreneurs, since Chinese subcontractors provided for low cost and time efficient alternatives to Italian ones. The producers of final products could deliver the intermediate goods to be sewed in the morning and these were already prepared by night. This was a completely new source of advantage for final products manufactures.

Therefore, at the beginning, local entrepreneurs reacted very well to Chinese immigration, which accelerated and optimized the timing and the costs for final producers in the district.

Thus, Chinese laboratories were initially seen as a resource for local economy; until they worked as low costs subcontractors for Italian firms, that had a lot of bargaining power.

However, later on, Chinese laboratories positioned themselves on the market as wrappers and sewers of clothing pieces. Finally, they evolved themselves and many of them made a jump into the entrepreneurial activity: they became producers, sellers and merchants of clothes. In fact, working as subcontractors for Italian firms, they learnt the “industry’s art” and they spotted the source of profit.

In this framework, Francesco Viti underlines, the competition between Italian and Chinese producers has born. However, the two districts found themselves to compete on two different levels within the same market: most of Chinese firms undertook illicit acts, as evading corporate taxes, exploitation of work force and a more general lack in the compliance of Italian laws.

According to Stefano Betti, this is exactly the kind of attraction and cause that led to Chinese immigration. Chinese investors were mainly appealed by Prato’s textile district because of its collocation on the market, the commercial networks and the opportunity to cover the existence of firms and, thus, to evade taxes and not comply with industrial laws.

In fact, as Stefano Betti suggests, employees that work for Chinese firms are almost “hostages” of the entrepreneurs, since they are undocumented immigrants and they have their hands tied up.

None of these employees comes forward with a notification of their unthinkable working conditions, because they prefer to be exploited rather than to loose their underpaid jobs.

Finally, in the last 10 years, Chinese firms have also specialized in the textile industry, such as in printing fabrics: there are now around 40 Chinese firms among dryers and printers. Thus, they expanded with respect to their core business of fast fashion.

More and more frequently, as the interviewees document, Italian firms that are closing, because of both the generation change and continuous annual losses, have been acquired by Chinese entrepreneurs.

Therefore, competition within the district has increased even more: only those Italian firms that have been able to react to these external forces by increasing products’ quality and the pace of innovation managed to survive.

Chinese dryers and printers employ low quality and imported tissues, they usually work only for Chinese final producers; while survivor Italian firms use local tissues and work for historic firms of the district. Thus, they operate on two different market segments.

Furthermore, we may wonder: how is the acquisition of Italian firms managed by Chinese ones?

Do Italian employees keep working in the firm once there is this change of ownership?

It is interesting to notice that Italian technicians and skilled workers, such as the chemists needed in order to maintain the minimum product quality, as the colour of the tissue, continue to be employed. On the other hand, the unskilled working force is completely replaced by either Chinese workers or immigrants of other ethnicity; in fact, the recent phenomenon is the exploitation of refugees as working force.

As the interview went on, the discussion focused on the development of a parallel district, rather than a complementary one, and on Fabio Bracci vision: he sustains that the two districts have found an equilibrium in which they coexist without either interacting or being in an open conflict.

Stefano Betti and Francesco Viti agree with this kind of vision and underline how money is the mean through which this equilibrium is sustained.

In fact, the gains from the development of Chinese parallel district for the local economy are entirely allocated to those entrepreneurs who exited the market: the previous entrepreneurs who switched to the real estate market.

In fact, many local entrepreneurs have shut down their firms and rented their real estate properties to Chinese entrepreneurs. Thus, the nature of the equilibrium is purely economic. It is really rare that Chinese firms buy real estates, they prefer to rent them. Hence, the rents of these laboratories have become the main source of income for many ex- entrepreneurs. There are entire areas, as Macrolotto 1 or 2, in which “*Chinese expel Italian firms, which in most cases transfer their production activities to Montemurlo*” and a sort of microcosm, made mostly of Chinese firms, is created.

Finally, the advantages of the existence of the parallel district for local economy comes from the industrial real estate sector, rather than properly from the textile or fast fashion ones.

In fact, the rents can achieve vertiginous prices, up to three or four times the market value of the industrial estate.

Stefano Betti tells us how inside Macrolotto 1, there are warehouses that costs 1800 euros per meter, while in other industrial areas of Italy, there are auctions that sell warehouses for 270 euros per meter. Finally, we can say that the ability of the two districts to survive without either collaborating or having an open conflict lies on the profits made through these investment opportunities for those who own these properties.

The discussion proceeded and one of the core and most significant point touched and confronted was related to the high level of illegality which is present in the districts and whether, according to their opinions, institutions could do something more in order to enhance legality.

In order to provide a practical example, Stefano Betti describes how a Chinese firm located next to his one uses, during the weekend and at nights, a smoke scrubber that is not in compliance with environmental laws and emits polluted air.

Although he reported it to the relevant authorities several times, they were never able to charge the firm for this illicit act.

In fact, he underlines how the controls should be more accurate and should be done in strategic timing, rather than during the week at, by now, predictable time spots.

Finally, the interviewees explained how the laws to be applied exist, however there are not enough means and tools through which these can be made respected by everyone; moreover there are not sanctions for those who don't comply with them.

In particular, there are two laws that could be efficient to fight these kinds of illegalities.

One law regards the costumer's joint liability: if the buyer knows that he is cooperating with a supplier that works illegally, then he is liable to the INPS and to the employees as well. For instance, if the supplier evades corporate taxes and the brand for which the supplier is working knows it, then the brand is accountable. However, this rule is really difficult to be applied and there are not reported cases in which this has been used in Prato's district.

The other law is "Decreto 603-bis", which concerns the working force exploitation. Referring to the relevant law, there are four parameters according to which an entrepreneur can be sanctioned with a penal charge for labour exploitation: for instance, whether he exploits people who are in a state of need, whether he doesn't provide the employee with his fundamental rights as insurances, breaks, appropriate wages and so on.

Therefore, the appropriate laws to fight the high level of illicit acts of local economy, in theory, would be in place, however these are not complied with.

There are two typical issues that arise with the application of these laws.

First of all, several times the declared owner of Chinese firms is fictional and doesn't exist, in fact the "front man" practice is quite frequent.

Moreover, in order to apply Decreto 603-bis, there must be certain evidences, such as a deposition by the employee who is in state of need.

However, according to Francesco Viti, if an employee works for 12 hours per day and his wage amounts to 500 euros, this is already an evidence of illegal recruitment; even though the employee is officially regular since it has a contract of 4 hours per day.

Finally, we can conclude that even if there would exist strict rules that enhance the correct way to conduct a business activity, these are not respected because there are not the appropriate tools to implement them.

In order to conclude reflecting on a perspective for the future, I asked the interviewees their opinions on the possibility for the two districts to amalgamate and become a unique integrated economy.

According to the two entrepreneurs, a prospect in which the two districts collaborate and become one is the only possible future for Prato's economy. As a matter of fact, they underlined how there is not coming back for the metamorphosis experienced by the district, thus Chinese firms are part of the new reality.

We are, now-days, at the third generation of Chines who were born in Prato, thus, it is unthinkable that still Chinese and Italian firms compete on two extremely different levels and that the institutions and the community were not able to spread to these new generations a culture on the way of conducting an entrepreneurial activity. The knowledge spill-overs that are typical of an industrial atmosphere seem to not impact at all the current industrial culture of Chinese laboratories. In conclusion, Francesco Viti and Stefano Betti believe that the only way in which an integration of the two districts is achievable is by bringing the competition between the two on the same level. Therefore, this can be obtained only by improving the product's quality of Chinese firms, so that they reach the same quality of those produced by local entrepreneurs, and, even more significant, by spreading and transmitting to Chinese entrepreneurs the way of organizing a firm according to the rules and culture of the district.

In fact, it is of fundamental importance that they understand the role played by the local firms within the community. The owner and manager of the firm is not only personally liable for the firm's economic performance but he is also liable for the employees working within the firm and for the external environment.

Finally, according to their points of view, we will be able to talk about a unique district only when Chinese firms will conform their standards to those of local firms: in terms of product's quality, compliance with the laws and methods to organize and manage a firm and his employees. The institutions, the community and local entrepreneurs play a meaningful role in this process.

Place	CNA TOSCANA CENTRO
Time	22\06\19, 10.30 am.
Duration	2 hours
Interviewee	Francesco Viti, Stefano Betti, Cinzia Grassi
Role of the interviewees	Francesco Viti and Stefano Betti are the owners and managers of their firms; Cinzia Grassi is the General Director of CNA Toscana Centro.

Figure 3.2 Summary of main elements of the interview

3.3 Conclusions and final comments

In conclusion, this document wanted to present an analysis of Prato's textile district and of the development of the Chinese Parallel district, which radically changed the local economy from the beginning of 2000's.

Therefore, it initially details the theoretical context in which the industrial district has been defined and studied, from Marshall to Becattini and Porter.

As it has been previously argued, personal relationships play a determinant role in the creation of the industrial atmosphere that allows the agglomeration of firms to become a district and to flourish. Thus, the document proceeds in analysing how personal and professional relationship affect inter and intra firm dynamics.

Since the district is defined as an agglomeration of firm surrounded by a community which is involved in the functioning of the district and because, in this context, the boundaries between private and professional life vanish, social cohesion plays a critical role.

As the analysis proceeds, there is a section dedicated to Italian districts and the metamorphosis of their structure that occurred in the last years.

Finally, the textile district of Prato is introduced: its origin and development are described, from the post war scenario to the challenges that the district faced at the beginning of the 2000's.

Therefore, the document explains the mechanism through which Chinese Parallel district has born, how it operates and is integrated in local economy.

In conclusion, the controversial opinions on whether the establishment of the parallel district has been beneficial or harmful to Prato's economy are illustrated.

In order to have a better understanding of how the phenomenon is truly perceived by local entrepreneurs, an interview has been conducted, as previously described at length.

It is now interesting to compare the takeaways on this interview with respect to what the literature suggests.

According to Ceccagno, the impact of the parallel district on local economy has been positive.

His view, as we have seen in the precedent section, is based on the idea that Chinese firms increased both vitality and dynamicity of the district by enhancing competition.

However, according to what emerges from the interview, the type of competition that is born between Italian and Chinese firms is not an "healthy" type of competition, which fosters productivity and innovation.

It is, instead, a competition played on two different level that led many local firms to go bankruptcy and being acquired by Chinese entrepreneurs.

This caused an interruption in the enthusiasm of the local community around the entrepreneurial activity and, nowadays, there are fewer and fewer Italian entrepreneurs who have the courage to invest in the district. Finally, the social cohesion needed for the proper functioning of the district is no longer present.

In the literature, we also find the opposite vision of Silivia Pieraccini: according to her opinion, the impact of this phenomenon on local economy has been detrimental.

The results of the interview are partially coherent with her view.

In fact, according to the interviewees, the only local entrepreneurs who benefited from the existence of the parallel district are those who closed their firms and rented their industrial properties.

In fact, the only ones who gained profit from this metamorphosis have been these ex-entrepreneurs, who switched to the industrial real estate market and rented their warehouses to Chinese firms at vertiginous prices.

In conclusion: what is the prospectus for the future?

Chinese firms are part of this new reality, there is not coming back from the transformation faced by the district. Therefore, a way for the two districts to collaborate and integrate must be found.

In order to achieve a unique integrated district, the balance between competition and cooperation that once existed in the district must be re-established. Chinese firms should bring their standards to those of local entrepreneurs, should improve the quality of the management of their firms, complying with Italian laws. They should consider the overall impact that firms have on the community and understand truly the role that the district plays within Prato and its community.

As a matter of fact, institutions and authorities play a fundamental role in this process, as well as local entrepreneurs. Everyone should participate, in order to spread knowledge spill overs and the Italian culture of industrial organization.

To conclude, I want to thank and express my gratitude to Stefano Betti. Francesco Viti and Cinzia Grassi for giving me the chance of carrying out this interesting discussion. The time that they dedicated to my questions and the answers they provided have been of critical importance for the conclusion of this work.

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